

Chapter – IV
Performance Audit

Municipal Administration and Urban Development Department

4 Tirupati Municipal Corporation

4.1 Introduction

Tirupati is a major pilgrim city located in Chittoor district of Andhra Pradesh. Tirupati Municipality was upgraded as Tirupati Municipal Corporation (TMC) in March 2007. TMC is spread over an area of 27.44 Sq. km with 23 Revenue Wards and 50 Election Wards. The population of TMC was 3.74 lakh as per 2011 Census. TMC is responsible for provision of civic amenities and infrastructure facilities in the Corporation area.

4.2 Organisational set up

Tirupati Municipal Corporation (TMC) is under overall administrative control of the Principal Secretary, Municipal Administration and Urban Development (MA&UD) at State Government level. At the Departmental level, the Commissioner and Director of Municipal Administration (CDMA) is the administrative in-charge of the TMC. The Municipal Commissioner is the executive head of TMC and is supported by Additional Commissioner and Deputy Commissioner.

4.3 Audit framework

4.3.1 Audit objectives

Performance Audit of Tirupati Municipal Corporation was carried out in selected areas (Property Tax, Building Permission Fee, Trade License Fee, Rents from shopping complex, Drainage system and Street lighting) for assessing whether:

- i) the assessment, collection and accountal of Property Tax, Building Permission Fee, Trade License Fee and Rents from shopping complexes were effectively carried out;
- ii) Drainage system was adequate and
- iii) Street lighting was adequately provided.

4.3.2 Audit criteria

Audit findings were benchmarked against the criteria sourced from the following:

- AP Municipal Corporation, Act, 1994
- Hyderabad Municipal Corporation (HMC) Act 1955 (Section 14 of AP Municipal Corporation Act, 1994 provides that all the provisions of HMC Act shall be applied *mutatis mutandis* to corporations constituted under this Act)
- AP Financial Code & A.P. Public Works Code
- Bye-laws and Council Resolutions of Tirupati Municipal Corporation
- Master Plan and City Development Plan
- Relevant scheme/project guidelines and Service Level Benchmarks
- Orders issued by Government from time to time

4.3.3 Audit sample

Five *per cent* of number of cases assessed/works executed during 2012-17 in respect of Property Tax¹, Trade License Fee², Building Permission Fee³ and Storm water drains⁴ were selected for conducting Performance Audit. All the cases in respect of rents from Shopping Complexes (100 *per cent*) were selected and examined. 25 *per cent* of cases pertaining to Street Lighting were selected as sample and examined.

4.3.4 Audit scope and methodology

Performance Audit of TMC was conducted between February-June 2017 covering the period 2012-17. Audit methodology involved issue of audit enquiries and scrutiny of relevant records/documents at the Office of Commissioner of TMC. An Entry Conference was held (January 2017) with the representatives of the Department/Corporation wherein audit objectives, scope, criteria and methodology were explained. Exit Conference was held with the Government representatives in November 2017 to discuss audit findings. Replies (November 2017) of the State Government have been suitably incorporated in the report.

4.3.5 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Tirupati Municipal Corporation and its officials during the conduct of this audit.

4.4 Funding

Under AP Municipal Corporation Act, 1994, TMC is empowered to generate its own revenue by levy and collection of Property Tax, Trade License Fee, etc. Expenditure towards Street Lighting and Drainage System was met from own resources. Receipts and Expenditure of TMC in selected areas for the period 2012-17 are given below:

Table 4.1
Statement showing the receipts and expenditure details during 2012-17

(₹ in crore)

Year	Property Tax		Trade License		Building Permission Fee		Rents from Shopping Complexes		Drainage System		Street Lighting	
	BE	Actuals	BE	Actuals	BE	Actuals	BE	Actuals	BE	Actuals	BE	Actuals
2012-13	25.41	21.35	0.90	1.80	1.51	3.60	0.85	0.91	2.00	1.40	3.16	1.96
2013-14	31.26	25.44	1.28	1.09	5.05	2.50	1.40	1.02	4.93	6.08	5.15	4.87
2014-15	30.96	29.80	1.40	1.78	6.31	2.36	1.20	1.20	4.80	6.35	11.25	6.25
2015-16	38.33	33.63	1.90	0.87	14.47	0.60	1.50	1.30	7.82	1.21	13.15	4.90
2016-17	42.16	36.10	1.50	0.61	7.45	0.07	1.70	1.19	5.69	8.48	6.07	0.00
Total	168.12	146.32	6.98	6.15	34.79	9.13	6.65	5.62	25.24	23.52	38.78	17.98

Source: Information furnished by TMC; BE: Budget Estimates

¹ Property Tax: 230 cases (5 *per cent* of 3,545 plus 50 cases of newly merged Panchayats)

² Trade License: 230 cases (5 *per cent* of 4,604)

³ Building Permission: 74 cases (5 *per cent* of 1,481)

⁴ Drains: 30 cases (5 *per cent* of 604)

It was noticed that Property Tax which is the main source of income was short realised throughout the review period against the budget estimates. Trade License Fee was realised more than the budget provision in the year 2012-13 only. It came down in the subsequent years. Realisation of Building Permission fee showed declining trend. Variation was noticed between budget and expenditure in respect of street lighting and drainage systems. This indicated that the budget estimates were not realistic (*Appendix- 4.1*). Unrealistic budget estimates would affect the maintenance of services.

Audit Findings

Receipts of Corporation

4.5 Property Tax

Property Tax (PT), levied on the buildings, is the main source of income. As per Section 264 of the Act, Property Tax shall be payable on half-yearly basis. Components of the Property Tax are i) general tax ii) water tax iii) drainage tax iv) lighting tax and v) conservancy tax. Commissioner of the Municipal Corporation is the assessing authority for fixation of Property Tax on all buildings in the Corporation area.

4.5.1 Assessment, collection and accountal of Property Tax

4.5.1.1 Comprehensive database

According to Section 199 of HMC Act, Property Tax (PT) shall be levied on all buildings in the city at such percentage as may be fixed by the corporation. Maintenance of complete and accurate data on all assessable public and private properties⁵ would enable raising a proper demand. Such information would serve as an effective aid for creating centralized database and also facilitate the ULB to detect unassessed/unauthorized structures.

TMC had no comprehensive database of all assessable properties. Audit observed that properties were identified by TMC only when the owners approached the TMC or whenever the revenue officials identified new properties during their regular visits of corporation area. As per data available, there were 64,328 assessed properties in TMC limits as of March 2017. Deviations/unauthorised constructions were noticed in 2,313 assessments. Out of 230 test checked properties, deviations/unauthorised constructions were noticed in 129 cases (*56 per cent*).

As per JNNURM⁶ guidelines, TMC has to adopt e-governance using IT applications like Geographic Information System (GIS) for effective realization of PT so that PT becomes major source of revenue. However, TMC has not done the GIS mapping of the properties. Thus, there was scope for un-assessed properties.

⁵ such as residential and non-residential properties including Central, State Government properties, and properties of autonomous and corporate bodies

⁶ Jawaharlal Nehru National Urban Renewal Mission

State Government stated (November 2017) that an agreement was concluded with an agency for GIS mapping/updation of database and assured that all the un-assessed properties would be covered.

4.5.1.2 Assessment and levy

According to Section 210 of HMC Act when any building is newly erected or re-erected, or when any building which has been vacant is re-occupied, the person primarily liable for the property taxes assessed on the building shall, within fifteen days give notice thereof in writing to the Commissioner. Further, the said period of fifteen days shall be counted from the date of the completion or of the occupation whichever first occurs. Audit test-checked assessment and levy of Property Tax in respect of 230 properties during the review period. Of these, in 100 cases audit noticed delay in bringing the properties into PT net after completion of construction. The delay ranged from one to four years. Audit assessed loss of revenue of ₹1.18 crore as of March 2017 (*Appendix- 4.2*).

4.5.1.3 Non-revision of Annual Rental Value

According to Rule 7 (5) of the HMC (Assessment of Property Tax) Rules, 1990, the rates of monthly or yearly rents for each category of building in a zone shall be revised once in five years for assessment of Property Tax. Annual Rental Value (ARV) on residential buildings fixed in the year 2002 was not revised as of June 2017. ARV on non-residential buildings fixed in the year 2007 was also not revised as of June 2017. Non-compliance to Act provisions would affect the financial position of the TMC as PT is the major source of income to ULBs.

4.5.1.4 Incorrect assessment under Building Penalisation Scheme

Building Penalisation Scheme (BPS) was introduced in May 2015 for regulation and penalization of un-authorized buildings and buildings constructed in deviation to the sanctioned plans. On receipt of the application along with required documents and plans, the Competent Authority shall scrutinize the application. After carrying out necessary site inspection, the competent authority would communicate its approval or rejection to the applicant as early as possible but not beyond six months from the date of receipt of application.

Audit test-checked 30 BPS cases and noticed the following:

1. In six cases, plinth area showed in the PT assessment was less than the plinth area assessed for regulation under BPS. Variation ranged from 18.84 Sq. mts. to 119.72 Sq. mts. This resulted in short assessment of ₹0.99 lakh towards PT (*Appendix- 4.3*) as of March 2017. On the other hand, in 18 cases (*Appendix- 4.4*), the plinth area as per PT assessments was higher than that mentioned in BPS. Variation ranged from 4.17 Sq. mts to 1,708.83 Sq. mts. This indicated that BPS proceedings were made without physical verification of the building.

2. In four cases (*Appendix- 4.5*), house numbers mentioned in the BPS proceedings were not traceable in the database of properties maintained by TMC. This confirms that data available with TMC was not comprehensive.

State Government replied (November 2017) that assessments under BPS were made based on the information furnished by the applicants. The reply is not satisfactory as the Government Orders (May 2015) on the BPS scheme stipulates that competent authority shall scrutinize the application, and after carrying out necessary site inspection only it should communicate the approval.

4.5.1.5 Occupancy Certificate

According to Andhra Pradesh Building Rules 2012, Occupancy Certificate (OC) shall be mandatory for all buildings. No person shall occupy or allow any other person to occupy any building or part of a building for any purpose unless such building has been granted an Occupancy Certificate by the sanctioning authority. Obtaining the occupancy certificates is optional in respect of individual buildings having the plot size upto 100 Sq.mts. and height up to 7 meters. The functional/line agencies dealing with electric power, water supply, drainage and sewerage shall not give regular connections to the building unless such OC is produced or alternatively may charge three times the tariff till such time OC is produced. In addition to the above, the local body shall collect every year two times the Property Tax, as penalty, from the owners/occupants till such time the occupancy certificate is obtained. Scrutiny of the OC records showed the following.

- i. In 196 (85 *per cent*) cases out of 230 cases of PT assessments test-checked, buildings were constructed in the plot of area exceeding 100 Sq. mts for which occupancy certificates were not issued by the TMC. The TMC had not levied penalty at the rate of two times of the Property Tax. Audit assessed loss of revenue as ₹11.32 crore as of March 2017.
- ii. Out of the 2,168 Building Permission applications received during the period 2012-17, Corporation approved 1,481 applications. However, only four occupancy certificates were issued by the corporation.

State Government did not furnish specific reply.

4.5.1.6 Exemptions from Property Tax

As per Section 202 and 202-A of HMC Act, 1955, General Tax⁷ shall be exempted in respect of buildings owned and used as recognized educational institutions including hostels and charitable hospitals. As per section 214 of the Act, Commissioner is the competent authority to grant exemption from levy of general tax.

Data for the period 2012-17 pertaining to buildings exempted from PT showed that the TMC had given exemption of ₹0.25 crore in respect 352 buildings. Out of this,

⁷ One of the components of Property Tax

TMC did not record reasons for granting exemptions of ₹0.12 crore in respect of 79 properties. As such, eligibility of exemptions for 79 properties could not be ensured.

State Government replied (November 2017) that concerned authorities would be addressed to accord exemptions according to the provisions of the HMC Act.

4.5.1.7 Collection of Property Tax

Collection of taxes is watched through Demand, Collection and Balance (DCB) register, including current and arrear position. Year-wise details of demands raised and actual collections during 2012-17 are given below:

Table 4.2

Statement showing the demand, collection and balances of Property Tax

(₹ in crore)

Year	Demand			Collection			Balance		
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
2012-13	9.54	22.07	31.61	2.74	18.61	21.35	6.81	3.46	10.27
2013-14	12.49	22.54	35.03	6.24	19.20	25.44	6.25	3.35	9.60
2014-15	12.84	31.67	44.51	3.20	26.60	29.80	9.64	5.08	14.72
2015-16	30.15	34.69	64.84	4.47	29.16	33.63	25.69	5.52	31.21
2016-17	30.76	39.79	70.55	3.11	32.99	36.10	27.64	6.80	34.44
Total	95.78	150.76	246.54	19.76	126.56	146.32	76.03	24.21	100.24

Source: Information furnished by the Commissioner, TMC

TMC achieved 84 per cent in collection of current demand of Property Tax. However, collection of arrear demand was poor (21 per cent) during the review period of 2012-17. Out of the total arrear demand of ₹95.78 crore, only ₹19.76 crore was collected. TMC had not adhered to the penal⁸ provisions stipulated in the Act for effective realization of the arrears, except levy of penalty at the rate of two per cent of PT. Further, the closing balance was not carried forward as opening balance in subsequent year during any of the financial years of the review period. As such the DCB statement did not depict the true picture. Further, as per online data furnished (April 2017) by TMC to MAUD, an amount of ₹41.04 crore was outstanding as on 31st March 2017, while an amount of ₹34.44 crore was shown as outstanding as per DCB.

State Government replied (November 2017) that steps would be taken for the collection of arrears. Further, in respect of the difference between online data and DCB Government assured that the same would be reconciled.

⁸ a) Section 269(2) of HMC Act, 1955-For non-payment of property tax on or before due date: (i) penalty of 2 per cent interest per month to be imposed; or (ii) disconnect the essential services; or (iii) confiscate the movable articles of the defaulter, b) Section 238 of HMC Act, 1955-Collection of arrears of Property Tax under the provisions of the Revenue Recovery Act (RR Act) and c) Section 278 HMC Act, 1955-Suing the defaulters in court of law

4.5.1.8 Short remittance of Library Cess

The Property Tax together with Library Cess and Education Tax shall not exceed 25 per cent and 33 per cent of ARV in respect of residential and non-residential properties respectively. According to section 20(1) of the Andhra Pradesh Libraries Act, 1960 every Zilla Grandhalaya Samstha (ZGS) shall levy in its area, Library Cess in the form of a surcharge on the Property Tax to provide better library facilities. Library Cess shall be collected at the rate of 1.52 per cent and 2.08 per cent of the PT respectively on residential and non-residential properties. The amount of Library Cess collected by the local bodies shall be paid to the Zilla Grandhalaya Samstha for the purpose of providing better library facilities to the public. During the period 2012-17, TMC had collected PT to a tune of ₹146.32 crore. Out of this, TMC had to remit ₹7.70 crore⁹ to ZGS. Against this, TMC had remitted an amount of ₹6.32 crore only leaving a balance of ₹1.38 crore. Thus, TMC failed to remit the amount promptly to ZGS.

State Government replied (November 2017) that the balance amount of Library Cess would be remitted.

4.5.1.9 Non-remittance of Education Tax

According to Andhra Pradesh Education Act, 1982, Education Tax shall be levied by the ULBs at such rates as may be considered necessary. It is an addition to the taxation levied in the ULBs under the head of Property Tax for the purpose of providing educational facilities within its jurisdiction. Education Tax shall be levied at 4.20 per cent and 4.00 per cent of the PT respectively on residential and non-residential properties.

TMC realised an amount of ₹21.04 crore towards Education Tax during the period 2012-17. The same was not remitted to Government account in violation of the Act provisions. Thus, the intended objective of providing educational infrastructural facilities in the corporation area was not achieved.

State Government replied (November 2017) that the amount collected was being utilised for the maintenance of schools which were under the control of the TMC. The reply is not acceptable as the same has to be remitted to Government account.

4.6 Trade Licence Fee

Various trades are identified for which trade licence fee is to be collected by the ULBs for running the listed business. The Municipal Council shall fix licence fee for various trades. The council shall issue a notification to the effect that no premises within municipal limits shall be used for any or more of the purposes specified therein without a licence. The Public Health wing in TMC is responsible for regulating the trades and ensure that no trade is run without a licence from TMC.

⁹ 85 per cent of total Library cess of ₹9.07 crore

4.6.1 Assessment, collection and accountal of Trade License Fee

4.6.1.1 Assessment of Trade Licences

Scrutiny of trade licence fee in respect of 230 test-checked trade licences showed that 69 properties (30 per cent), wherein trades¹⁰ have been carried out, were not assessed for PT. TMC assessed the PT in respect of premises of 10 trade licences as residential instead of commercial. In respect of 56 trade licences, House numbers were not mentioned, in the absence of which, audit could not ensure the levy of PT. This indicated that there was no co-ordination between Public Health wing, which deals with the issue of trade licences and revenue wing to ensure that all buildings for which trade licences were issued, were brought into PT net.

State Government replied (November 2017) that the matter would be referred to revenue wing of the TMC for examination of the cases.

4.6.1.2 Revision of Trade Licence Fee

The licence fee for trades under section 622(2) of HMC Act, 1955 was fixed in 2010-11¹¹, keeping in view the increase in service charges rendered by TMC. Licence fee is based on rental value of the property and can be subsequently enhanced by the Commissioner with the sanction of the Corporation. Such enhancement shall be made from time to time. Scrutiny of records revealed that TMC did not review the trade licence fee for subsequent revision.

State Government assured (November 2017) that Municipal Council would be requested to review the trade licence fees structure.

4.6.1.3 Collection of Trade Licence Fee

Year-wise details of demand raised and actual collection during 2012-17 are as follows:

Table 4.3

Statement showing the demand, collection and balances of Trade Licence Fee

(₹ in crore)

Year	No. of trade licenses	Demand			Collection			Balance		
		Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
2012-13	5,809	0.10	1.80	1.90	0.00	1.80	1.80	0.10	0.00	0.10
2013-14	8,010	0.52	0.94	1.46	0.15	0.94	1.09	0.37	0.00	0.37
2014-15	8,010	0.52	1.62	2.14	0.16	1.62	1.78	0.36	0.00	0.36
2015-16	8,876	0.43	1.00	1.43	0.00	0.87	0.87	0.43	0.13	0.56
2016-17	9,647	0.00	1.13	1.13	0.00	0.61	0.61	0.00	0.52	0.52
Total:		1.57	6.49	8.06	0.31	5.84	6.15	1.26	0.65	1.91

Source: DCB statements

¹⁰ Floor mills, rice mills, bakery, making of ice creams, offset printing press etc.

¹¹ As per Section 622(2) of HMC Act, 1955 read with Gazette Notification of TMC dated 05-01-2010

From the above table, Audit observed that performance of TMC in collection of current demand ranged from 54 per cent (2016-17) to 100 per cent (2012-15). TMC performance in collection of arrears ranged from 0 per cent (2012-13 and 2015-16) to 31 per cent (2014-15) only. Closing balance was not carried forward as opening balance in subsequent year during any of the financial years of the review period. Further, demand raised and trade licence fee collected dropped by 66 per cent, even though number of trade licenses had increased by 66 per cent during 2012-17. This showed that the system of levy and collection of trade licence fee was not effective.

This further substantiated the fact of lack of co-ordination between Public Health wing, which deals with the issue of trade license fee and revenue wings of the Corporation.

State Government did not furnish specific reply.

4.7 Shopping Complexes

Year-wise details of demand raised, actual collection and balances of rent from shopping complexes during 2012-17 are given in Table 4.4:

Table 4.4
Demand, collection and balances of rents from shopping complexes
(₹ in crore)

Year	No of shops	Demand			Collection			Balance		
		Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
2012-13	404	0.00	1.14	1.14	0.00	0.91	0.91	0.00	0.23	0.23
2013-14	272	0.23	1.04	1.27	0.08	0.94	1.02	0.15	0.10	0.25
2014-15	274	0.25	1.11	1.36	0.09	1.11	1.20	0.16	0.00	0.16
2015-16	263	0.16	1.52	1.68	0.00	1.30	1.30	0.16	0.22	0.38
2016-17	263	0.00	1.70	1.70	0.00	1.19	1.19	0.00	0.51	0.51
Total		0.64	6.51	7.15	0.17	5.45	5.62	0.47	1.06	1.53

Source: DCB Statements of TMC

From the above table, Audit observed that performance of TMC in collection of current demand ranged from 70 per cent (2016-17) to 100 per cent (2014-15). TMC performance in collection of arrears ranged from 0 per cent (2015-16) to 36 per cent (2014-15) only. Collection of arrears was poor even though collection of current demand was satisfactory.

State Government assured (November 2017) that stringent action would be initiated for realization of arrears of rent from the lessees.

4.7.1 Loss of revenue

TMC has constructed Municipal shopping complex consisting of 10 shops¹² in 2011, at a cost of ₹18.91 lakh. Corporation had conducted auctions four times during

¹² at Damineedu under Integrated Housing Slum Development Programme (IHSDP)

2012-15. However, only four shops were occupied and remaining six shops were still vacant (as of April 2017). This resulted in loss of revenue to a tune of ₹2.43 lakh.

TMC replied (June 2017) that even though auctions were conducted, public had not come forward to participate. This showed that TMC did not conduct proper demand survey of the market before selection of site for construction of the shopping complex. This resulted in unfruitful expenditure on construction of shops.

Audit scrutiny of records showed that seven shops (out of 253 shops) in three Municipal shopping complexes of TMC were vacant for a long period ranging from 2 to 34 months (*Appendix- 4.6*). This resulted in loss of revenue to an extent of ₹8.17 lakh.

State Government stated (November 2017) that in spite of conducting auctions several times the shops were not occupied as there was no demand for the same. The reply only confirmed that proper demand survey was not conducted before selection of the site.

4.8 Building Permissions

In addition to civic functions and welfare programmes, ULBs are entrusted with certain regulatory functions relating to Town Planning such as approval of layouts, approval of Building Plans, etc. ULBs shall collect Town Planning Fee and Charges such as Building Permission Fee, Open Space Contribution Charges, Betterment Charges, etc., for granting permissions which form source of revenue to them. The Director of Town and Country Planning issued instructions (February 2013) to adopt uniform rates. Accordingly, TMC revised town planning fee and charges through Gazette Notification (June 2013). TMC collected an amount of ₹9.13¹³ crore towards Betterment and Development Charges, Building Permission Fee and encroachment fee during the period of 2012-17.

4.8.1 Issue of Building permissions without collection of applicable charges

As per Andhra Pradesh Regulation of Unapproved and Illegal Layout Rules 2007, Urban Development Authority (UDA) shall collect applicable charges¹⁴ in case of areas falling under their jurisdiction. As per section 27 of the Urban Areas (Development) Act, 1975 UDA shall levy development charges in cases where permission for use of land or building was sought for. During the test check of building permission cases, Audit observed that TMC issued building permission proceedings without ensuring collection of applicable charges by UDA, as detailed under:

¹³ 2012-13: ₹3.60 crore, 2013-14: ₹2.50 crore, 2014-15: ₹2.36 crore, 2015-16: ₹0.60 crore and 2016-17: ₹0.07 crore.

¹⁴ Open Space Contribution, Betterment Charges and Development Charges. These charges shall be released for developmental works in respective Municipal Corporations based on the policies of the Government.

- i. According to the gazette notification issued by the Corporation (June 2013), open space contribution¹⁵ was to be collected from the applicants who applied for construction in unapproved layouts. In five cases, an amount of ₹2.27 crore (*Appendix-4.7*) towards Open Space Contribution was not collected.
- ii. Similarly, Betterment Charges¹⁶ were to be collected from the building permission applicants who applied for construction in unapproved layouts. However, audit observed that, in nine cases, an amount of ₹0.15 crore (*Appendix-4.8*) towards Betterment Charges was not collected.
- iii. As per Government orders (June 2007) the development charges were to be collected from the building permission applicant's as per site area and built up area. Audit noticed that in 25 cases, an amount of ₹0.24 crore (*Appendix-4.9*) was short collected towards Development charges.

State Government replied (November 2017) that matter had been referred to town planning wing for field verification and collection of balances due.

4.8.2 Rain Water Harvesting Scheme (RWHS)

As per revised schedule of Town Planning Fee and Charges issued (February 2013) by the Director of Town and Country Planning, Andhra Pradesh, the Rain Water Harvesting (RWH) Charges (Deposit) at ₹25 *per square meter* are to be collected from each applicant seeking approval for house plan. The amounts so collected shall be kept as deposit and refunded to the applicants who constructed RWH pits. Otherwise, the Corporation has to undertake construction of RWH pits with the amount collected. An amount of ₹0.43 crore was collected under RWHS from the applicants during the period 2012-17. Scrutiny of records revealed that the amount collected was kept as deposit during 2012-13 and incorrectly credited to General fund during the period 2013-17.

State Government replied (November 2017) that in addition to the amount collected under RWHS an additional amount from General fund was also spent on digging RWH pits in the TMC area. However, during joint physical verification of 10 buildings, for which TMC had accorded building permissions during the period 2011-16, RWH pits were not found in the premises of any of the building.

4.8.3 Labour Cess

According to Government Orders (December 2009) all the departments/Local Bodies/Authorities had to ensure that one *per cent* Labour Cess on the Estimated Cost of Construction of the building works¹⁷ are received by them before they approve plans for Building and Other Construction Works. However, it was observed in 64 out of 74 test-checked cases that Corporation had short collected an amount of ₹0.77 crore

¹⁵ at 14 *per cent* of the present market value of the land.

¹⁶ ₹120 per square meter for residential and ₹150 per square meter for non-residential purposes

¹⁷ Construction, maintenance, repair or demolition of any building which is designed to be or is or has been more than one storey in height above the ground or twelve feet or more from the ground level to the apex of the roof

towards Labour Cess as detailed in **Appendix- 4.10**. The short collection of cess would affect the intended objective of providing welfare measures to construction workers.

State Government replied (November 2017) that the subject matter had been taken up with the Labour Department.

Expenditure

4.9 Drainage System

TMC is spread over an area of 27.44 Sq. km. Based on the topography of the town, drainage system in TMC area was divided into five zones. Zones I, II & III cover the core area of the city. Zones IV & V were amalgamated with TMC in July 2013. Fourth zone has been further divided into Zone IV, IVA and IVB.

4.9.1 Drainage network

Against the requirement of 580 Kms of open drain length in the Corporation area, TMC provided open drains in 450 kms only. State Government replied (November 2017) that the finalization of DPRs were under progress.

Thus, it was evident that the open drains were not provided for the entire road length.

4.9.2 House Service Connections

1. The core area of the TMC was provided (1994) with comprehensive Underground Drainage (UGD) system with Housing and Urban Development Corporation (HUDCO) assistance of ₹35.88 crore. However, Audit noticed a large pendency in providing House Service Connections (HSCs) even after 23 years of providing UGD. Out of 91,811 households in the core area, only 22,354 (24 *per cent*) households were connected to sewerage network and 58,457 (64 *per cent*) households were still having septic tanks. Further, 11,000 (12 *per cent*) households were neither connected to sewerage network nor had septic tanks. This resulted in letting out of waste water into open drains which reached water bodies causing environmental hazards.

State Government stated (November 2017) that strict enforcement would be introduced for taking up UGD connections. Remaining connections would be completed by conducting public awareness programmes.

2. TMC had taken up the Underground Drainage project with estimated value of ₹19 crore covering eastern side of Tirumala Bypass Road. The project was stated to have been completed (March 2013) under JNNURM funds at a cost of ₹21.71¹⁸ crore. Public Health Engineering Department (PHED), the implementing agency transferred (December 2014) the UGD project to TMC. As per completion reports of the project and deviation statements only 7,572 rmts¹⁹ (43 *per cent*) out of 17,600 rmts was completed at the time of handing over of the project. Only 3,800 House Service Connections could be provided with the completed length.

¹⁸ Excess of ₹2.71 crore utilized from the savings of Storm Water Drainage (SWD) project.

¹⁹ rmts – running meters

However, only 592 (16 *per cent*) HSCs were given leaving a balance of 3,208 (84 *per cent*) HSCs as of June 2017. The implementing agency attributed the short execution of pipeline of 10,028 rmts to obstacles and encroachments on the pipeline alignment. TMC stated that necessary efforts were taken to insist upon the public to take HSCs and promised (June 2017) to complete the remaining connections by March 2018. However, no action plan was on record to complete the remaining length of the project. Similarly no plan was on record to provide HSCs to available UGD facility.

State Government replied (November 2017) that remaining length of the project would be taken up under AMRUT²⁰ scheme during 2017-20.

4.9.3 Storm water drains

The main objective of Storm Water Drainage system is to prevent flooding of roads and low lying areas by disposing off rain water safely. TMC was divided into three storm water zones comprising 12 drains with a total length of 29.117 kms covering an area of 2,671.08 hectares. Out of this, though TMC proposed 23.842 kms, it could execute storm water drains only for 13.308 kms, leaving a balance of 10.534 kms without the provision of storm water drains.

4.9.3.1 Unfruitful expenditure on Storm Water Drainage project

The work of construction of Storm Water Drainage (SWD) project for 23.842 kms of Tirupati area was taken up with estimated value of ₹46.82 crore under JNNURM funds. PHED executed the work on behalf of TMC. Construction of 13.308 km out of 23.842 km of SWD was completed (March 2013) with an expenditure of ₹30.17 crore, leaving a balance of 10.534 kms as of March 2017. The work was closed midway and handed over (December 2014) to TMC for further maintenance. PHED attributed pre-closure of the work to non-removal of encroachments and not obtaining of forest clearance by TMC.

Since project was not completed in full shape, there was inundation and flooding during November 2015. Thus, incomplete project resulted in unfruitful expenditure of ₹30.17 crore. Further, GoI assistance of ₹13.47 crore under JNNURM²¹ could not be availed due to incomplete work.

State Government replied (November 2017) that due to completion of JNNURM²² period in 2013 the work was pre-closed by the PH department.

4.10 Street Lighting

4.10.1 Classification of streets

Public lighting facilitates safe and easy movement of traffic during night times. The level and type of lighting adopted for a street is based mainly on the volume of traffic, both vehicular and pedestrian. As per Bureau of Indian Standards (BIS) norms, Street

²⁰ Atal Mission for Rejuvenation and Urban Transformation

²¹ Jawaharlal Nehru National Urban Renewal Mission

²² Duration of the Mission period was seven years from the year 2005-06 (i.e. upto 2012-13)

lighting has to be classified²³ with reference to the traffic density of the road. However, the TMC did not classify the roads as per BIS norms and did not prepare the City Development Plan (CDP) for street lighting.

State Government accepted (November 2017) that roads were not classified as per BIS norms and stated that preparation of City Development Plan was under progress.

4.10.2 LED streetlight project

The State Government decided (February 2015) to replace the existing conventional street lights with LED²⁴ based street lighting system in all Urban Local Bodies. The main objective of the project was implementation of energy efficiency measures in street lighting. Accordingly, TMC entered into bilateral agreement (April 2015) with Energy Efficiency Services Limited (EESL)²⁵, at an estimated capital cost of ₹7.26 crore. The project was to be completed within a period of 14 weeks (July 2015) from the date of agreement. The scope of agreement provided that the EESL shall implement the project with energy efficiency measures²⁶. The scope of agreement included annual maintenance for seven years and warranty replacement. Further, the agency shall meet upfront capital cost of the project. Repayment to EESL, in the form of annuity, will be within the overall expenditure currently incurred by TMC on energy consumption and maintenance charges. That is, EESL annuity and the electricity bill post retrofit will be less than the current expenditure on energy consumption. Scrutiny of records revealed the following:

4.10.2.1 Avoidable expenditure on Current consumption charges

- i. As per the agreement conditions, TMC shall issue forthwith 'Completion Certificate' after installation of all LED streetlights in TMC area. The scheduled date of completion of project was July 2015. However, installation of LED lights against the existing conventional lights could be completed only in August 2016. Thus, there was delay in implementation of the project by 12 months. This resulted in avoidable expenditure of ₹69.85 lakh towards Current Consumption charges on street lighting (*Appendix- 4.11*).

State Government stated (November 2017) that EESL could not complete the work in time due to shortage of LED lights. The contention of the State Government was not acceptable as TMC could not levy any penalty upon EESL for delayed execution of the project as there was no penal clause in the agreement conditions.

- ii. As per agreement with EESL, the present current consumption shall be reduced by 50 per cent after installation of LED lamps. The revised energy consumption after installation of LED lamps was estimated to be reduced to 18,31,751 units per

²³ **Group A** – Main Roads, **Group B** – Secondary Roads, **Group C** – Unclassified Roads, **Group D** – Bridges and Flyovers, **Group E** – Town and City Centers, **Group F** – Roads with special requirements

²⁴ Light Emitting Diode

²⁵ A joint venture company of PSUs of Ministry of Power

²⁶ replacing the conventional streetlight fixtures & lamps with LED streetlight fixtures & LED lamps

year/1,52,646 units per month²⁷. TMC had issued completion certificate in August 2016, and thereafter it expected monthly current consumption to be below 1,52,646 units. However, during the period from August 2016 to March 2017, the monthly consumption was above the benchmark (ranging upto 4-21 *per cent*). TMC had incurred an expenditure of ₹9.07 lakh towards excess current consumption charges as of March 2017 (*Appendix- 4.12*). Thus, improvement in efficiency of street lighting was not as expected.

State Government stated (November 2017) that there was a saving of 36 *per cent* in current consumption. Prescribed 50 *per cent* savings could not be achieved as additional street lights were installed in extended new areas.

However, contention of the Government was not convincing as new areas were last included in 2013 only and the agreement with EESL was for entire jurisdiction of TMC which included new areas also.

4.10.2.2 Dismantled conventional lamps and luminaries

As per the agreement condition 4(ix), after dismantling of existing fittings, EESL shall deposit the same on day-to-day basis against the acknowledgement in writing.

EESL would not have responsibility for safe keeping of the dismantled lights once they were given back to TMC. During execution of contract the agency had replaced different categories of 10,576 numbers of conventional lights and fittings. The value of dismantled lights and fittings was ₹0.75 crore. It was noticed that the same were neither accounted for nor taken to stock by TMC as of June 2017, even after completion of retrofitting (August 2016) with LED lights. Further, dismantled lamps and luminaries were not tested for their functionality and as they are lying idle with EESL the possibility of misuse and theft cannot be ruled out. There was also no action plan with the TMC for safe disposal of the dismantled lamps and luminaries.

State Government accepted (November 2017) that the dismantled conventional lights were not handed over by EESL.

4.11 Conclusion

Comprehensive database of assessable properties was not maintained. There were delays in assessment of properties and revision of Property Tax. There was no focus on collection of arrear Property Tax. There was lack of co-ordination between town planning and public health wing resulting in properties escaping tax net. Collection of all charges due was not ensured before according building permissions. House service connections from completed underground drainage projects were long pending. Progress of underground/storm water drainage projects was poor. Dismantled

²⁷ As per the cost sheet on the net financial impact

conventional lamps and luminaries were not accounted for and taken to stock after implementation of LED streetlight project.

4.12 Recommendations

- *Comprehensive database of all assesses/lessees should be maintained to improve the collection of taxes and detection of unauthorized construction/trades.*
- *Appropriate penal provision should be imposed against the chronic defaulters to reduce huge arrears in Property Tax collections.*
- *Action may be taken to complete the Drainage works to avoid letting of the waste water and inundation of areas during floods.*
- *Steps should be taken for safe keeping/safe disposal of the dismantled street light fittings.*

State Government accepted (November 2017) the recommendations made by audit.