
Overview

1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from performance audit of selected programmes of Panchayat Raj and Rural Development (PR&RD) and Municipal Administration and Urban Development (MA&UD) departments implemented with involvement of Local Bodies along with compliance audit of PRIs and ULBs.

This Report also contains overview of finances and accounts of local bodies and observations on financial reporting.

2 Significant Audit findings

This Audit Report includes results of one performance audit and six compliance audit paragraphs of PRIs and ULBs. Draft performance audit and compliance audit paragraphs were forwarded to Government and replies wherever received have been duly incorporated in the Report. Significant audit findings relating to their audits are discussed below.

2.1 Performance audit on Water Supply in Urban Local Bodies

Water is a natural resource essential for human existence. Lack of safe drinking water affects the health and wellbeing of the public. The objective of water supply system is to ensure supply of safe and adequate quantity of water at reasonable cost to the user. The responsibility for supply of potable water to urban population rests with the Urban Local bodies (ULBs). Out of 108¹ ULBs in the State, 13² were selected for detailed scrutiny based on lowest lpcd (litres per capita per day) in each stratum³. The following significant observations were made in the Performance Audit of Water Supply in Urban Local Bodies:

- *State Government was yet to frame policy/guidelines based on National Water Policy 2012 as per local requirement. Water Regulatory Authority was yet to be established for uniformity in operations and pricing for supply of water.*

(Paragraphs 4.5.1 and 4.5.2)

- *ULBs had not accorded due importance to construction of rain water harvesting structures for conservation of ground water. No action was initiated by the ULBs for rejuvenation or recharging of sub-surface water.*

(Paragraph 4.6.3)

¹ Two Nagar Panchayats formed on or after 2012 were not considered for sampling

² Dhone (Kurnool district), Guntakal (Anantapuramu), Gudur (SPSR Nellore), Markapur (Prakasam), Nandigama (Krishna), Narsipatnam (Visakhapatnam), Pedana (Krishna), Piduguralla (Guntur), Pithapuram (East Godavari), Salur (Vizianagaram), Tirupati (Chittoor), Vijayawada (Krishna) and Vizianagaram (Vizianagaram)

³ Stratum I (<= 70 lpcd), Stratum II (>70 and <=135) and Stratum III (>135)

- *Water Treatment Plants were not available in six⁴ test-checked ULBs where sub-surface water was the source.*

(Paragraph 4.7.1)

- *Water supply distribution network was inadequate. In the 10⁵ test-checked ULBs there was shortfall in coverage of pipeline network ranging from 7 per cent to 92 per cent, when compared with internal road length.*

(Paragraph 4.7.3)

- *Flow meters were not installed at source/treatment plant/distribution zones in eight⁶ test-checked ULBs.*

(Paragraph 4.7.4)

- *In seven⁷ test-checked ULBs, there was a gap between demand and supply ranging from 27 per cent to 80 per cent. The periodicity of water supply ranged from twice in a day to once in five days.*

(Paragraphs 4.9.1 and 4.9.2)

- *There was shortfall (78 per cent) in House Service Connections in eight test-checked ULBs. Water meters were not installed in seven⁸ test-checked ULBs. In the remaining six⁹ ULBs, water connections were metered to the extent of six per cent¹⁰ only.*

(Paragraphs 4.9.3 and 4.9.5)

- *ULBs (except Tirupati and Vijayawada) did not install their own laboratories. As such, there was shortfall in coverage of tests of water samples to confirm the quality of water. The Surveillance agencies, required to identify and evaluate factors posing health risk related to drinking water supplied and pinpoint the risk areas and give advice for remedial action to ULBs, were not formed in any of the test checked ULBs.*

(Paragraphs 4.10.1 and 4.10.2)

- *In five¹¹ test-checked ULBs, preventive maintenance was not being carried out and there was no action plan for regular maintenance schedule. There was inadequacy in staffing pattern for operation and maintenance of water works.*

(Paragraphs 4.11.1 and 4.11.3)

⁴ Nandigama, Narsipatnam, Piduguralla, Pithapuram, Salur and Vizianagaram

⁵ Dhone (12), Guntakal (92), Markapur (75), Nandigama (90), Narsipatnam (83), Pedana (61), Pithapuram (34), Salur (7), Tirupati (10) and Vizianagaram (57)

⁶ Dhone, Guntakal, Narsipatnam, Piduguralla, Pithapuram, Salur, Tirupati and Vizianagaram

⁷ Gudur, Guntakal, Markapur, Narsipatnam, Piduguralla, Salur and Vizianagaram

⁸ Dhone, Markapur, Nandigama, Narsipatnam, Pedana, Piduguralla and Salur

⁹ Guntakal, Gudur, Pithapuram, Tirupati, Vijayawada and Vizianagaram

¹⁰ 10,741 connections out of 1,82,702 connections

¹¹ Gudur, Narsipatnam, Pithapuram, Salur and Vizianagaram

- *In nine¹² test-checked ULBs, the expenditure on operation and maintenance for water supply arrangements was much higher than the revenue. In six¹³ ULBs, tariff fixed during the period 1998-2012 was not revised. In Guntakal, Markapur and Tirupati ULBs, the gap was acute even after revision of tariff during 2014-2015.*

(Paragraph 4.12.1)

- *Water audit to assess the total quantity of water produced and distributed was not conducted in any of the test-checked ULBs.*

(Paragraph 4.14.3)

2.2 Compliance Audit Paragraphs

2.2.1 Information Technology Audit on implementation of e-Panchayat in Andhra Pradesh

e-Panchayat is one of the Mission Mode Projects (MMP) under National e-Governance Plan (NeGP), being implemented with a vision to empower and transform rural India and make Government services accessible to the common man in his locality i.e., at Panchayat level. The e-Panchayat project aims to transform the Panchayat Raj Institutions (PRIs) into symbols of modernity, transparency and efficiency. Three districts with the highest number of clusters¹⁴ and one district with the lowest number of clusters were selected in audit. A total of 20 clusters (five clusters per district) were selected as audit sample to represent 7,164 clusters (12,920 GPs) in the State.

The main objective of e-Panchayat project to automate the internal workflow processes of panchayats could not be achieved even after three years of implementation of the project. Due to non-implementation of Service Plus application, delivery of services to the citizens could not be provided at the GPs. The aim of improving the governance of local self-government institutions could not be achieved due to non-closure of annual accounts and non-updating of the activities at the PRIs. Non-provision of systems with internet facilities at many PRIs resulted in poor implementation of the project. Overall, the objective of promoting transparency and peoples' participation in planning, implementation and decision making could not be achieved.

(Paragraph 2.1)

¹² Dhone, Gudur, Guntakal, Markapur, Piduguralla, Pedana, Pithapuram, Tirupati and Vizianagaram

¹³ Dhone (2012), Gudur (2001), Pedana (1998), Pithapuram (2011), Salur (2007) and Vizianagaram (1999)

¹⁴ Two or more GPs are grouped into clusters for implementation of e-Panchayat where data entry/ updating relating to the GPs are being made

2.2.2 Follow up audit on 'Implementation of Rural Water Supply Schemes'

Follow-up audit (2016) of Implementation of Rural Water Supply Schemes was conducted to determine whether necessary corrective action has been taken on recommendations made in the Performance Audit Report of Implementation of Rural Water Supply Schemes featured in Comptroller and Auditor General's Audit Report (General & Social Sector)¹⁵ for the year ended March 2012.

While some relevant aspects of the recommendations were seen to have been addressed, there were certain shortfalls in acting upon the recommendations made in audit. Of the five recommendations, four recommendations were partially implemented and one recommendation was not implemented as yet. Participation of PRIs was not ensured in preparation of Annual Action Plans. Adequate emphasis was not placed towards minimising the number of No Safe Sources (NSSs). Monitoring was not effective in implementation of schemes as the incomplete schemes commented in earlier report were yet to be commissioned. Gap in State matching share was not adequately addressed. Testing of samples did not cover all the water sources.

(Paragraph 2.2)

2.2.3 Sewerage and Underground Drainage works in Urban Areas

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was one of the flagship programmes launched¹⁶ by Government of India (GoI) to support various infrastructural development projects including sanitation and sewerage. Audit conducted detailed scrutiny of implementation of 10 Sewerage and Underground Drainage (UGD) projects.

Audit observed shortcomings in the planning and implementation of the project. City sanitation plan was not prepared by the ULBs. There was shortfall in release of funds by GoI and State Government. ULBs were overburdened with escalation in cost due to improper survey on the requirement of sewerage network and delay in completion of projects. One contract was terminated without revalidating bank guarantees. There was shortfall in conducting hydraulic pressure tests on the pipes already laid. Quality control checks were not addressed.

(Paragraph 5.1)

2.2.4 Irregular payment towards hiring of vehicles

State Government permitted (April 2014) the Drawing and Disbursing Officers (DDOs) to draw funds through Abstract Contingent bills for incurring expenditure during the fourth ordinary elections to Mandal Parishad Territory Constituencies (MPTC) / Zilla Parishad Territory Constituencies (ZPTC), 2014. Failure to comply

¹⁵ Chapter 5 of the Report

¹⁶ December 2005 with a mission period of seven years 2005-12 extended up to 2014

with codal provisions and Government Orders in ensuring the correctness of Detailed Contingent bills led to possible misappropriation of ₹63.38 lakh in seven¹⁷ districts.

(Paragraph 2.3)

2.2.5 Infructuous expenditure of ₹53.30 lakh

Failure of the department to ensure availability of funds before commencement of the construction of shopping cum office complex in municipal office compound in Narasaraopet resulted in infructuous expenditure of ₹53.30 lakh.

(Paragraph 5.2)

2.2.6 Short levy/assessment and collection of Building Penalisation charges

Incorrect application of rates on Penalisation Charges for un-authorized constructions/deviations by Narasaraopet Municipality resulted in loss of revenue of ₹49.65 lakh.

(Paragraph 5.3)

¹⁷ Kurnool, Prakasam, SPSR Nellore, Srikakulam, Vizianagaram, West Godavari and YSR

