
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 Panchayat Raj Institutions (PRIs) and Urban Local Bodies (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 eight 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 of supplying safe drinking water to urban population rests with the Urban Local bodies (ULBs). Out of 53¹ Urban Local Bodies in the State, seven² ULBs were selected for detailed scrutiny based on lowest lpcd (litres per capita per day) in each stratum³. Following significant observations were noticed in the Performance audit of Water Supply in Urban Local Bodies:

- *State Government had 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 much 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 14 Nagar Panchayats formed on or after 2012 were not considered for sampling

² Bodhan (Nizamabad district), Gadwal (Mahabubnagar), Kodad (Nalgonda), Mandamarri (Adilabad), Manuguru (Khammam), Metpally (Karimnagar) and Vikarabad (Rangareddy)

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

- *Water treatment plants were not available in four⁴ test-checked ULBs where sub-surface was the source. In Kodad ULB there was shortfall in storage capacity of service reservoirs and water supplied through open/bore wells for drinking purposes confirmed presence of excess fluoride.*
(Paragraphs 4.7.1 and 4.7.2)
- *Water supply distribution network was inadequate. In the four⁵ test-checked ULBs, there was shortfall in coverage of pipeline network ranging from 23 per cent to 67 per cent, when compared with internal road length.*
(Paragraph 4.7.3)
- *Flow meters were not installed at source/treatment plant/distribution zones in the test-checked ULBs.*
(Paragraph 4.7.4)
- *In Manuguru ULB, there was no household connectivity since water is supplied through public stand posts. Water Supply Improvement Scheme stipulated for completion by March 2016 was still under progress (60 per cent was executed with an expenditure of ₹11.72 crore) as of March 2016.*
(Paragraph 4.8.2.1)
- *In Vikarabad ULB, infrastructure created under the scheme sanctioned in 2007 at the cost of ₹23.81 crore remained unutilised since water was supplied through infrastructure created under another scheme sanctioned in 2011. In Gadwal ULB, the infrastructure created at the cost of ₹5.57 crore was lying idle, since contractor stopped (June 2012) the work midway.*
(Paragraphs 4.8.2.2 and 4.8.2.3)
- *In all the seven⁶ test-checked ULBs, there was a gap between demand and supply ranging from 19 per cent to 71 per cent. Duration of water supply ranged from one hour once in four days to one hour per day against target of supply of water for 24 hours.*
(Paragraphs 4.9.1 and 4.9.2)
- *The shortfall in House Service Connections in six⁷ test-checked ULBs ranged from 48 per cent to 78 per cent. Water meters were not installed in any of the test-checked ULBs, and ULBs continued to levy water charges at fixed rate, irrespective of actual consumption causing possible loss of revenue to ULBs.*
(Paragraphs 4.9.3 and 4.9.4)
- *ULBs did not install their own laboratories. As such, there was shortfall in coverage of tests of water samples to confirm the quality of water. ULBs did not furnish action taken on the unsatisfactory reports on water samples. The*

⁴ Kodad, Mandamarri, Manuguru and Metpally

⁵ Kodad (61 per cent), Gadwal (67 per cent), Manuguru (23 per cent) and Mandamarri (28 per cent)

⁶ Bodhan (19 per cent), Gadwal (41 per cent), Kodad (71 per cent), Mandamarri (44 per cent), Manuguru (56 per cent), Metpally (71 per cent) and Vikarabad (62 per cent)

⁷ Bodhan 51 per cent, Gadwal 53 per cent, Kodad 48 per cent, Mandamarri 78 per cent, Metpally 62 per cent and Vikarabad 58 per cent

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 to 4.10.3)

- *In none of the test-checked ULBs, preventive maintenance was being carried out and there was no action plan for maintenance schedule. In the test-checked ULBs (except Manuguru) the tools/spares for regular maintenance were not available. There was inadequacy in staffing pattern for operation and maintenance of water works.*

(Paragraphs 4.11.1 and 4.11.2)

- *In the test-checked ULBs, the expenditure on operation and maintenance on water supply arrangements was much higher than the revenue. In five⁸ test-checked ULBs, there was a shortfall in collection of tariff ranging from 67 per cent to 95 per cent. In Kodad and Bodhan ULBs, tariff was not revised for a long time. In Kodad ULB, water charges were being levied at ₹30 per month against ₹100 per month fixed (2004) by Government and audit assessed loss of revenue as ₹47.26 lakh⁹ per annum (2015-16).*

(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. Facilitation services for grievance redressal were not established for customer assistance.*

(Paragraphs 4.14.3 and 4.14.4)

2.2 Compliance Audit Paragraphs

2.2.1 Information Technology Audit on implementation of e-Panchayat in Telangana

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. Two districts with highest number of clusters and one district with lowest number of clusters were selected. A total of 15 clusters¹⁰ (five clusters per district) were selected as audit sample to represent 5,232 clusters (8,695 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 3 years of implementation of the project. Due to non-implementation of Service Plus application, delivery of

⁸ Bodhan 81 per cent, Gadwal 69 per cent, Kodad 95 per cent, Metpally 80 per cent and Vikarabad 67 per cent

⁹ 5,626 House service connections multiplied by ₹ 70 (₹ 100-₹ 30)

¹⁰ Mahabubnagar, Nizamabad and Warangal

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 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)

2.2.2 Sewerage and Underground Drainage in Urban Areas

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was one of the flagship programmes launched by the Government of India (GoI) to support various infrastructural development projects including sanitation and sewerage. Audit conducted detailed scrutiny of implementation of four¹¹ Sewerage and Under Ground Drainage (UGD) projects. Following significant observations were noticed:

- Arrangement for treatment of sewage was inadequate, as the DPRs of sewerage systems in the old city area on South of Musi Zone I and II provided for treatment of only 94.01 MLD out of projected outflow of 482.49 MLD.*

(Paragraph 5.1.4.3 ii)

- There was shortfall of ₹122.96 crore in the release of grants by both GoI and State Government in the test-checked projects.*

(Paragraph 5.1.5.1)

- Works were awarded without satisfying the key parameters in the technical bids such as overall responsiveness, execution of minimum quantities of work and critical equipment such as cranes for laying pipes, excavators etc.*

(Paragraph 5.1.6.1)

- Consent of State Pollution Control Board was not obtained for establishment of sewerage treatment plants.*

(Paragraph 5.1.6.2)

- Projects were not completed and were delayed beyond the stipulated period. The delay ranged from two to more than five years.*

(Paragraph 5.1.6)

- Environmental hazards and public health concerns were not fully addressed as there was no arrangement for recycling and reusing of treated water. Both the treated as well as untreated sewage relating to Musi Zone I and II projects were being let out into the Musi river.*

(Paragraph 5.1.7)

¹¹ (i) South of Musi Zone-I, Hyderabad (ii) South of Musi Zone-II, Hyderabad (iii) Underground Drainage project to Rajendranagar, Hyderabad and (iv) Underground Drainage project to Vikarabad

2.2.3 Follow up on Performance Audit of 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)¹² for the year ended March 2012.

While some relevant aspects of the recommendations were seen to have been addressed, there were areas of shortfall 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. State Government did not ensure participation of PRIs in preparation of Annual Action Plan and also did not follow two stage approach¹³ while according administrative sanctions. Gap in State matching share was not adequately addressed, as there was still a balance of ₹280.30 crore to be released by State Government as of March 2016. Adequate emphasis was not placed towards sustainability resulting in slipped back habitations. Testing of samples did not cover 23,723 water sources during 2015-16 in the State. Monitoring was not effective in implementation of schemes as the incomplete schemes commented in earlier report were still not commissioned even after incurring an expenditure of ₹169.79 crore as of August 2016.

(Paragraph 2.2)

2.2.4 Idle equipment

Swamy Ramananda Thirtha Rural Institute was established by State Government with the objective of playing a pro-active role in rural development/rural transformation through training, extension, consultancy, research and development. Equipment costing ₹1.11 crore procured (2004-07) by the Institute to establish bio-technology and soil testing laboratory had remained idle. Expenditure of ₹22.03 lakh on laboratory maintenance and consumables was unfruitful.

(Paragraph 2.3)

2.2.5 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 with codal provisions and Government directions in ensuring the correctness of Detailed Contingent bills led to possible misappropriation of ₹86.80 lakh claimed in eight¹⁴ districts.

(Paragraph 2.4)

¹² Chapter 5 of the Report

¹³ 1st stage approval for preparatory work and 2nd stage approval after finalisation of designs etc.,

¹⁴ Adilabad, Khammam, Karimnagar, Mahabubnagar, Medak, Nalgonda, Nizamabad and Rangareddy

2.2.6 Fraudulent payments towards contingent expenditure

Failure to comply with codal provisions and weak internal controls resulted in fraudulent payments of ₹0.67 lakh and possible fraudulent claims of ₹8.44 lakh towards contingent expenditure in Mandal Praja Parishad, Saroornagar of Rangareddy district.

(Paragraph 2.5)

2.2.7 Delayed remittances of EPF contributions resulted in avoidable expenditure

Failure of Greater Warangal Municipal Corporation in timely remittance of provident fund contributions resulted in avoidable expenditure of ₹2.80 crore towards damage charges and interest.

(Paragraph 5.2)

2.2.8 Unfruitful expenditure on construction of office building

In Nizamabad Municipal Corporation, failure to ensure adequate funds for construction of office building resulted in unfruitful expenditure of ₹1.87 crore.

(Paragraph 5.3)