



GOVERNMENT OF ANDHRA PRADESH

Action Taken Report on the Recommendations of the Fifth State Finance Commission

MARCH - 2026

**FINANCE (PMU-CASPS & FC) DEPARTMENT
A.P. SECRETARIAT, AMARAVATI.**



EXPLANATORY MEMORANDUM AS TO THE ACTION TAKEN ON THE RECOMMENDATIONS OF THE FIFTH STATE FINANCE COMMISSION

In accordance with the provisions of Article 243-I of the Constitution of India, the Governor shall cause every recommendation made by the State Finance Commission under the said Article, together with an explanatory memorandum as to the action taken thereon, to be laid before the Legislature of the State.

2. Accordingly, as per Section 235 of A.P. Panchayat Raj Act, 1994, the Governor of Andhra Pradesh constituted the Fifth State Finance Commission vide G.O.Ms. No. 29, Fin (PMU-CASPS, FC &IF) Dept., dated 18.03.2023, for the award period 2025-26 to 2029-30. The Terms of Reference of the commission were subsequently issued vide G.O.Ms.No.108, Finance (PMU-CASPS, FC &IF) dept., dated 29.09.2023.

3. The award period of the Fourth State Finance Commission was extended up to 31.03.2026 vide G.O.Rt.No.2404, Fin (PMU-CASPS-FC) dept., dated 08.09.2025, in order to ensure compliance with the guidelines of the 15th Finance Commission (XVFC) regarding eligibility for receiving XV FC grants.

4. The Fifth State Finance Commission submitted its report on 21.01.2025, containing 113 recommendations (60 relating to Rural Local Bodies (RLBs) and 53 Nos. relating to Urban Local Bodies (ULBs)). The Finance Department examined the recommendations of the Fifth State Finance Commission (V SFC), in consultation with the Panchayat Raj & Rural Development (PR&RD) Department and the Municipal Administration & Urban Development (MA&UD) Department and recorded its observations thereon.

5. The recommendations of the Fifth State Finance Commission, along with the observations of the Finance Department made in consultation with the PR&RD and MA&UD Departments, were placed before the Council of Ministers for

PAYYAVULA KESHAV

Minister for Finance, Planning,
Commercial Taxes
and Legislative Affairs,
Government of Andhra Pradesh



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consideration and for permission to place the same before the State Legislature. The Council of Ministers approved the recommendations vide the Resolution No. 172/2026.

6. Subsequently, the PR&RD and MA&UD Departments were requested to issue necessary orders in respect of the Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs), respectively, and to furnish compliance to the Finance Department so as to enable the Government to place the Explanatory Memorandum / Action Taken Report before the State Legislature in the ensuing session.

7. In accordance with the approval of the Council of Ministers vide Resolution No.172 of 2026, the PR&RD Department issued orders vide G.O.Ms.No.18, PR & RD Department, dated:05.03.2026, and the Municipal Administration and Urban Development issued the orders vide G.O.Ms.No.46, MA& UD Department, dated: 05.03.2026.

Accordingly, this Action Taken Report on the recommendations of the Fifth State Finance Commission is submitted in accordance with the provisions of Article 243-I of the Constitution of India for being laid before the State Legislature.

A handwritten signature in black ink, appearing to read 'Payyavula Keshav', with a long horizontal stroke extending to the right.

Payyavula Keshav,

Hon'ble Minister for Finance, Planning,
Commercial Taxes, Legislative Affairs

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

PR&RD Department - Fifth State Finance Commission - Finalisation of the Recommendations of the Fifth State Finance Commission - Orders - Issued.

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PANCHAYAT RAJ AND RURAL DEVELOPMENT (MDL-I) DEPARTMENT

G.O.Ms.No.18

Dated:05-03-2026

Read the Following:-

1. G.O.Ms. No. 29, Fin (PMU-CASPS, FC &IF) Dept., Dated 18.03.2023.
2. G.O.Ms.No.108, Finance (PMU-CASPS, FC &IF) Dept., 29.09.2023.
3. G.O.Rt.No.2404, Fin (PMU-CASPS-FC) dept., dt:08.09.2025.
4. From the Finance(PMU-CASPS&FC) Department, U.O.Note No. FIN01-PMU0FCM(CSFC)/24/2025-CASPS-FC (2949859), Dt.05.03.2026.

ORDER:

In consonance with the Constitutional provisions of the 73rd Amendment Act, 1992, and as per Section 235 of A.P. Panchayat Raj Act, 1994, the Governor of A.P. has reconstituted the Fifth State Finance Commission for the award period 2025-26 to 2029- 30 vide G.O 1st read above and the terms of reference to the commission were issued in the G.O. 2nd read above.

2. In the G.O. 3rd read above, the award period of the 4th State Finance Commission has been extended up to 31.03.2026 to comply the 15th Finance Commission (XVFC) guidelines on the eligibility of getting XV FC grants.

3. In the reference 4th read above, the Finance(PMU-CASPS&FC) Department have informed that the Fifth State Finance Commission has submitted the report on 21.01.2025 consisting of (113) recommendations (60 Nos for RLBs+ 53 Nos. for ULBs). As per Section 241(2) of A.P.Panchayat Raj Act (No.13) 1994, the Government shall cause every recommendation made by the Commission under this Section together with an explanatory Memorandum as to the action taken thereon to be laid before the Legislature of the State.

4. Under the circumstances, the recommendations of the Fifth State Finance Panchyat Raj and Rural Development Commission along with the observations of the Finance Department in consultation with the PR&RD and MA&UD Departments have been placed before the Council of Ministers for its consideration & for placing the same before the State Legislature and the Council of Ministers have approved the recommendations as described in Annexure I & II to this order vide Resolution No.172 of 2026, Dt.05.03.2026.

5. Government hereby decide to accept the recommendations of the Fifth State Finance Commission, both Financial and Non-Financial in respect of RLBs pertains to PR & RD Deptas annexed to this order.

6. The Commissioner, PR&RD and other HoDs noted in the address entries are requested to issue necessary follow-up orders / instructions for implementation of these recommendations.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA RADESH)

SHASHI BHUSHAN KUMAR
SPECIAL CHIEF SECRETARY TO GOVERNMENT

To

The PR&RD Dept/ SG&SW/ MA&UD/Energy/TR&B/ Revenue/Revenue(DM)
/Ind&Com/I&CAD (IW)/Agri &Coop.(Marketing)/EFS&T(Forest).
The Concerned Sections in PR&RD Department.

The Commissioner, Panchayat Raj and Rural Development, Tadepalli.
The Commissioner of Rural Development
The Commissioner, APSIRD, Vijayawada
The Commissioner of Reg & Stamps, Vijayawada.
The Commissioner of Transport, Vijayawada
The Commissioner of Marketing, Vijayawada
The Director of Mines & Geology, Vijayawada
The Chief Conservator of Forests, Guntur.
The Engineer-in -chief, Panchayat Raj, Vijayawada.
The Engineer-in -chief, RWS, Vijayawada.
The Managing Director, Swachh Bharat mission, Vijayawada.
All the District Collectors in the State.
All the Chief Executive Officers of Zilla Praja Parishads in the State.
All the District Panchayat Officers in the State of Andhra Pradesh.

Copy to :

The G.A. (Cabinet) Department
The Director, Local Fund Audit, Mangalagiri.
All Audit Officers in the State.
The Accountant General, Andhra Pradesh, Vijayawada.
The Finance and Planning (FW. EXPR. PR.) Department,
The Chairman, 5th State Finance Commission, Vijayawada.
SF/SC (3008257)

//FORWARDED :: BY ORDER//

V. Bhanu Bai
SECTION OFFICER

**FINANCIAL RECOMMENDATIONS OF THE FIFTH STATE FINANCE COMMISSION AS
ACCEPTED BY THE GOVERNMENT**

Recommendation No.1

The resource gap for PRIs is estimated to be Rs.7033 Crores for the five-year period i.e. from 2025-26 to 2029-30 and it works to be Rs.1407 Crores per annum. Hence, the Commission recommends to devolve the recommended amount during the award period (Para 7.15.8 & Table 7.34).

Decision of the Government:

Not accepted for the annual transfer of Rs.1407 Cr.per annum. (Rs.5628 Cr. for the award period of 4 years i.e. from 2026-27 to 2029-2030).

Recommendation No.2

Keeping in view the financial requirements of PRIs, the Commission recommends to distribute the recommended funds in the ratio of 70:15:15 to Gram Panchayats, Mandal PrajaParishads and ZillaPrajaParishads respectively (Para 7.15.11).

Decision of the Government:

Accepted. Whatever Devolution if ever it happens will be in 70:15:15.
(Present distribution ratio is 70:20:10)

Recommendation No.3

For intra-distribution among GPs, MPPs and ZPPs, the Commission suggests to distribute 80% of the grants on the basis of population and 20% on area basis (Para 7.15.11).

Decision of the Government:

Accepted. Present intra distribution is 90:10

Recommendation No.4

The Commission strongly recommends to enhance per capita grant to Rs.25/-, Rs.50/- and Rs.25/- to GPs, MPPs, and ZPPs respectively. The state government has already accepted to enhance the per capita grant to Rs.25/-, Rs.50/- and Rs.25/- to GPs, MPPs, and ZPPs respectively as per the recommendation made by the fourth State Finance Commission, but not operationalized. This Commission recommends to implement the enhancement of per capita grant as already accepted by the government. The additional commitment is estimated to be around Rs.295 crores. This Commission opines that the enhancement of per capita grant will give some relief to PRIs in making provision for supply of basic needs (Para 7.8.1).

Decision of the Government:

Accepted.

Recommendation No.5

The Gram Panchayats with less than 1000 population do not have adequate resources even to pay the electricity charges. This Commission reiterates the recommendation made by the Fourth State Finance Commission that the gram panchayats with less than 1000 population should be supported with electricity charges by the government as per actual as already accepted by the government. Hence the government may release special grant every year equivalent to actual electricity bill of the minor panchayats. There are 1895 minor gram panchayats in the state. The required funds for this purpose is estimated to be around Rs.35 crores per annum(Para 7.8.2).

Decision of the Government:

Rejected. In view of additional financial commitment of Rs.35 Cr.p.a. (Rs.140 Cr. for the award period of 4 years i.e. from 2026-27 to 2029-30)

Recommendation No.6

The Commission reiterates the recommendation made by Fourth Finance Commission for 5% of property tax as user charge towards sanitation service to meet the payment of honorarium to green ambassadors/clap mitras. The government has already accepted this recommendation (Para 7.9.2).

Decision of the Government:

Rejected.

Recommendation No.7

The Commission has noticed a short release of seignorage charges to PRIs. The Commission recommends to release the seignorage charges and transfer the actual amount collected to GPs, MPPs and ZPPs as per the prescribed ratio after deducting the cost of collection (Para 7.7.2.2).

Decision of the Government:

Government shall transfer amounts to the PRIs in the form of grants.

Recommendation No.8

As per the report titled 'Panchayat Profiles' (August 2024) 71% of GPs in the state do not have computers. Since the government is encouraging the concept of digital Panchayats, it is necessary that each panchayat should have at least one computer for implementing e-Gram Swaraj applications. Hence, the Commission recommends that government may provide Rs.6 crores to needy minor panchayats to purchase computers (Field Observation).

Decision of the Government:

PR & RD department shall dovetail Central funds in the form of CSS schemes.

Recommendation No.9

With regard to profession tax, the Commission has identified that during five-year period i.e. 2019-20 - 2023-24, an amount of Rs.25 to 35 crores per annum was devolved to Gram Panchayats much less than the actual amount of collection of profession tax. The Commission recommends to transfer the total amount of profession tax revenue collected to GPs after deducting the cost of collection (Para 7.7.5.1).

Decision of the Government:

Accepted.

Recommendation No.10

The Commission recommends to devolve the funds collected as surcharge on stamp duty to GPs, MPPs and ZPPs as per the prescribed ratio after deducting the cost of collection (Para 7.7.3.1).

Decision of the Government:

Accepted.

Recommendation No.11

The Commission recommends that the state government should share the revenue from the GST on entertainment tax with local bodies as compensation for the loss in entertainment tax as is being done by Government of Kerala (Para 7.7.4.2).

Decision of the Government:

CPR is directed to examine and submit proposals to the Government in consultation with the Commercial Tax Department for taking necessary action.

Recommendation No.12

To address the Gram Panchayat's outstanding electricity dues of Rs.3697 crores (excluding surcharges), the government may allocate one-fourth of the pending amount each quarter from the State Budget. This phased budgetary support will help in settling these long-standing dues systematically.

Decision of the Government:

Rejected. In view of financial commitment of Rs.3697 Crores.

Recommendation No.13

Payment of Pensions to non-provincialised pensioners are being paid by ZillaPrajaParishads from general funds which causes heavy burden on finances of ZPPs. The annual liability of these pensions amounts to Rs.6.76 crores per annum. To mitigate this difficulty, the Commission recommends 1. Reimburse the actual expenditure incurred to ZPPs through budgetary support or to amend the G.O.Ms. No. 18 PR&RD, Dt:24-03-2017 and make provision for payment of monthly pension in general funds (Para 7.12.3).

Decision of the Government:

Accepted for amendment of G.O.Ms.No.18 PR&RD, Dt: 24-03-2017.

Recommendation No.14

The Commission is informed by CEOs of ZPPs that the operation and maintenance cost of CPWS schemes is very high and the funds released under CFC grants and availability of general funds are not sufficient to meet the operation and maintenance cost of CPWS schemes. CE (RWS&S) has furnished outstanding dues towards O&M of CPWS for five years as Rs.1146.77 crores. If surcharge is not considered total O&M cost pending in ZPPs works out to be Rs.666 crores. Hence, the Commission recommends to allocate one time grant of Rs.666 crores to clear outstanding arrears (Para 7.9.4 & 7.9.5).

Decision of the Government:

Rejected. In view of additional financial burden of Rs.666 Cr. on State Exchequer.

SHASHIBHUSHAN KUMAR
SPECIAL CHIEF SECRETARY TO GOVERNMENT

Annexure - II to G.O.Ms.No.18, PR&RD (MDL-I) Dept, Dated:05.03.2026

**NON-FINANCIAL RECOMMENDATIONS OF THE FIFTH STATE FINANCE COMMISSION
AS ACCEPTED BY THE GOVERNMENT**

Recommendation No.15

Properties for levying tax should be categorized as residential, commercial and mixed category as in urban local bodies.

Decision of the Government:

Accepted.

Recommendation No.16

For all kinds of transactions of services related to buildings like transfer of ownership, provision or upgradation of power connection, provision of water supply connection, registration of wills, providing land and building as security for loans, house tax remittance without dues should be made mandatory and the person concerned has to produce the receipt from the respective local government as evidence.

Decision of the Government:

Accepted.

Recommendation No.17

Online payment of tax should be enabled for all the Gram Panchayats and provisions also should be made for making payments through all the unified payment interface (UPI) applications, viz., google pay, phone pay, net banking and credit/ debit card.

Decision of the Government:

Considering the Swarna Panchayat Portal, the recommendation to be treated as fulfilled.

Recommendation No.18

Permissible rebate in the amount of property tax may be provided for one-time payment as in urban local bodies and the offer may be publicised for improving tax effort.

Decision of the Government:

Accepted. CPR is directed to submit proposals to the Government.

Recommendation No.19

Propagation of tax payment literacy favourably improves the revenue of panchayats and residents should be sensitized that prompt tax payment is linked with better service delivery.

Decision of the Government:

Accepted.

Recommendation No.20

All buildings of state government organisations should be brought under tax net. A mechanism should be initiated by the government to ensure that department-wise and Gram Panchayat wise demand for property tax are consolidated and adequate budgeting provision sought from the finance Department under relevant heads of account to prevent accumulation of arrears on state government buildings (Para 7.5.1.11).

Decision of the Government:

Accepted.

Recommendation No.21

In view of the complex process involved in assessing central government properties for levy of services charges, the Government may provide necessary technical advice to the Gram Panchayats. This Commission recommends to levy service charges on union government buildings as given below.

Decision of the Government:

Accepted. CPR may take further action as per the Memo No.33807/Pts.III/A1/94-1, dt:30.06.1994

Recommendation No.22

The Commission recommends to the government to recruit panchayat secretaries for all panchayats including minor panchayats to improve tax effort (Para 7.5.1.8).

Decision of the Government:

Accepted and complied by the department.

Recommendation No.23

The title 'house tax' should be changed in Andhra Pradesh Panchayat Raj Act 1994, to generic title 'property tax' as the nomenclature gives a wrong impression that only houses are taxed and non other categories of building. Necessary amendments may be incorporated in the Act.

Decision of the Government:

Rejected.

Recommendation No.24

To address the issue of undervaluation of property, the Commission recommends constituting a committee with (1) EO-PR&RD (2) Assistant Engineer, Panchayat Raj Dept. (3) Panchayat Secretary (4) Mandal surveyor and (5) Delegate from registration Department. Once the Committee estimates the value of houses of residents, there will not be any opportunity to change it and house tax collection will be significantly improved (Para 7.5.1.6).

Decision of the Government:

Accepted. CPR is directed to conduct a pilot study.

Recommendation No.25

This Commission also recommend to the government to examine the utility and feasibility of the application of scheme namely Survey of Villages Abadi& Mapping with Improvised Technology in Village Areas (SVAMITVA), a central sector scheme in addressing the issue of undervaluation of houses/ properties in villages. Under this, cadastral mapping is conducted using drones and technological tools to accurately demarcate property boundaries and establish ownership rights and enables proper calculation and collection of property tax. As per the annual report of MoPR for 2023-24, in Andhra Pradesh drone survey has been completed in 13280 villages and property cards were prepared covering 1073 villages (Para 7.5.1.13m).

Decision of the Government:

Accepted.

Recommendation No.26

In case of migrated families, **vacancy remission** may be given subject to a maximum of 50 percent of house tax (Para 7.5.1.7).

Decision of the Government:

Accepted.

Recommendation No.27

The receipts from advertisement tax continuously showed declining trend. To augment the advertisement tax revenue to Gram Panchayats, ZillaPrajaParishadsshould give common guidelines about the rates of taxes to be collected and exemptions to be allowed by gram panchayats (Para 7.5.2.2).

Decision of the Government:

CPR is directed to submit proposals to the Government for the necessary amendment to AP PR Act as advertisement tax is subsumed into GST as per APSGST Act, 2017, Section 173.

Recommendation No.28

The Commission recommends that the advertisement tax rates should be revised once in three years with upward revision of 5 percent (Para 7.5.2.3).

Decision of the Government:

CPR is directed to submit proposals to the Government for necessary amendment to AP PR Act as advertisement tax is subsumed into GST as per APSGST Act, 2017Section 173.

Recommendation No.29

Gram Panchayats should be empowered to take legal action and levy penalties on persons who put up unauthorized hoardings and advertisements in addition to removing hoardings which have not received requisite permission (Para 7.5.2.3).

Decision of the Government:

Accepted.

Recommendation No.30

The Commission recommends that the payment of vacant land tax should be linked with the approval of House Plan by Gram Panchayats or Urban Development Authority. It should also be linked with Stamps and Registration Department at the time of selling land, mortgages, lease deeds, power of attorney, grant of loan by financial institutions etc., (refer para 7.5.4.1).

Decision of the Government:

Accepted. CPR is directed to submit proposals to the Government.

Recommendation No.31

The Commission recommends to levy kolagaram tax on poultry units involved in breeding, meat production or egg production. The following factors need to be considered for fixing kolagaram rates. 1. Size of the poultry units (Number of Birds or Production Scale), 2. Type of Operation (Commercial Broilers and Layers). To this extent the Government may issue necessary rules as deemed fit (refer para 7.5.5.2).

Decision of the Government:

CPR is directed to submit proposals to the Government.

Recommendation No.32

The Gram Panchayats in Andhra Pradesh have significant potential to mobilise additional revenue through the imposition of kolagaram tax on brick manufacturing units. The Commission suggests to implement a rational kolagaram tax on bricks units considering the production capacity. A graded tax system can be designed to ensure fairness, with high tax rates on units with larger production. The government may issue rules as deem fit (refer para 7.5.5.3 & 7.5.5.4).

Decision of the Government:

CPR is directed to submit proposals to the Government.

Recommendation No.33

The revenue collected through user charges on water supply contributed to 14% of the operation and maintenance cost only. Hence, the Commission recommends to revise user charges for water supply once in two years with upward revision of 5% (Para 7.6.2.1, Table 7.11).

Decision of the Government:

Accepted. Revision is considered for every two years.

Recommendation No.34

Though there are provisions to levy and collect trade license fee, many Gram Panchayats are not levying and collecting trade license fee. The Commission recommends to levy trade license fee and to revise the rates with annual hike of 5 percent (refer para 7.6.3.1).

Decision of the Government:

Considering the Swarna Panchayat Portal, the recommendation be treated as fulfilled.

Recommendation No.35

To revise the building permit fee once in three years keeping in view the human resource put in by the local body for the issue of building permit and reckoning factor for inflation (Para 7.6.4).

Decision of the Government:

Accepted

Recommendation No.36

The Commission has noticed that the fishermen societies are subleasing fish tanks. Hence the Commission recommends to incorporate clauses in lease agreements to explicitly prohibit subletting of fishery rights by cooperative society and to impose stringent penalties on societies found subletting rights, including cancellation of leases and blacklisting from future allocations (Para 7.6.5.3).

Decision of the Government:

CPR is directed to submit proposals to the Government.

Recommendation No.37

The Commission strongly makes the point that the State Government should demand the Centre for an amendment to the constitution regarding profession tax and follow up the matter. The state shall make to the Centre to amend the constitution in such a way so as to empower the parliament to review the rates of Profession tax without having to introduce a constitutional amendment on each occasion (Para 7.7.5.2).

Decision of the Government:

Considering the Letter Addressed by the Prl. Secy. to Govt., C.T. Dept., to the Gol on enhancement of ceiling on Profession tax, the recommendation be treated as fulfilled.

Recommendation No.38

Most of the employees in the unorganized sector and self-employed persons are not assessed for profession tax. The Commission recommends that a proper data base of all categories of professionals, traders and businessmen, employees and self-employed persons should be prepared and they be assessed for profession tax. All commercial institutions / enterprises which have been issued licenses under D&O license rules should be assessed for profession tax (Para 7.7.5.4).

Decision of the Government:

Accepted. CPR is directed to submit proposals to the Government in consultation with the CT Dept.

Recommendation No.39

Since most of the electricity charges are incurred on water supply connections, the installation of solar powered motor pumps should be taken up wherever feasible (Para 7.9.2 & 7.9.3).

Decision of the Government:

Accepted

Recommendation No.40

Presently the tariff equivalent to domestic rates is being charged for street lighting and water supply. Since these are essential public services, Government may subsidize the electricity tariff of PRIs to mitigate the burden on PRIs(Para 7.9.2 & 7.9.3).

Decision of the Government:

CPR is directed to submit proposals to the Government.

Recommendation No.41

The Government may consider issuing instructions to DISCOMs to waive surcharges on outstanding payments for street lighting and water supply, recognizing these as public services (Para 7.9.2 & 7.9.3).

Decision of the Government:

CPR is directed to submit proposals to the Government to make correspondence with DISCOMS.

Recommendation No.42

The PRIs may be strictly informed that the Electricity Charges should be the first charge on the General Funds. Its implementation may be ensured through a robust monitoring mechanism(Para 7.9.2 & 7.9.3).

Decision of the Government:

Rejected.

Recommendation No.43

Smart switches for street lights may be fixed to avoid the electricity consumption during day time (Para 7.9.2 & 7.9.5).

Decision of the Government:

Accepted.

Recommendation No.44

The Commission recommends to the local governments to examine the feasibility of developing solar power plants for the reduction of power charges (Para 7.9.2 & 7.9.5).

Decision of the Government:

Accepted.

Recommendation No.45

To avoid overlap and confusion, the roles, and responsibilities of functional assistants in Village Secretariats should be explicitly defined vis-a-vis the elected Gram Panchayat. This should ensure that the Gram Panchayat retains control over local governance, and Village Secretariats merely assist in administrative functions (Para 5.1.9).

Decision of the Government:

CPR is directed to submit proposals to the Government in consultation with SwarnaGramam and SwarnaWardu Department.

Recommendation No.46

Establish a formal coordination framework to align the activities of Village Secretariats with the priorities set by Gram Panchayats. This can include regular joint meetings, performance reviews, and shared databases for efficient governance (Para 5.1.9).

Decision of the Government:

CPR is directed to submit proposals to the Government in consultation with SwarnaGramam and SwarnaWardu Department.

Recommendation No.47

Functional assistants may report to Concerned Gram Panchayats and the MPDO for administrative purposes and to their respective line Departments for technical matters (Para 5.1.9).

Decision of the Government:

CPR is directed to submit proposals to the Government in consultation with SwarnaGramam and SwarnaWardu Department.

Recommendation No.48

Conduct a thorough assessment of the status of devolution of powers and functions to the PRIs in the state, with a focus on identifying challenges, gaps, and opportunities to enhance decentralized local governance (Para 5.1.10).

Decision of the Government:

Accepted.

Recommendation No.49

Analyse the 29 subjects listed in Schedule XI of the Constitution of India and prepare an Activity Matrix to clarify responsibilities at ZillaPrajaParishad, Mandal PrajaParishad and Gram Panchayat (Para 5.1.10).

Decision of the Government:

Accepted.

Recommendation No.50

Based on the collected inputs, the State Panchayati Raj Department has to develop a roadmap for the effective devolution of the 3Fs (Functions, Functionaries, Finances) to PRIs, in a phased manner, aimed at strengthening decentralized governance in rural areas (Para 5.1.10).

Decision of the Government:

Accepted.

Recommendation No.51

The Commission recommends to implement 10 GOs relating to Activity Mapping and the concerned line Departments may issue guidelines, provide technical support and transfer adequate funds to PRIs. In addition, allocation in the state budget should be reflected under appropriate minor heads (196/197/198) for ZPs, MPPs and GPs to ensure effective execution of devolved activities.

Decision of the Government:

CPR is directed to submit proposals to the Government.

Recommendation No.52

The non-maintenance of critical financial registers in PRIs hinders accurate record-keeping and verification of financial transactions. The Commission recommends that the State PR Dept. should strictly enforce the maintenance of all eight registers under the MAS, particularly those related to immovable and movable properties, receivables and payables, and demand and collection. The supervisory officers during inspections should ensure that these registers are updated and certified properly (Para 9.1.3).

Decision of the Government:

Accepted

Recommendation No.53

The discrepancies between manually prepared accounts and e-GramSwaraj generated accounts indicate serious issues in panchayat financial management. The Commission recommends the State PR Dept. should (a) integrate e-GramSwaraj with CFMS and Panchayat General Funds (b) implement a robust reconciliation mechanism in all the PRIs to align manual accounts with e-Gram Swaraj records. (c) ensure that all receipts and payments are properly recorded in the e-GramSwaraj (Para 9.1.5).

Decision of the Government:

Accepted.

Recommendation No.54

A central repository of financial data for Panchayats is urgently required to enable effective planning and financial management. The Commission recommends that the State PR Dept. should create a centralized financial database for PRIs at both the district and state levels, to be managed either by the PR&RD Department or the Director of State Audit. This database should consolidate audited financial data from all Panchayats, making it available for financial planning, resource allocation, and audits (Para 9.1.9).

Decision of the Government:

Accepted.

Recommendation No.55

The abolition of the Accounts Officer post in ZPP has left a significant gap in financial oversight. The Commission recommends to reinstate the Accounts Officer post in each ZPP. If reinstatement is not feasible, the State PR Dept. may allocate / transfer the duties and the functions of Accounts officer to the Dy. Chief Executive officer ZPP to ensure proper financial management, internal auditing, and accountability (Para 9.1.11).

Decision of the Government:

CPR is directed to submit proposals to the Government

Recommendation No.56

To strengthen the accounting wing of PRIs, the Commission recommends that the State PR Dept. should develop a structured, continuous training program focusing on core areas like maintenance of accounting registers, preparation of Budget, preparation of monthly and annual accounts, online audit processes, and follow-up action on audit reports and adherence to statutory requirements and MAS. This will enable accounting staff to maintain the books of accounts correctly and ensure transparent financial practices (Para 9.1.12).

Decision of the Government:

Accepted.

Recommendation No.57

The C&AG in collaboration with Institute of Chartered Accountants of India (ICAI) is offering a three months "Certificate Course for Accountants of Panchayats (CAP)". The Commission recommends that the State PR Dept. may encourage accounting staff of PRIs to enroll in this course and get certified. The Department may also consider to reimburse the registration fee from General Funds of concerned PRIs to the staff who obtain the C&AG certificate (Para 9.1.12.2).

Decision of the Government:

Accepted

Recommendation No.58

There is a significant backlog of unresolved audit objections, which shows weak follow-up from PRIs. The Commission recommends that the State PR Dept. should consider adopting a streamlined settlement mechanism, including constitution of District level committee to fast-track the processes. Regular training and capacity building programs for PRI staff may be conducted on audit response protocols (Para 9.1.13).

Decision of the Government:

Accepted.

Recommendation No.59

The Commission recommends that the State Audit Department may expedite the implementation of "Certification Audit" in PRIs and issue required Audit Certificate by Expressing Audit Opinion, to enhance transparency and credibility of Panchayat accounts (Para 9.1.13.1).

Decision of the Government:

Accepted

Recommendation No.60

To enhance transparency, accountability, and public participation besides the social-audit of MGNREGS, Government may expedite the social audit of Fifteenth Finance Commission grants (Para 9.1.17).

Decision of the Government:

Accepted. XVI FC grants shall be considered for social audit as the XV FC is going to be complete by 31st March, 2026.

SHASHIBHUSHAN KUMAR
SPECIAL CHIEF SECRETARY TO GOVERNMENT

//FORWARDED :: BY ORDER//

V. Purnima Bai
SECTION OFFICER

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Municipal Administration & Urban Development Department - Fifth State Finance Commission - Finalisation of the Recommendations of the Fifth State Finance Commission - Orders - Issued.

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MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (UBS) DEPARTMENT

G.O.Ms.No.46

Dated: 05-03-2026
Read the Following:-

1. G.O.Ms. No. 29, Fin (PMU-CASPS, FC &IF) Dept., Dated 18.03.2023.
2. G.O.Ms.No.108, Finance (PMU-CASPS, FC &IF) Dept., Dt. 29.09.2023.
3. G.O.Rt.No.2404, Fin (PMU-CASPS-FC) dept., dt: 08.09.2025.
4. From the Finance(PMU-CASPS&FC) Department, U.O.Note No. FIN01-PMU0FCM(CSFC)/24/2025-CASPS-FC (2949859), Dt.05.03.2026.

&&&

ORDER:

In consonance with the Constitutional provisions of the 73rd Amendment Act, 1992, and as per Section 235 of A.P. Panchayat Raj Act, 1994, the Governor of A.P. has constituted the Fifth State Finance Commission for the award period 2025-26 to 2029-30 vide reference 1st read above and the terms of reference to the commission were issued vide reference 2nd above.

2. In the reference 3rd read above, the award period of the 4th SFC is extended up to 31.03.2026 to comply the 15th Finance Commission (XVFC) guidelines on the eligibility of getting XV FC grants.

3. In the reference 4th read above, the Finance (PMU-CASPS&FC) Department have informed that the Fifth State Finance Commission has submitted the report on 21.01.2025 consisting of (113) recommendations (60 Nos for RLBs+ 53 Nos. for ULBs). The recommendations of the Fifth State Finance Commission along with the observations of the Finance Department in consultation with the PR&RD and MA&UD Departments have been placed before the Council of Ministers for its consideration & for placing the same before the State Legislature and the Council of Ministers have approved the recommendations as detailed in the Annexure I & II to this order vide Resolution No.172 of 2026, Dt.05.03.2026.

Contd...2..

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4. Government hereby decide to accept the recommendations of the Fifth State Finance Commission, both Financial and Non-Financial as annexed to this order. The Commissioner & Director of Municipal Administration, AP, the Director of Town & Country Planning, AP and the Engineer-in-Chief, Public Health, AP are requested to issue necessary follow-up orders / instructions for implementation of these recommendations.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

S. SURESH KUMAR
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Commissioner & Director of Municipal Administration, Rayapudi (w.e).
The Engineer-in-Chief, Public Health, Rayapudi. (w.e).
The Director of Town & Country Planning, Rayapudi. (w.e)
The Planning Department.
The General Administration (Cabinet) Department.
The Finance(PMU-CASPS&FC) Department
The Accountant General, AP, Vijayawada.
The Director of State Audit Department.
The Chairperson, V State Finance Commission.
All Sections in MA&UD Department.
All the District Collectors in the State.
Copy to:-
The OSD to Hon ble Minister (MA&UD).
The PS to Chief Secretary to Government.
The PS to Principal Secretary to Govt., MA&UD Department.
The PS to Spl. Chief Secretary to Government, PR&RD Department.
Sf/Sc (e- 3168115).

//FORWARDED BY ORDER//


SECTION OFFICER

Annexure – I

(to the G.O.Ms.No.46, MA&UD (UBS) Dept, Dt. 05.03.2026)

FINANCIAL RECOMMENDATIONS OF THE FIFTH STATE FINANCE COMMISSION AS ACCEPTED BY THE GOVERNMENT

Recommendation No.61

The Commission estimated the resource gap to be Rs.2016 crores for Urban Local Bodies for five year period 2025-26 to 2029-30. It would be Rs.404 crores per annum. Hence, the Commission recommends to devolve the recommended amount during the award period **(Para 8.23.2)**.

Decision of the Government:

Not accepted for the annual transfer of Rs.404 Cr per annum (Rs. 1616 Cr. for the award period of 4 years i.e. from 2026-27 to 2029-2030).

Recommendation No.62

For devolution of funds among three tiers of Urban Local Bodies, this Commission recommends a weight based formula for a set of indicators namely population, geographical area and inverse of per capita own source revenue with weightage of 70%, 20% and 10% respectively. Based on this formula the share of Municipal Corporations worked out to be 0.47 while the share of Municipalities and Nagar Panchayats worked out to be 0.41 and 0.12 respectively **(Para 8.26.3)**.

Decision of the Government:

Accepted.

Recommendation No.63

For intra distribution of funds among three tiers of ULBs, the Commission recommends to distribute on the basis of population and geographical area in the ratio of 80:20**(Para 8.26.4)**.

Decision of the Government:

Accepted. Present intra distribution is 90:10

Recommendation No.64

The Commission recommends to release per capita grant of Rs.50/- **to** each ULB recommended by the fourth State Finance Commission and accepted by the government. The estimated amount would be Rs.75 crores per annum (2011 population basis) if the current estimated population is taken in to account, the per capita grant per annum would be Rs.88 crores **(Para 8.26.5)**.

Decision of the Government:

Accepted.

Recommendation No.65

To strengthen the capacity of staff of ULBs various training programs should be conducted which will ensure official's adherence to best practices. For this purpose the Commission recommends to establish a 'State Institute of Urban Management' in Andhra Pradesh on the lines "Tamil Nadu Institute of Urban Studies". The estimated capital cost would be Rs.50 crore. The government may meet this fund by seeking contributions from Urban Local Bodies and other external agencies. If the government thinks that establishment of an institute is a difficult task financially, government may establish an "Urban Resource Center" in the 'Administrative Training Institute' at Bapatla, Andhra Pradesh **(Para 8.26.8)**.

Decision of the Government:

Accepted. The existing institutions viz., APHRDI, RCUES, Amruth School of Architecture, Centre for Excellence shall be utilized.

Recommendation No.66

The Government may consider compensating local bodies for the loss of entertainment tax by making specific budgetary provision as being done by Government of Kerala. This measure would help ensure that local bodies maintain financial stability and continue providing essential public services effectively **(Para 8.13)**.

Decision of the Government:

CDMA is directed to examine and submit proposals to the Government in consultation with the Commercial Tax Department for taking necessary action.

Recommendation No.67

The Commission recommends that the total funds related surcharge on stamp duty may be devolved to local bodies every quarter without delays. The Inspector General of Stamps and Registrations may be mandated to maintain and share detailed records of surcharge collections and ensure that local bodies receive their rightful share of surcharge revenue, empowering them to improve service delivery **(Para 8.14)**.

Decision of the Government:

Accepted.

Recommendation No.68

The majority of ULBs are collecting water charges at Rs.100/- per month per residential purpose. It may be enhanced to Rs.200/- and revise rate by 5% once in every two years. The Commission also recommends to enhance water charges for commercial, industrial and bulk domestic purposes once in every two years **(Para 8.15.3 &8.15.4)**.

Decision of the Government:

The MAUD department may examine and take necessary action.

Recommendation No.69

Most of the local governments go for a lower end of the permissible property tax band, which is provided by government even in the case of flourishing non-residential properties. The Commission recommends that the ULBs may increase the property tax rate for residential buildings from 0.15% to 0.20% and from 0.30% to 0.50% of property value for non-residential properties by getting clearance from Property Tax Board **(Para 8.9.2.1 & 8.9.2.7)**.

Decision of the Government:

Rejected.

S. SURESH KUMAR
PRINCIPAL SECRETARY TO GOVERNMENT

Annexure – II

(to the G.O.Ms.No.46, MA&UD (UBS) Dept, Dt. 05.03.2026)

NON-FINANCIAL RECOMMENDATIONS OF THE FIFTH STATE FINANCE COMMISSION AS ACCEPTED BY THE GOVERNMENT

Recommendation No.70

ULBs to make provision for making payments through all the unified payments interface UPI applications viz., Google Pay, Phone Pay, Net Banking, Credit/Debit Cards **(Para 8.9.2.3 & 8.9.2.7).**

Decision of the Government:

Accepted. CDMA is directed to examine and submit proposals for taking necessary action at Government level.

Recommendation No.71

Houses demolished due to road expansion should be exempted from property tax assessment. Action / amendment may be made in Municipal Corporation Act that it was the duty and liability of the owners of the buildings to intimate to the local government when their buildings are demolished and if not they were liable to pay till the date of intimation **(Para 8.9.2.6).**

Decision of the Government:

Considering the existing Provision to waive off property tax which is uncollectable in the A.P Municipality Act 1965, Sec124 and Corporations Act 1955 vide Sec 211, the recommendation be treated as fulfilled.

Recommendation No.72

There are many cases of home based office and commercial activities (mixed category) which are being ignored by ULBs. This Commission recommends that the ULBs have to check the purpose for which the property is being used. Un-identification of conversion of residential houses into a commercial complex is another issue to be taken care by ULBs.

Decision of the Government:

Accepted.

Recommendation No.73

For all kinds of transaction of services related to buildings like transfer of ownership, provision of up-gradation of power connection, provision of water supply connectivity, registration of wills, providing land and building as security for loans, property tax remittance without dues should be mandatory and the person concerned has to produce the receipt from respective local Government as evidence.

Decision of the Government:

Accepted. CDMA is directed to submit proposals to the Government.

Recommendation No.74

All State Government buildings should be brought under tax net, a mechanism should be initiated by the Government to ensure that Department wise and urban local body wise demand for property tax are consolidated and adequate budgeting provision sought from the finance Department under relevant heads of account to prevent accumulation of arrears on state government buildings **(Para 8.9.2.6)**.

Decision of the Government:

Accepted.

Recommendation No.75

GIS mapping of all ULBs and digital tracking system to bring left out properties into the assessment process should be completed in all Municipalities and Municipal Corporations. A special drive for GIS mapping should be launched for nagar panchayats to cover all nagar panchayats in a phased manner. This may be included in Andhra Pradesh Municipal Development Project (APMDP).

Decision of the Government:

Accepted.

Recommendation No.76

The Systematic GIS based survey of the vacant land followed up with a field verification of ownership based on the relevant revenue records should be carried out. Based on this inventory of vacant land, vacant land tax should be levied **(Para 8.10.1)**.

Decision of the Government:

Accepted.

Recommendation No.77

Instead of levying and collecting vacant land tax only at the time of seeking/ giving planning permissions, the vacant land tax should be collected regularly and annually **(Para 8.10.2)**.

Decision of the Government:

Accepted.

Recommendation No.78

Payment of tax on vacant land along with arrears should be linked with sale of land, providing land as security for loans, registration of wills etc **(Para 8.10.2)**.

Decision of the Government:

Accepted.

Recommendation No.79

For un-assessed vacant lands, the period of limitation for recovering dues as per the Municipal Corporation ACT, which is three years should be enhanced to five years.

Decision of the Government:

Considering the existing period of 9 years limitation for recovering dues, the recommendation be treated as fulfilled.

Recommendation No.80

There is a huge "escaped" profession tax, particularly in respect of employees in private businesses and establishments and self-employed professionals. There should be an intensive drive to create a data base of potential profession taxpayers by collecting and collating data on establishments, employees from their own database of Local Governments, database of Labour Department and GST Department. From each Local Government, selected members should be given training to this purpose **(Para 8.11.3 & 8.11.4)**.

Decision of the Government:

CDMA is directed to submit the proposal to the Government in consultation with Commercial Tax Dept.

Recommendation No.81

The State Government should take up with Government of India the early passage of the necessary constitutional amendment to enhance and remove the ceiling on profession tax that can be levied and to simplify the process of raising the profession tax as recommended by Fourteenth and Fifteenth CFC **(Para 8.11.4)**.

Decision of the Government:

Considering the Letter Addressed by the Prl. Secy. to Govt., C.T. Dept., to the GoI on enhancement of ceiling on Profession tax, the recommendation be treated as fulfilled.

Recommendation No.82

The Commission recommends that the government may issue detailed guidelines empowering ULBs to levy and collect display and device fee (Advertisement Tax) to strengthen the finances of ULBs. Local bodies may consider the following parameters while fixing fees viz., Location importance (High traffic areas may attract higher fee), Type of Hoarding/Advertisement, Duration, Size and visibility, Environmental and aesthetic impact **(Para 8.12 & 8.12.1)**.

Decision of the Government:

Considering the "A.P. Regulation and Control of display devices (Promotion of products and services in urban local bodies rules, 2025") issued vide G.O.Ms.No.253, MAUD dept., dt:02.12.2025, the recommendation be treated as fulfilled.

Recommendation No.83

To focus on addressing water losses due to leakages and illegal connections. Upgrade metering infrastructure for accurate billing and monitoring. Educate citizens about the importance of paying water charges to sustain water services and infrastructure.

Decision of the Government:

Accepted.

Recommendation No.84

Establish grievance redressal systems to address public complaints regarding water supply and billing **(Para 8.15.3)**.

Decision of the Government:

Considering the Established Grievance Redressal System PGRS, Pura Mitra, the recommendation be treated as fulfilled.

Recommendation No.85

All house connections should be metered in phased manner initially, high cost residential and commercial establishments should be targeted **(Para 8.15.3)**.

Decision of the Government:

CDMA is directed to submit proposals to the Government.

Recommendation No.86

To enhance donations/ non-refundable deposits to meet cost of providing private connections **(Para 8.15.3)**.

Decision of the Government:

Accepted.

Recommendation No.87

Create an online platform for easy registration, fee payments, and renewal of trade licenses and Implement a unified platform for obtaining all necessary permissions for businesses to reduce delays and encourage compliance **(Para 8.16)**.

Decision of the Government:

Considering the implementation of online platform for easy registration fee payment and renewal of trade license through ERP module as a part of ease of doing business, the recommendation be treated as fulfilled.

Recommendation No.88

To revise trade license fee once in every two years with upward revision of 5%.

Decision of the Government:

Accepted. CDMA is directed to submit proposals to the Government.

Recommendation No.89:

Identify unregistered businesses through field surveys and geo tagging and impose fines on unregistered businesses to encourage licensing. Conduct regular inspections to identify defaulters and bring them into the system **(Para 8.16)**.

Decision of the Government:

Accepted.

Recommendation No.90

Maintain an updated database of all businesses within municipal limits for monitoring. Issue e-licenses to eliminate paperwork and ensure quick access for both businesses and authorities. Use social media, municipal websites, and local events to spread awareness about trade license requirements **(Para 8.16)**.

Decision of the Government:

Accepted.

Recommendation No.91

Local Authorities may create detailed documentation and mapping of unauthorized layouts to identify property owners and assess taxable values **(Para 8.17)**.

Decision of the Government:

Accepted.

Recommendation No.92:

Conduct public awareness campaigns to educate property owners about the importance of paying property taxes and UDA conversion fees. Collaborate with residents and community leaders to identify and report unauthorized constructions and encourage property owners to pay taxes and fees **(Para 8.17)**.

Decision of the Government:

Accepted.

Recommendation No.93

Implement regularization schemes to encourage property owners in unauthorized layouts to come forward and pay the necessary taxes and fees **(Para 8.17)**.

Decision of the Government:

Accepted.

Recommendation No.94

Develop and implement a detailed accounting mechanism within APDPMS to record and track fees collected for each building application, segregated by ULB **(Para 8.18)**.

Decision of the Government:

Considering the A.P. Development Permission Management System(APDPMS) as a unified platform, the recommendation be treated as fulfilled.

Recommendation No.95

Establish a system for generating and sharing application-wise building permit fee with respective ULBs in real-time. This will enable individual ULBs to verify the correctness of the amounts collected. Integrate an automated reconciliation module within APDPMS to match collected fees against the actual applications processed, ensuring accuracy in fee distribution.

Decision of the Government:

Considering the A.P. Development Permission Management System(APDPMS) as a unified platform, the recommendation be treated as fulfilled.

Recommendation No.96

The Commission recommends to revise the building permission fee in accordance with the money value once in every three years **(Para 8.18 & 8.18.5)**.

Decision of the Government:

Accepted.

Recommendation No.97

Introduce a user-friendly online system for plan approvals, fee payments, and status tracking. Set clear timelines for processing applications to encourage compliance and reduce unauthorized constructions **(Para 8.18 & 8.18.5)**.

Decision of the Government:

Considering the A.P. Development Permission Management System(APDPMS) as a unified platform, the recommendation be treated as fulfilled.

Recommendation No.98

Use drones or GIS technology to monitor construction activities and detect unauthorized buildings. Impose fines on developers or property owners for starting construction without necessary approvals **(Para 8.18 & 8.18.5)**.

Decision of the Government:

Considering the Unauthorized constructions, identification and monitoring system (UCIMS), the recommendation be treated as fulfilled.

Recommendation No.99

Establish a unified and detailed PPP policy framework for Andhra Pradesh, outlining clear roles, responsibilities, and risk-sharing mechanisms for both public and private entities. Facilitate long-term revenue-sharing models to ensure private sector investment while safeguarding public welfare (**Para 8.19.2.1**).

Decision of the Government:

CDMA is directed to submit proposals of the Government.

Recommendation No.100

Issue guidelines for contract negotiation, monitoring, and dispute resolution to ensure transparency and fairness. Create dedicated PPP cells at the district to facilitate collaboration and oversee ongoing projects. Organize capacity-building programs to train local bodies staff in PPP project planning, execution, and monitoring (**Para 8.19.2.1**).

Decision of the Government:

Accepted.

Recommendation No.101

To minimise electricity charges, the Commission recommends (Para 8.19.3)

1. Adoption of waste to energy (WtE) technologies.
2. Integration of solar energy which include
 - (a) promoting rooftop solar installations in municipal buildings and public spaces.
 - (b) Integrating solar panels into street lighting systems and water pumping schemes.
 - (c) Facilitating community solar projects to reduce dependence on external energy sources and enhance local energy security.
3. Implementation of Energy audits which include
 - (a) Detecting discrepancies between energy inputs and actual usage
 - (b) Optimizing performance of electrical equipment and systems
 - (c) Developing targeted strategies to reduce energy wastage.
4. Policy Support and Financial Assistance: Provide financial incentives and grants to local bodies for adopting green energy solutions such as solar energy installations and WtE technologies. Facilitate partnerships with private sector players to enhance investments in renewable energy projects.
5. Monitoring and Evaluation Framework: Establish mechanisms to monitor the energy savings achieved through these initiatives. Periodically evaluate the performance of energy-saving measures to ensure continuous improvement.

Decision of the Government:

Accepted.

Recommendation No.102

To enable the ULBs to repay their debts promptly, the Commission makes the following recommendations Government may consider to collateralize the loans sanctioned by APUFIDC with the accounts of the concerned Municipality at State Bank of India. Repayment of loans shall be made as first charge on the general revenues of the ULBs and the bank may be authorized to deduct debt service payments directly from ULBs accounts. Alternatively, the mechanism of "Escrow Accounts" may also be used to ensure loan servicing **(Para 8.8.6 & 8.8.7)**.

Decision of the Government:

CDMA is directed to examine and submit proposal to the Government.

Recommendation No.103

The borrowing Municipality invariably has to make provision in its budget every year for interest and redemption payments to the lender for the term of the loan. The concerned authorities who approve the ULB budgets must ensure that adequate provision is available in the budget for loan repayments and the loan installments are drawn and paid promptly **(Para 8.8.6)**.

Decision of the Government:

CDMA is directed to examine and submit proposal to the Government.

Recommendation No.104

The MA&UD Department may establish prudent borrowing ceilings for ULBs based on the capacity for debt repayment, limiting the total debt service up to a certain percentage of ULB revenue to ensure that the ULBs sustain their debt **(Para 8.8.6)**.

Decision of the Government:

CDMA is directed to examine and submit proposal to the Government.

Recommendation No.105

Government may consider enacting "Fiscal Responsibility Act for ULBs" to help ULBs to widen their resources, establish sound equilibrium between their receipts and expenditures, reducing the fiscal gap, improve fiscal balance and build surplus capital savings to undertake development projects **(Para 8.8.6)**.

Decision of the Government:

CDMA is directed to examine and submit proposal to the Government.

Recommendation No.106

Government may establish Ward Committees and take steps to integrate them with existing Ward Secretariats and Area Sabhas to facilitate grassroots-level

governance. It will foster self-governance, where residents can actively engage in shaping policies related to their neighbourhoods, thus creating a more inclusive and participatory governance model (Para 5.8.b).

Decision of the Government:

CDMA is directed to examine and submit proposal to the Government **in consultation with GSWS Department.**

Recommendation No.107

To enhance financial accountability, the Commission recommends that, MA&UD Department should ensure that (a) The ULBs maintain all the 15 prescribed registers with year-wise updated data as per APMAM. (b) All ULBs regularly update the receipts side of cash books (c) All ULBs mandatorily maintain detailed application-wise building application fees receipts managed via APDPM (d) All ULBs maintain complete records for Transferable Development Rights (TDRs) for verification in audit **(Para 9.2.4.3).**

Decision of the Government:

Accepted.

Recommendation No.108

The Commission recommends that the Government may amend the AP State Audit Act and AP State Audit Rules to incorporate the auditing standards prescribed by C&AG for ULBs. Additionally, provisions should be included in this Act to conduct performance audits of all developmental programs and schemes of ULBs. This would enhance the quality of audits and promote greater accountability within ULBs (Para 9.2.6.1).

Decision of the Government:

Refer to State Audit Department for an appropriate action.

Recommendation No.109:

The Commission recommends that the State Audit Department may expedite the implementation of "Certification Audit" in ULBs and issue required "Audit Certificate" by expressing "Audit Opinion", to enhance transparency and credibility of Panchayat accounts **(Para 9.2.7.2).**

Decision of the Government:

Refer to State Audit Department for an appropriate action.

Recommendation No.110

To enhance the efficiency of accounts section in Municipal Corporations, the Commission recommends that the Government may consider creating the positions of Accounts Officer and Junior Accounts Officer in Municipal

Corporations by upgrading one or two existing posts from the Accounts wing **(Para 9.2.10.2)**.

Decision of the Government:

CDMA is directed to examine and submit proposal to the Government.

Recommendation No.111

The Commission recommends that the State Municipal Administration Dept. may encourage the accounting staff of ULBs to enroll in certificate course offered by C&AG in collaboration with Institute of Chartered Accountants of India (ICAI) and get certified. The Department may also consider to reimburse the registration from General Funds of concerned ULB to the staff who obtain the C&AG certificate **(Para 9.2.10.4)**.

Decision of the Government:

CDMA is directed to examine and submit proposal to the Government.

Recommendation No.112

To ensure transparency and accountability, the Commission recommends that the MA&UD Department may consider introducing Social Audit in ULBs especially for government schemes and welfare programs with support from community-based organizations and the State Social Audit Unit **(Para 9.2.11.1)**.

Decision of the Government:

CDMA is directed to examine and submit proposal to the Government.

Recommendation No.113

There is a significant backlog of unresolved audit objections, which shows weak follow-up from ULBs. The Commission recommends that the state MA&UD Dept. should consider adopting a streamlined settlement mechanism, including constitution of District level committee to fast-track the processes. Regular training and capacity building programs for Municipal staff may be conducted on audit response protocols **(Para 9.2.8.1)**.

Decision of the Government:

Accepted.

S. SURESH KUMAR
PRINCIPAL SECRETARY TO GOVERNMENT

//FORWARDED BY ORDER//


SECTION OFFICER