Preface

1 This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2 The Chapters I and II of this Report deal with the findings of performance audit and audit of transactions in the various departments including the Public Works and Irrigation Departments, audit of Autonomous Bodies. The Chapter-III deals with Integrated Audit of a Government department.

3 The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on Revenue Receipts are presented separately.

4 The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2008-09 have also been included wherever necessary.

Overview

This Report includes three Chapters comprising five reviews and eighteen paragraphs dealing with the results of performance audit of selected schemes/ programmes, integrated audit of a Government department as well as audit of the financial transactions of the Government and Autonomous Bodies under Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgemental basis. Audit conclusions have been drawn and recommendations made, taking into consideration the views of the Government.

A summary of the audit comments on the performance of the Government in implementation of certain programmes and schemes, as well as integrated audit of Finance Department and transaction audit findings is given below:

1. National Rural Health Mission

Government of India launched the National Rural Health Mission (NRHM) in April 2005 throughout the country for providing accessible, affordable, effective and reliable healthcare facilities in the rural areas. The implementation of the NRHM suffered in the State mainly due to lack of comprehensive planning and absence of adequate monitoring mechanism. The programme was implemented in the State without conducting facility surveys and there was no Perspective Plan for the whole Mission period 2005-12. The State Government did not pay adequate attention for creation/strengthening of infrastructure facilities in the Health Centres despite availability of funds. The physical infrastructure available in the health centres was far below the desired level prescribed in Indian Public Health Standards and majority of the test checked Community Health Centres (CHCs) and Primary Health Centres (PHCs) lacked basic infrastructure facilities. The Mobile Medical Units were functioning without essential equipment/Medical Officers in all the eight test checked districts. The implementation of Reproductive and Child Health Scheme suffered in the areas of institutional delivery care, antenatal care, etc. The objective of converging all the National Disease Control Programmes remained unachieved. Implementation of the Programme by the NGOs was not adequately monitored. Due to lack of adequate monitoring mechanism the planning process did not receive regular inputs on the nature and direction of required future interventions.

[Paragraph 1.1]

2. Functioning of Osmania University

Osmania University, established in the year 1918, manages 11 faculties encompassing 52 departments, eight campus colleges, and 988 affiliated colleges besides Centre for Distance Education. The University failed to adhere to the codal provisions while appointing various posts of staff including the Finance Officer. Financial management in the University was deficient. Cash books were either not maintained or were not properly maintained by the University as well as the campus and constituent colleges. There was no assurance that all demand drafts remitted into banks were credited to University account. Collection of prescribed tuition fees and examination fees was not ensured. Excess/inadmissible payments were made to University teaching staff in implementation of UGC scales. Advances given to Principals and various departmental officers of the University were outstanding due to non-adjustment. The Finance Branch failed to ensure correct remittances of amounts due to University account by Colleges and Hostels. Annual Reports were perfunctory and did not highlight areas of concern. Certain courses conducted by the University did not attract enough candidates leading to low enrolment. There was no assurance that works were properly executed as no quality control checks were ensured by the University Buildings Division. Estate management was poor. The University failed to protect its lands from encroachers. Physical verification of stores and stock was not carried out in most of the departments. Physical verification of the library books in the Central Library/Seminar Libraries was also not done. Internal audit of the University departments was not conducted during the five-year period 2004-09 and as such there was no assurance to the University management that the rules and procedures were complied with by the department.

[Paragraph 1.2]

3. Third Party Quality Control/Assurance (TPQC) in execution of irrigation projects

Government has been engaging outside agencies for checking the quality of irrigation projects as a part of Third Party Quality Control/Assurance (TPQC) arrangement. The TPQC system suffers from an inherent deficiency as it does not envisage presence of departmental engineers at the time of collection of samples and at the time of carrying out testing and analysis of the samples collected. Audit also noticed deficiencies such as faulty empanelment for engaging TPQC firms, engagement of firms which did not have experience in quality control of irrigation projects, inadequacies in agreements, modification of tender conditions thereby passing undue benefit to firms, non-enforcement of the agreement conditions, etc. Also, the EPC firms did not take prompt action on the deficiencies pointed out by the TPQC firms. Checking of quality of projects works is too critical a function to be outsourced completely to independent third party agencies without the quality inspection team having any representative of the Government. Monitoring during execution of the project assumes considerable significance. There is no substitute for hundred per cent departmental supervision of these agencies. The agencies can only assist the departmental engineers in discharging this important task.

[Paragraph 1.3]

4. Accelerated Irrigation Benefit Programme

The Accelerated Irrigation Benefit Programme (AIBP) was launched by the Government of India (GOI), during 1996-97, to provide assistance to the States for accelerating the implementation of major and medium irrigation projects, costing more than Rs 1,000 crore, which were beyond the resource capability of the States and to complete on-going major/medium irrigation projects which were in advanced stage of completion. Minor irrigation schemes were subsequently introduced from the year 1999-2000. Prioritisation for funding the Projects under AIBP was not done in a systematic manner by computing the cost of balance works to be executed in each project. Although land acquisition is a time consuming process and of uncertain duration, the projects were awarded without prior acquisition of land and this resulted in majority of the projects, on which substantial expenditure has been incurred, getting stalled mid-way and non-creation of envisaged irrigation potential. These two lapses resulted in the basic objective of accelerated irrigation benefits not being achieved due to blocking of funds on projects stalled due to non-completion of land acquisition and inadequate funding, due to resources being spread thinly on too many projects. Awarding of projects on a fixed price basis without firming up quantity of works to be executed and not having payments linked to quantity of works executed resulted in undue benefits to the contractors. Monitoring of the projects was absent during the first ten year period i.e. from 1996-97 to 2005-06. No mechanism existed for evaluation of the projects assisted under AIBP to assess creation and utilisation of envisaged irrigation potential.

[Paragraph 1.4]

5. Integrated Audit of Finance Department

Finance Department is mainly responsible for the overall management of the State finances which includes mobilisation of resources and collection of revenues and other financial resources, budgeting and allocation of funds to meet the demands of expenditure, spending of resources on specified objectives and monitor funds utilisation. Integrated Audit of Finance Department revealed that weaknesses and system lapses existed in the Department, in the area of preparation of budget, release of funds, compliance with Public Finance Accountability norms, asset and contract management. Adequate internal controls did not exist with the Finance Department in areas of watching compliance of instructions by other administrative departments. Tax recovery mechanism was not effective. The State Government resorted to sale of lands for revenue mobilisation. The returns on investments in Commercial Enterprises were poor. There were chronic arrears in preparation of Proforma Accounts by the Departmentally Managed Government Undertakings. Monitoring by the Finance Department was also ineffective in the areas of submission of Explanatory Notes to C&AG Audit Paras, Action Taken Notes (ATNs) to Public Accounts Committee Recommendations, settlement of paras of AG's Inspection Reports by other administrative departments. Functioning of the Directorates of the Finance Department and their district offices was also deficient. Audit noticed lapses such as, accumulation of stamps with

Director of Treasuries and Accounts; irregular transfer to Civil deposits, non-renewal of bank guarantees in Director of Works Accounts; huge arrears of cost of realisable audit fee, non/delayed submission of Audit Reports to Legislature by Director of State Audit, etc. Due to the absence of internal audit there was no assurance to the management that the departmental rules, regulations and procedures were being complied with.

[Paragraph 3.1]

Transaction Audit Findings

The audit of financial transactions, subjected to test-check, in various departments of the Government and their field formations revealed instances of losses, excess payments, wasteful/infructuous expenditure, etc. of Rs 842 crore as mentioned below:

- Excess payments, wasteful/infructuous expenditure amounting to Rs 118.38 crore in Consumer Affairs, Food and Civil Supplies Department (Rs 106.88 crore), Municipal Administration and Urban Development Department (Rs 0.84 crore), Information Technology and Communications Department (Rs 6.36 crore) and Irrigation and Command Area Development Department (Rs 4.30 crore).

- Violations of contractual obligations and undue favour to contractors amounting to Rs 643.37 crore in General Administration (Information and Public Relations) Department (Rs 34 crore), Information Technology and Communications and Revenue Departments (Rs 165.75 crore), Infrastructure and Investments (Ports-I) Department (Rs 387.52 crore), Irrigation and Command Area Development Department (Rs 51.79 crore), Revenue and Infrastructure and Investment (Ports-I) Department (Rs 0.31 crore) and Youth Advancement, Tourism & Culture (Youth Services) Department (Rs 4 crore).

- Idle investments/blocking up of funds, etc. amounting to Rs 8.28 crore in Irrigation and Command Area Development Department (Rs 5.48 crore) and Youth Advancement, Tourism and Culture (Youth Services) Department (Rs 2.80 crore).

- Ineffective utilisation of the reports of the Vigilance and Enforcement Department, irregularities in implementation of MPLAD Scheme (Rs 70.29 crore) by Planning Department and un-authorised utilisation of Government receipts (Rs 1.76 crore) by the District Collector, Visakhapatnam (Revenue Department).

Some of the major findings are summarised below:

(i) The iris based methodology as adopted and operated for issue of ration cards on which an expenditure of Rs 106.88 crore has been incurred (up to March 2009) was inappropriate.

[Paragraph 2.1.1]

(ii) Lack of in-depth project appraisal at the initial stage led to a Unifie-X Gateway Project set up at a cost of Rs 6.36 crore being shelved.

[Paragraph 2.1.3]

(iii) Failure to firm up specifications before award of works and delay in approval of the revised estimates resulted in non-completion of the Vontimitta lift irrigation scheme in Kadapa District even after ten years and the expenditure of Rs 2.24 crore incurred thereon remained unfruitful.

[Paragraph 2.1.4]

(iv) Government violated the norms in releasing advertisements to newspapers and failed to observe economy principles and disregarded propriety requirements resulting in additional/avoidable expenditure of Rs 34 crore.

[Paragraph 2.2.1]

(v) Government passed on undue benefit of Rs 165.75 crore to a private firm in allotment of 50 acres of land in Visakhapatnam District. Also the land was allotted to the party without giving wide publicity prescribing the starting date and last date for receipt of applications.

[Paragraph 2.2.2]

(vi) The contract for development of Port at location 'Gilakaladinne' near Machilipatnam (Krishna District) was given to a party which did not initially submit bid for that location. Government is saddled with the payment of Rs 335 crore as against 'nil' investment initially contemplated. The award of work involving the payment was violative of the NIT conditions.

[Paragraph 2.2.3]

(vii) Government passed on undue benefit of Rs 52.52 crore to a Company entrusted with operations of the Kakinada Port as it failed to ensure compliance of agreement clauses and also by modifying the agreement clauses post award.

[Paragraph 2.2.4]

(viii) Incorrect decision to reject bids in the first call for modernisation of Pennar Delta System resulted in avoidable extra expenditure of Rs 49.11 crore besides delaying improved irrigation facilities to the farmers.

[Paragraph 2.2.5]

(ix) Failure to place order within the validity period of the first tender call for the 'Sangambanda Balancing Reservoir Project' in Mahboobnagar District resulted in placement of order on the same contractor in the second call for an additional value of Rs 2.68 crore.

[Paragraph 2.2.6]

(x) Excavation of canal and distributaries under Somasila Project without obtaining prior clearance from Forest Department resulted in idle investment of Rs 5.48 crore.

[Paragraph 2.3.1]

(xi) As of January 2009, 2966 action taken reports (ATRs) on the Vigilance & Enforcement (V&E) reports were pending for one to twelve years from various administrative departments.

[Paragraph 2.4.1]

(xii) Irregularities like non-completion of works, diversions, irregular payments, etc. involving Rs 70.29 crore in implementation of MPLAD Scheme denied the envisaged benefits to the people at large.

[Paragraph 2.4.2]

(xiii) District Collector, Visakhapatnam, besides keeping the deposit amount received from land indenting agencies outside the Government account, unauthorisedly spent the interest amount of Rs 1.76 crore accrued thereon for office expenditure, expenditure on VIP visits, etc.

[Paragraph 2.4.3]

CHAPTER I

PERFORMANCE AUDIT

This chapter contains performance audit of National Rural Health Mission (1.1), Functioning of Osmania University (1.2), Third Party Quality Control/ Assurance in execution of irrigation projects (1.3) and Accelerated Irrigation Benefit Programme (1.4).

HEALTH, MEDICAL AND FAMILY WELFARE DEPARTMENT

1.1 National Rural Health Mission

Highlights

Government of India launched the National Rural Health Mission (NRHM) in April 2005 throughout the country for providing accessible, affordable, effective and reliable healthcare facilities in the rural areas. The programme was launched in Andhra Pradesh without conducting facility survey and without the preparation of perspective plan by the District Health Societies (DHS). The State Government did not pay adequate attention for creation/strengthening of infrastructure facilities in the Health Centres despite availability of funds. Majority of the test checked Community Health Centers (CHCs) and Primary Health Centers (PHCs) lacked the basic infrastructure facilities. The Mobile Medical Units were functioning without essential equipment/Medical Officers in all the eight test checked districts. The implementation of Reproductive and Child Health Scheme suffered in the areas of institutional delivery care, antenatal care, etc. The functioning of Rogi Kalyan Samithis was deficient and the coverage under Immunization Programme was inadequate. Monitoring of the Programme was poor.

As against the GOI releases of Rs 1,603 crore under the Programme during the 4-year period 2005-09, Rs 1,505 crore were utilised leaving 21 to 29 *per cent* of the available funds remaining unspent. State Health Society (SHS) and all the District Health Societies (DHS) did not maintain the accounts in the prescribed format envisaged in the guidelines. In all the eight DHSs, cash book and other initial records were not also properly maintained.

[Paragraphs 1.1.6.1 and 1.1.6.3]

Facility surveys intended for identifying the healthcare needs of the people were not conducted in the State. Perspective Plan for the whole mission period 2005-12 was not prepared by DHS and the SHS.

[Paragraphs 1.1.7.1 and 1.1.7.2]

There was a shortfall in setting up of 387 Community Health Centres (CHCs), 464 Primary Health Centres (PHCs) in rural areas of the State. In tribal areas the shortfall was 63 CHCs, 63 PHCs and 303 Sub-Centres with adverse implications with regard to accessibility of rural/tribal population to comprehensive primary healthcare.

[Paragraph 1.1.8.1]

Adequate attention was not paid by the State Government for strengthening of infrastructure in the Health Centres. Construction of 44 CEMONC Centers remained incomplete even two years after taking them up while the works of 30 centres were yet to be taken up despite availability of funds. The Physical infrastructure available at the existing centres was far below the desired level envisaged in Indian Public Health Standards. Majority of the CHCs/PHCs test checked lacked even the basic infrastructure facilities. Mobile Medical Units were functioning without essential equipment/Medical Officers.

[Paragraphs 1.1.8.2 and 1.1.8.3]

The implementation of Reproductive and Child Health (RCH) programme suffered from deficiencies in the areas of institutional delivery care, antenatal care, 24x7 delivery services and the Medical Termination of Pregnancy. The State was yet to evaluate the prevalent rate of Infant Mortality Rate, Maternal Mortality Rate and Total Fertility Rate after launching of NRHM.

[Paragraph 1.1.9.1]

The objective of converging various National Disease Control Programmes remained unachieved. Thus, the planning process was deficient. The achievement of cataract operations in Government Hospitals was far below the prescribed target of 50 *per cent.* No survey was conducted after launch of NRHM to identify areas of iodine deficiency disorders.

[Paragraphs 1.1.7, 1.1.9.5 and 1.1.9.6]

Monitoring Committees under Rogi Kalyan Samithis (RKS) were not formed in 46 *per cent* of CHCs and 67 *per cent* of PHCs test checked. Even in the CHCs/PHCs where RKSs were formed their functioning was found to be deficient. There was significant shortfall (up to 39 *per cent*) in the Immunization Programme (Second stage of 10-16 age group).

[Paragraphs 1.1.9.2 and 1.1.9.4]

Implementation of the schemes by the NGOs was very poor, attributable to poor monitoring by the Department. The entire amount of Rs 7 crore released to eight municipal corporations for establishing First Referral Units (FRUs) remained unspent.

[Paragraph 1.1.9.7]

Financial management was deficient. There were significant variations (short receipt of GOI release: Rs 168 crore) between the figures of release as per the records of GOI and those stated to have been received by the State Health Society (SHS) which remained unreconciled (March 2009). Test-check revealed cases of avoidable extra expenditure on procurement of Vaccine/bed nets, wasteful expenditure, ineligible payments and diversion of programme funds amounting to Rs 23.36 crore in the eight districts alone.

[Paragraphs 1.1.6.2 and 1.1.10]

The Programme suffered from lack of adequate monitoring mechanism. This resulted in the planning process not receiving regular inputs on nature and direction of required future interventions. The Computer-based Management Information System intended for use of network for Integrated Disease Surveillance Project was defunct since 2005.

[Paragraph 1.1.11]

1.1.1 Introduction

In April 2005, Government of India (GOI) launched the National Rural Health Mission (NRHM) throughout the country with special focus on 18 States including Andhra Pradesh. The Mission aimed at providing accessible, affordable, effective and reliable healthcare facilities in the rural areas. The Mission also aimed at an architectural correction[1] in the healthcare delivery system by converging seven other stand alone existing National Disease Control Programmes (NDCP[2]) of the Ministry of Health and Family Welfare. The new components of the NRHM include bridging the gaps in healthcare facilities, facilitating decentralised planning in health sector and addressing the issue of health in the context of the sector-wise approach encompassing sanitation, hygiene and nutrition as basic determinants of good health by seeking convergence of related social sector departments like Women Development and Child Welfare, Panchayat Raj, etc.

In Andhra Pradesh the Mission was operationalised with effect from September 2005 through the formation of the State Health Society (SHS) in December 2005.

The objectives of the Mission for 2005-12 are:

(i) Access to integrated comprehensive primary healthcare

(ii) Prevention and control of communicable and non-communicable diseases including locally endemic diseases

(iii) Reduction of infant and maternal mortality rate

(iv) Population stabilisation, control, gender and demographic imbalances

1.1.2 Organisational Set-up

At the State level the scheme is implemented through State Health Mission (SHM) headed by Chief Minister. The State Programme Management Support Unit (SPMSU) headed by the Mission Director acts as Secretariat to the SHM and State Health Society (SHS). The governing body of the Mission headed by

---

[1] Modification or remedial measures in the healthcare delivery system

[2] Reproductive and Child Health (RCH)-II, National Vector Borne Disease Control Programme (NVBDCP), Revised National Tuberculosis Control Programme (RNTCP), National Leprosy Eradication Programme (NLEP), National Blindness Control Programmes (NBCP), Integrated Disease Surveillance Project (IDSP) and National Iodine Deficiency Disease Control Programme (NIDDCP)

Principal Secretary, Health, Medical and Family Welfare Department is entrusted with the task of scrutiny and approval of the annual State plans; monitoring the status of the follow-up action on decision of SHM, etc.; review of expenditure and implementation; approval of the accounts of the district and other implementing agencies and execution of approved action plans including release of funds for the programme. The Commissioner of Family Welfare (CFW) is the Member Secretary of the State Health Society.

At the district level, the District Health Society (DHS) is headed by District Collector. District Medical & Health Officer (DM&HO) as head of the Executive Committee is responsible for planning, monitoring, evaluation, accounting, database management and release of funds to health centres. The implementation of various national disease control programmes is supervised by the Additional Directors.

As of March 2009 there were 167 Community Health Centres[3] (CHCs), 1,570 Primary Health Centres[4] (headed by Medical Officer-in-Charge) and 12,522 Sub-centres in the State for providing healthcare services to the rural population.

1.1.3 Audit objectives

The performance audit had the following objectives:

- Whether planning was designed at State, district and village levels to effectively meet the mission objectives for ensuring accessible, effective and reliable healthcare to rural population;
- Whether public spending on health sector over the years 2005-09 increased to the desired level and assessment, release of funds in the decentralised set up and utilisation of funds released and accounting thereof was adequate;
- Whether the Mission achieved capacity building and strengthening of physical and human infrastructure at different levels as planned and targeted;
- Whether the systems and procedures of procurement and equipment were cost effective and efficient; and
- Whether the performance indicators and targets fixed specially in respect of reproductive and child healthcare, immunization and disease control programmes were achieved.

[3] For a population of 1.20 lakh in rural and 0.80 lakh in tribal, there should be one CHC with a minimum 30 bedded accommodation and one operation theatre. In addition to two regular medical officers, there should be specialist services in surgery, gynaecology and paediatrics

[4] For a population of 0.30 lakh in rural areas and 0.20 lakh in tribal areas, there should be one PHC with a minimum six bedded accommodation and two medical officers

1.1.4 Audit criteria

The audit was conducted with reference to records maintained for implementation of NRHM. The audit criteria adopted were:

- GOI guidelines on the scheme and instructions issued from time to time;
- State Programme Implementation Plan (PIP) approved by GOI; and
- Indian Public Health Standards (IPHS) for up-gradation of CHCs/PHCs.

1.1.5 Scope and Methodology of Audit

The performance audit was conducted (March – August 2008 and February - March 2009 and May 2009)) covering the period from 2005-06 to 2008-09 by test check of records in the Mission Commissionerate, eight DHSs[5] (out of 23) along with 24 (out of 167) CHCs, 48 (out of 1,570) PHCs and 96 (out of 12,522) Sub-centres. The selection of sample was based on Simple Random Sampling without Replacement method. The details are given in *Appendix-1.1*. The percentage of expenditure covered in sample districts ranged from 11 to 32 *per cent* during 2005-09. An entry conference was held (May 2008) with the Mission Commissionerate, wherein audit objectives and criteria were explained. The exit conference was conducted in January 2009 with the Additional Director, NRHM and the Programme Officers. Replies of the Government have been considered and incorporated while finalising the Performance Audit review. The results of the Performance Audit are discussed in the succeeding paragraphs.

Audit findings

1.1.6 Release and utilisation of funds, accounting and auditing arrangements

1.1.6.1 Financial outlay and expenditure

Twenty one to twenty nine *per cent* of available funds remained unutilised every year during 2005-09

The Programme was fully funded by GOI during the years 2005-06 and 2006-07. From the year 2007-08 onwards, the funding was to be in the ratio of 85:15. During the period 2005-09 GOI released Rs 1,603.12 crore and with an inclusion of opening balance of Rs 17.53 crore relating to RCH-I programme which was under implementation prior to 2005-06 the total funds available with the State Government were Rs 1,620.65 crore. As against this, the expenditure was Rs 1,505.06 crore leaving Rs 115.59 crore unspent. The year wise details are given in Table-1.

[5] Adilabad, Khammam, Krishna, Kurnool, Nellore, Vizianagaram, Karimnagar and Kadapa

Table-1 (Rupees in crore)

Year	Opening Balance	GOI Releases$ Grant-in-Aid	Expenditure*	Closing Balance	Unspent Balance Percentage
2005-06	17.53	255.85	214.31	59.07	22
2006-07	59.07	425.39	381.22	103.24	21
2007-08	103.24	556.96	470.39	189.81	29
2008-09	189.81	364.92	439.14	115.59	21
Total		**1603.12**	**1505.06**		

$These amounts are based on the records maintained by SHS and are less than the releases made by GOI as detailed in para 1.1.6.2

*Release to districts shown as expenditure: Rs 1,095.44 crore, Expenditure incurred at State level by SHS: Rs 409.62 crore

Thus, every year 21 to 29 *per cent* of the available funds remained unutilised in the bank accounts[6] while several gaps/shortfalls were noticed by Audit in creation/strengthening of infrastructure in the implementation of various schemes under NRHM as discussed in paras 1.1.8.1 to 1.1.8.3.

Audit also observed that the State did not contribute its share of 15 *per cent* during the year 2007-08 and 2008-09[7]. The deficiencies in utilisation of funds are discussed in para 1.1.10.

1.1.6.2 Discrepancies in figures relating to receipt of funds

Huge variations were noticed between the figures of releases by GOI and those received by SHS

There were significant variations (short receipt by SHS: Rs 168.23 crore to end of March 2008) between the releases made by GOI and the funds received by SHS as detailed in Table-2.

Table-2 (Rupees in crore)

Year	Funds released to SHS (GOI figures)*	Funds stated to have been received by SHS	Difference
2005-06	383.90	255.85	128.05
2006-07	424.70	425.39	0.69
2007-08	597.83	556.96	40.87
2008-09	Not available	364.92	-

Source: Information provided by Ministry of Health and Family Welfare, GOI

Similarly, substantial variations (amount involved: Rs 11.49 crore) were also noticed between the figures of releases by SHS and those received by DHS in all the eight sampled districts. The district-wise details are given in Appendix-1.2.

[6] ICICI Bank, a private entity benefited immensely from such large funds being maintained in SB accounts

[7] The amounts released and paid under the State sponsored schemes like Sukhibhava, Family Planning incentives and Rural Emergency Health Transport Service were shown as State share but as these schemes were in vogue prior to introduction of NRHM, the expenditure on these schemes can not be construed as contribution to NRHM

Government in its reply (June 2009) stated that the variations were due to release of the funds to Director of Health directly by Government of India who in turn was releasing to the Programme Officers at district level and the accounts being rendered by the Programme Officers to the Ministry through Director of Health. It was also stated that Chartered Accountants were instructed to take action to reconcile the discrepancies.

1.1.6.3 Accounting and auditing arrangements

The accounts of the SHS and DHS are based on commercial accounting system with a provision for certification by a Chartered Accountant. For ensuring accountability for expenditure incurred from Government funds, two kinds of audit are carried out (i) Certification of accounts which merely confines itself to whether accounts prepared are backed by vouchers (ii) the transaction audit to ascertain whether the utilisation of funds is in conformity with the principles of economy, efficiency, effectiveness and propriety including equality of opportunity for executing works or providing services.

The present arrangements are confined to activity (i) and there is no assurance with regard to conformity with vital conditions which are scrutinised in activity (ii).

The following deficiencies were noticed in maintenance of books of accounts in DHS and SHS:

1.1.6.4 Non-maintenance of accounts in double entry system

Though prescribed, the accounts at State and district level were not maintained in double entry system leading to non-drawing up of trial balance. Ledger, journal were also not maintained.

1.1.6.5 Non-maintenance of initial records at District Health Societies

In all the DHSs test checked, cash books and other initial records were not maintained properly and were not closed periodically due to which the DHSs were not able to ascertain the balance available with them on any given day. For this purpose, they were relying on statements furnished by the banks in which the scheme funds were deposited. The accounts of the scheme were not also certified at district level by CA though prescribed in the guidelines.

Reconciliation of SHS/DHSs figures with banks was also not being done as initial records at district level were not maintained properly.

1.1.7 Planning for Implementation of the Mission

Planning process was deficient. The objective of converging various National Disease Control Programmes remained unachieved

The NRHM is aimed at decentralised planning and implementing arrangements to ensure need based and community owned district health action plan which would form the basis for intervention in the health sector. The guidelines envisaged household survey, facility survey, preparation of perspective plan for the entire Mission period (2005-12), annual action plan, and the Project Implementation Plan (PIP). Scrutiny of the records revealed that household survey was completed in 21 districts (i.e. except Adilabad and East Godavari) in the State. There were deficiencies in the planning process, as follows:

1.1.7.1 Perspective plans for the Mission period

NRHM guidelines envisage preparation of perspective plans for the entire Mission period (2005-2012) outlining the year-wise resources and activity needs of the district. The annual plan was to be based on availability and prioritisation exercise.

DHSs in the State have not prepared the perspective plan for the entire Mission period. Thus, the requirement and availability of resources and physical and financial targets remained un-assessed. In fact, the funds earmarked for preparation of Perspective Plan were diverted by DM & HOs for other purposes (Para 1.1.10 refers).

1.1.7.2 Facility Survey

In order to set up a benchmark for quality service and utilisation and identify input needs, Facility Survey (Specialist service, manpower, investigating facilities, equipment and other infrastructure, etc.) was to be conducted in each facility i.e., CHC, PHC, and Sub-centres. These surveys were to provide critical information in terms of gaps in infrastructure and human resource which needed to be addressed through planning process.

No Facility Survey was however, conducted in the State. At a belated stage in April 2008, this was entrusted to Indian Institute of Health and Family Welfare requiring to be completed by October 2008 at a cost of Rs 46.50 lakh. No progress was noticed as of May 2009. Thus, the programme was implemented during the period 2005-09 without the benefit of facility survey. Due to non-conduct of facility survey, deficiencies in specialist services, manpower services and infrastructure facilities were not identified.

1.1.7.3 Preparation of Project Implementation Plan (PIP)

PIP for the State was to be prepared annually by the SHS by aggregating the annual District Health Action Plan of each district. The National Programme Co-ordination Committee (NPCC) at the Ministry under the Chairmanship of the National Mission Director was to evaluate the PIP.

After incorporation of the feedback of the NPCC the PIP was to be approved by the Secretary, Ministry of H&FW. The directives issued by the NPCC were to be complied with by the SHS.

The SHS had no details of PIPs for the two year period 2005-07.

Audit observed that except DHS, Vizianagaram, the district health action plan was not prepared by any DHS in the State. This indicated that the PIPs were prepared without considering the DHAPs and the programme was implemented in an adhoc manner and is not need based. While approving (August 2007) the PIP in respect of 2007-08 NPCC gave the following directives:

- Provision of 10 *per cent* increase in budgetary outlay per year by the State
- Utilisation of not exceeding 25 *per cent* of funds for strengthening of infrastructure

- Drawing a monitoring plan for NRHM in consultation with National Health State Resource Centre (NHSRC)
- Construction of new CHCs and PHCs

It was observed that none of the above directives were complied with by the State Health Society (SHS) as of June 2009. Non-establishment of new CHCs and PHCs after launching NRHM had the adverse implications on delivery of healthcare to the targeted population (Para 1.1.8.1 also refers). Government replied (June 2009) that monitoring plan in consultation with NHSRC is under process. Government did not offer specific remarks on the other directives issued by NPCC.

1.1.8 Infrastructure and Capacity Building

In rural areas there was a shortage of 387 CHCs and 464 PHCs. In tribal areas the shortage was 63 CHCs, 63 PHCs and 303 Sub-Centres

The mandate of NRHM stipulates creation of infrastructure/buildings for health centres and strengthening the existing ones for improving accessibility and quality of healthcare services. Adequate attention was not paid by the State Government for creation/strengthening of physical infrastructure in CHCs/PHCs/Sub-centres as discussed in Paras 1.1.8.1 to 1.1.8.4 below:

1.1.8.1 Shortfall in number of Health Centres

NRHM framework seeks to provide one Sub Centre for 5,000 population (3,000 in tribal areas), one Primary Health Centre for 30,000 population (20,000 in tribal/desert areas) and one Community Health Centre for 1,00,000 population (80,000 in tribal/desert areas).

No new health centres had come up after launching NRHM in 2005-06, defeating the objective of accessibility of healthcare to rural/ tribal population

For the rural population of 554.01 lakh (Census 2001) in the State, there was a shortage of 387 CHCs and 464 PHCs. For tribal population of 50.24 lakh the shortage was 63 CHCs, 63 PHCs and 303 Sub-Centres. Audit observed that during the entire period 2005-09 i.e., after launching the NRHM no new CHCs or PHCs had come up in the State despite specific directive by the Ministry to propose the setting up of new CHCs, PHCs through PIPs from the year 2007-08. Government in its reply (June 2009) stated that construction of 250 Sub-centres would be taken up (outlay: Rs 36 crore) in 2009-10.

Non-setting up of the required number of health centres as per the population norms defeated the objective of the programme with adverse implication on the accessibility of health facilities to rural/tribal population.

The physical infrastructure at health centres was inadequate and far below the desired level envisaged in Indian Public Health Standards. Majority of CHCs/ PHCs test checked lacked basic infrastructure facilities

1.1.8.2 Inadequate physical infrastructure at health centres

The framework for implementation of the Mission has set the target of providing certain guaranteed services at Sub-centres, PHCs and CHCs. To achieve this, the Ministry of Health and Family Welfare, GOI has formulated the Indian Public Health Standards (IPHS) for different levels of health centres for ensuring availability of facilities.

Audit scrutiny revealed that even the basic infrastructure was not available in any of the health centres test checked (CHCs: 24, PHCs: 48, Sub centres: 96) as follows:

<table>
<tr><th>Item/ subject and requirement</th><th>Audit findings</th></tr>
<tr><td>Operation Theatres
According to IPHS norms major equipments are necessary to make an Operation Theatre (OT) functional.</td><td>Important equipments were not available in CHCs as mentioned below:
<table>
<tr><th>Nature of equipment</th><th>Number of CHCs (out of 24 CHCs test checked) where equipment was not available</th></tr>
<tr><td>Boyles apparatus to provide artificial respiration</td><td>11</td></tr>
<tr><td>Cardiac Monitors</td><td>21</td></tr>
<tr><td>Ventilators Verticals</td><td>19</td></tr>
<tr><td>High Pressure sterilizers 2/3 capacity drum</td><td>15</td></tr>
<tr><td>Shadow less lamps pedestal for minor OT</td><td>11</td></tr>
<tr><td>Gloves and dusting machines</td><td>7</td></tr>
<tr><td>Nitrous Oxide Cylinders</td><td>12</td></tr>
<tr><td>EMO machines for surgery</td><td>21</td></tr>
<tr><td>Defibrillators</td><td>23</td></tr>
<tr><td>Horizontal High Pressure Sterilizers</td><td>15</td></tr>
<tr><td>Shadow Less Lamp Ceiling Tract Monitors</td><td>9</td></tr>
<tr><td>OT Care/Fumigation Apparatus</td><td>9</td></tr>
<tr><td>Oxygen Cylinder 660 litres for one Boyles apparatus</td><td>7</td></tr>
<tr><td>Hydraulic Operation Table</td><td>11</td></tr>
</table>
Due to non-availability of important/essential equipment in Operation Theatres in the CHCs (supposed to be First Referral Unit) the targeted people in rural areas were deprived of quality surgical treatment. Government accepted the audit observations.</td></tr>
<tr><td>CEMONC Centre[8]
The objective was to provide life saving emergency care to mother and child and was designed to have 4 Obstetricians, one Paediatrician, and one Anaesthetist with Blood Storage Centre.</td><td>• As of March 2008 out of 329 and 546 sanctioned posts of Gynaecologists and Staff Nurses respectively, 183 (56 per cent) and 428 (78 per cent) posts were vacant.
• In Adilabad, Khammam, Krishna and Nellore Districts the CEMONC Centres were not functioning due to non-availability of Specialist doctors viz., Gynaecologist, Paediatrician and Anaesthetist. In the absence of doctors the Staff Nurses could not attend to emergency cases like caesarean, blood transfusion, administering anaesthesia. Government in its reply (June 2009) attributed the vacancies to experienced specialist doctors not generally willing to work at rural centres even after offering better remuneration.</td></tr>
</table>

[8] Comprehensive Emergency Obstetric and Neo-natal Care

Emergency Services The Mission provides for 24 hours emergency services for management of injuries and accident first aid, stabilisation of patients before referral, dog/snake/ scorpion bite cases, etc. by posting 3 staff nurses at PHCs.	Out of the 48 PHCs emergency services were available only in 18 PHCs. Lack of services in other PHCs was due to non-availability of the staff.
Diagnostic Services Mission provides for essential lab services at PHCs/CHCs level for routine urine, stool and blood test, blood grouping, bleeding time, clotting time, diagnostic for RTI/STD, Sputum testing for TB, Blood Smears examination for Malaria Parasites, rapid test for pregnancy/ malaria and RPR for Syphilis/Yarn.	• In all the 48 PHCs test checked lab services were available partially only. • In 24 CHCs and 48 PHCs though equipment for lab tests were present diagnostic services were not carried out due to absence of Technician/Reagents/Electricity. • In 3 CHCs and 15 PHCs facilities for diagnostic services were non-functional due to non-availability of lab technicians.
Labour Room The frame work of the implementation of the scheme provides for facility of labour room for safe delivery at PHC and CHC.	Labour rooms were available in 37 out of 48 PHCs test checked.
Radiological/X Ray services	In 10 out of 24 test checked CHCs, X-ray facilities were not available.
Blood storage facilities	Due to lack of equipment/staff, Blood storage facilities were not available in the 12 CHCs (out of 24) test checked.
Basic infrastructure Basic facilities such as buildings, vehicles, utilities, labour rooms, OTs, etc. at CHCs, PHCs and Sub-centres level are to be provided as per IPHS norms.	• 3 PHCs were functioning in private buildings. • In 38 PHCs and 11 CHCs no vehicle/ambulance were provided. • In 85 Sub-centres, 11 PHCs and 2 CHCs, there were no separate utilities for men and women. • In 8 PHCs and 1 CHC, out-patient department (OPD) rooms were not present. In 14 PHCs Operation theatres were not present. • In 9 PHCs Labour rooms were not functional. • In 10 CHCs Waiting Rooms were not available. • In 21 PHCs and 12 CHCs no standby power supply/ generator was available. • In 89 Sub-centres, 31 PHCs and 9 CHCs telephone connections were not available. • In 26 PHCs and 21 CHCs computers were not available.

	• In 82 Sub-centres the accommodation facilities for doctors were not available. • Residential quarters were not available for 34 medical officers and 32 staff nurses at PHC level. In 16 CHCs partial accommodation only was provided to medical officers.
AYUSH services One of the objectives of the NRHM was to revive AYUSH (Ayurvedic, Unani, Siddha and Homoeopathy) services through revitalising local traditions, by providing an AYUSH doctor at PHCs and by establishing AYUSH clinics at CHC.	Out of 48 PHCs and 24 CHCs test-checked no AYUSH practitioner was provided in 41 PHCs and in all the CHCs either through regular posting or through contractual appointment. This would adversely affect the objective of providing AYUSH services at the health centres under NRHM. Government replied (June 2009) that although notification was issued in April 2008 for recruiting doctors, there was no response.
Mobile Medical Units (MMUs) To make healthcare available at the door steps of the public in the rural areas, Mobile Medical Units were to be provided for providing outreach service.	• 93 MMUs were launched in 23 districts in 2005-06. Of these, only 50 MMUs are functional in 17 districts as of May 2009; 43 MMUs were closed reportedly due to poor performance and lack of Medical Officers and equipments. • In all the 8 test checked districts MMUs were not provided with required equipments and hence were non-functional. • The equipment viz., Ultra Sound ECG, BP Apparatus, Lab equipment were not available in the MMUs. Interventions like RTI/STI, Blood smear, ECG investigation like Urine, Blood, Sputum were not carried out in MMUs. • In Krishna District MMUs were providing services in areas where accessibility to the healthcare centre was not a problem, leaving the remote/outreach areas un-covered. • In Adilabad, Nellore and Vizianagaram the MMUs were providing only curative services i.e., administering medicines for fever, cold etc., ignoring preventive and diagnostic services. In Adilabad, Krishna and Vizianagaram, MMUs were providing healthcare services in outreach areas without a Medical Officer. Government while accepting the audit points stated (June 2009) that the equipment could not be supplied promptly due to lengthy procurement tender process.

1.1.8.3 Construction of Health Centres

The building works taken up for construction during 2005-09 under NRHM are given in Table-3.

Table-3 (Rupees in crore)

Type of building	Number proposed to be constructed	Estimated/ Sanctioned cost	Amount released	Expenditure incurred up to February 2009	Number completed	Number of works in progress	No. of completed works handed over	No. of works not taken up
CEMONC[9] Centres	151	88.49	31.62	40.35	77	44	51	30[10]
Paediatric and Maternal ward at SVRR Hospital[11], Tirupati	1	12.50	5.00	4.23	-	1	-	-
Birth waiting homes	38	4.05	1.76	1.57	26	7	-	5
Maternal and child health control room	1	0.11	0.11	NA	NA	1	-	-

The following were observed:

Construction of 44 CEMONC Centres remained incomplete and works of 30 centres were not taken up

- Even though funds were released, 44 CEMONC centres remained incomplete. Construction of 30 CEMONC centres was not taken up due to site disputes and lack of response from bidders. Construction of 12 birth waiting rooms (all in tribal areas) also remained incomplete.
- The Paediatric and Maternal ward at SVRR Hospital, Tirupati still remained incomplete even after two years of its sanction and release of funds (pending completion of works the ward was inaugurated in February 2009)
- The Commissioner did not ensure establishment of Maternal and child health control room despite specific provision of funds, which were lying with APHMHIDC. Government replied (June 2009) that it had introduced 104 toll free 24X7 call centre service to provide Health Information Helpline in the State. The amount (Rs 11.50 lakh) was however, not yet remitted back to the NRHM account by APHMHIDC.

The delay in completion of civil works led to denial of intended benefit to the beneficiaries besides escalation in construction cost.

1.1.8.4 Manpower

Huge shortage of manpower in key areas had adverse implication on providing reliable and quality medical services to rural population

Provision of manpower is a key component of delivery of health services. The Mission aimed to provide adequate medical and other manpower at different health centres. The details of sanctioned strength vis-à-vis men in position and the vacancy position in the Medical and Health Department as of September 2008 are given in the *Appendix-1.3*.

[9] Comprehensive Emergency Obstetric and Neo-natal Care

[10] Vizianagaram-3, Visakhapatnam-6, West Godavari-2, Krishna-2, Chittoor-1, Anantapur-2, Kurnool-2, Mahboobnagar-2, Ranga Reddy-2, Nalgonda-2, Medak-1, Nizamabad-2, Warangal-1, Khammam-1, Adilabad-1

[11] Sri Venkateswara Ramnarain Ruia Government General Hospital

Shortfall was noticed in the key functions of Civil Surgeon Specialist (46), Dy. Civil Surgeon (120), Civil Assistant Surgeon (1,279), Non-Medical Supervisor (104), Non-Medical Assistant (660), Sr. Entomologist (14), Staff Nurses (865), Community Health Officer (201). The huge shortfall in manpower had wide ranging inter-health centre variations, with adverse implications on providing reliable and quality medical services to the targeted population in rural areas.

1.1.9 Implementation of schemes

The implementation of RCH programme suffered from deficiencies in the areas of institutional delivery care, antenatal care, delivery services 24x7 and MTP

1.1.9.1 Reproductive and Child Healthcare (RCH)

NRHM aimed to provide an overarching umbrella to the national level health and family welfare programmes including (a) Janani Suraksha Yojana (JSY), (b) Immunization routine and Pulse Polio (c) National Vector Borne Disease Control Programme (NVBDCP), (d) Revised RNTCP (e) NPCB, NLEP and IDSP.

Audit observed the following deficiencies in the implementation of RCH scheme:

<table>
<tr><th>Item/Subject and requirement</th><th>Audit findings</th></tr>
<tr><td>Milestones
NRHM prescribed national targets for reducing Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR) and Total Fertility Rate (TFR).</td><td>The State also prescribed specific targets/intermediate goals/outcomes/ milestones by adopting the Contraceptive Prevalence Rate as indicator to measure the effectiveness of the implementation of activities of Family Welfare Programme for the Mission period 2005-12 as indicated below:
<table>
<tr><th>Particulars</th><th>2006-07</th><th>2007-08</th><th>2008-09</th><th>2009-10</th><th>2010-11</th><th>2011-12</th></tr>
<tr><td>Infant Mortality Rate (IMR) per 1000 live births</td><td>56</td><td>50</td><td>45</td><td>40</td><td>35</td><td>30</td></tr>
<tr><td>Maternal Mortality Rate (MMR) per 100000 live births</td><td>195</td><td>176</td><td>157</td><td>138</td><td>119</td><td>100</td></tr>
<tr><td>Total Fertility Rate (TFR)</td><td>1.80</td><td>1.74</td><td>1.68</td><td>1.62</td><td>1.56</td><td>1.50</td></tr>
</table>
However, the State did not evaluate the prevalent rate of IMR, MMR and TFR for the years 2005-06 to 2007-08. No bench marks were prescribed to measure the achievement with regard to accessible, affordable, accountable, effective and reliable healthcare. No mechanism also existed to measure the impact of the programme.</td></tr>
<tr><td>Antenatal care
To reduce MMR, NRHM aims for safe motherhood which was to be achieved by registering all pregnant women before they attain 12 weeks of pregnancy,</td><td>The following basic information was not maintained in all the CHCs, PHCs and Sub-centres test checked.
(i) Micro birth plan at the PHCs level (in Adilabad, Kurnool, Karimnagar and Nellore Districts).</td></tr>
</table>

provision of four antenatal checkups, issue of ninety or more Iron Folic Acid (IFA) tablets, administering two doses of TT, advising the correct diet and vitamin supplements and in cases of complication referring them to more specialised gynaecological care.	**(ii)** Details of registration of pregnant women (in Adilabad District). **(iii)** Systematic records of checkups.
Institutional Delivery Care Janani Suraksha Yojana (JSY) was started during 2005-06 with an objective to encourage pregnant women for Institutional delivery in Government/ Private institutions which contributes to reduction of maternal mortality and infant mortality.	To encourage institutional delivery, the Centrally sponsored Janani Suraksha Yojana (JSY) scheme provides all pregnant women in low performing States and BPL pregnant women in high performing States a cash compensation of Rs 700 for undergoing institutional delivery irrespective of their age and number of previous children with them. Of the total deliveries of 15.12 lakh, 15.01 lakh, 15.13 lakh and 15.59 lakh during 2005-09, the status of institutional delivery in the State was 12.55 lakh, 12.77 lakh 13.33 lakh and 14.20 lakh constituting 83, 85, 88 and 91 *per cent* of targets. In Vizianagaram District there was a delay of five months in payment of compensation to 1475 beneficiaries involving Rs 13.80 lakh due to non-release of State matching share of Rs 300 per delivery under Sukhibhava scheme.
Delivery Services 24x7 Under RCH-I, the State Government launched a strategy in March 1996 to make Emergency Maternal Healthcare Services available round the clock to the people in Rural Public Health Institutions, where at least a Staff Nurse and MPHA(F) was to be available 24 hrs a day and 7 days a week to provide normal delivery service. These PHCs have been authorised to obtain the services of Gynaecologist and a Paediatrician on a ‘per–call’ payment basis from the private sector, if specialists are not available.	Out of total 1570 PHCs in the State only 800 PHCs (29 out of 48 PHCs in the sampled districts) had the facility of 24x7 delivery services. Audit observed that these PHCs were not catering to the services satisfactorily due to non-availability of Gynaecologist and Paediatrician, required number of staff Nurses (3) and Labour room etc.
Essential Obstetric Care	In 14 out of 24 CHCs test checked the emergency obstetric care including caesarean facility was not available due to absence of specialists in obstetrics and gynaecology, anaesthesia though required as per IPHS norms and non-functional operation theatre, lack of adequate infrastructure, supporting staff, blood storage facility etc.

Medical Termination of Pregnancy (MTP) Medical Termination of Pregnancy is permitted in certain conditions under the MTP Act, 1971.	Enhancing number and quality of facilities for MTP is an important component of the programme. The programme envisaged need based training to medical officers and nurses, provision of equipment and operation theatre and MTP kits at District Hospitals, CHCs and PHCs. It was observed that none of the 24 CHCs and 48 PHCs test checked in the six districts had the facilities of MTP.

Government while accepting the above audit observations promised to take remedial action.

1.1.9.2 Rogi Kalyan Samithis (RKS)

Functioning of Rogi Kalyan Samithis was found to be deficient. RKSs were yet to be formed in one CHC and 54 PHCs

NRHM guidelines envisaged constitution of RKSs with the representatives of legislature, health officials and leading members of the community and PRI Representatives, to be registered under Societies Registration Act, 1860 for healthcare centres up to PHC level. Audit observed the following deficiencies in implementation of RKSs:

- Out of 19 District Hospitals, 167 CHCs and 1,570 PHCs in the State, RKSs were not constituted in one CHC and 54 PHCs to end of 2007-08.
- A monitoring committee has to be constituted by RKS to collect patient's feed back and complaints if any, for taking remedial action. In eight District Hospitals, 24 CHCs and 48 PHCs test checked monitoring committees were not constituted in 11 CHCs (46 *per cent*) and 32 PHCs (67 *per cent*).
- In eight District Hospitals, 17 CHCs and 21 PHCs no report on patients' feed back and complaints on presence and conduct of healthcare personnel was submitted to DMHO/Collector. Thus, the monitoring mechanism for redressal of complaints was rendered ineffective.
- The source of funds for RKSs was to be in the ratio of 1:1:3 (Internal: through own resources, donations, levy of user charges; State and Central). However, neither the grants were received from the State Government nor the RKSs have generated the internal resources during 2007-08. This would adversely affect the viability of the long term goal of community ownership of the health centres through RKSs.

Government did not offer specific remarks on the above audit observations.

1.1.9.3 Family planning

The RCH II has launched a number of initiatives under the family planning component to achieve the goal of population stability through reduction of total fertility rate by 2012. The family planning includes terminal method to control total fertility rate and spacing methods to improve couple protection ratio.

The target and achievements in various terminal methods in the State is indicated in *Appendix-1.4*. The following observations are made:

Item/subject	Audit findings
Vasectomy	The proportion of vasectomy to the total sterilization was very low ranging from 3.53 *per cent* to 4.25 *per cent* of the targets during 2005-09.
Tubectomy	The proportion of tubectomy to the total sterilization ranged from 79.51 *per cent* to 84.63 *per cent* and this is a manifestation of the gender imbalance that plagues the programme. The proportion of vasectomy has not increased even after the launch of the non-scalpel vasectomy. In Krishna, Kurnool and Nellore Districts, vasectomy operations constituted a meagre 0.03 to 2.86 percentage of total sterilizations.
Laparoscopic tubetcomy	While female sterilization is the most adopted method, the programme emphasises laparoscopic tubetcomy as preferable to conventional tubetcomy. The performance of laparoscopic tubetcomy was low at 11.79 *per cent* of total female sterilizations.

No specific remarks were offered by the Government on the above points.

1.1.9.4 Immunization

Huge shortfalls (up to 39 *per cent*) were noticed in respect of second immunization (age group 10-16 years)

Vaccines like BCG, OPD, TT, DPT, DT and measles under universal immunization programme were envisaged under RCH programme. Immunization strengthening project was aimed at achieving complete vaccination of 80 *per cent* infants by strengthening routine immunization to realise the desired reduction in infant morbidity and mortality rate.

Audit scrutiny revealed that immunization of children between 0 and 1 age group ranged from 93 *per cent* to 101 *per cent* during the period 2005-09. However, shortfall was noticed up to 39 *per cent* in respect of second immunization (age group 10-16 years) as shown in Table-4.

Table-4 (Number in lakh)

Year	DT			TT (10)			TT (16)		
	Target	Achieve-ment	Percen-tage	Target	Achieve-ment	Percen-tage	Target	Achieve-ment	Percen-tage
2005-06	14.63	13.49	92.20	19.20	12.83	66.82	18.40	11.15	60.59
2006-07	17.80	12.76	71.68	20.23	12.32	60.89	17.00	10.34	60.82
2007-08	18.17	14.09	77.54	20.65	13.17	63.77	17.35	11.37	65.53
2008-09	18.23	12.06	66.15	20.72	12.57	60.66	17.40	10.87	62.47

Government attributed (June 2009) the shortfall in second immunization of children (above 5 years) to the children not being available in their homes due to admission in schools and migration in some cases. The reply is not acceptable as both the targets and achievements were inclusive of the number of children covered under School Immunization Programme.

1.1.9.5 National Programme for Control of Blindness (NPCB)

The achievement of Catops in Government hospitals was far below the prescribed target of 50 *per cent*

The NPCB aimed to reduce prevalence of blindness cases to 0.8 *per cent* (the prevalent rate of blind is 1.84 *per cent*) by arranging cataract surgeries (46 lakh by 2012), and collection of donated eye balls and by arranging school eye screening and free distribution of eye spectacles and creation of donation centres and eye-banks and strengthening of infrastructure by way of supply of equipment and training of eye surgeons and nurses.

Fifty *per cent* of the total Cataract Operations (catops) were to be performed by the Government Hospitals as envisaged in the guidelines. However, the achievement in Government hospitals ranged from 15 to 18 *per cent* of total catops as shown in Table-5.

Table-5

Year	Number of catops conducted		Break-up of catops					
			Government sector		NGOs		Private practitioners and others	
	Target	Achievement	Number	Percentage	Number	Percentage	Number	Percentage
2005-06	460000	513508	92431	18	205403	40	215674	42
2006-07	460000	510705	83615	16	239055	47	188035	37
2007-08	500000	547899	98622	18	219160	40	230117	42
2008-09	550000	582318	89773	15	276622	48	215923	37
Total	**1970000**	**2154430**	**364441**		**940240**		**849749**	

The programme contemplated that cataract operations performed in eye camps should be in the range of 20 *per cent* as it was felt that greater reliance on the camp methodology could be counter productive. It was however, observed that catops performed through camp approach far exceeded the prescribed percentages as shown in Table-6. Government attributed (June 2009) the poor achievement of catops in Government institutions to non-availability of the posts of eye surgeons and operation theatres in area hospitals/district hospitals/ CHCs and also non-availability of Para-Medical Ophthalmic Assistants (PMOA) posts in 350 PHCs (out of 1570). It was stated that Director of Health was instructed in February 2009 to outsource the services of 100 PMOAs. Government did not however, indicate the steps taken/proposed to be taken with regard to recruitment of eye surgeons.

Table-6

Year	No. of catops performed			Percentage of catops in Camps
	Total	In camps	No. of Camps	
2005-06	513508	143558	2266	27.95
2006-07	510705	159279	2728	31.18
2007-08	547899	203621	3401	37.16
2008-09	582318	213941	3713	36.70

1.1.9.6 National Iodine Deficiency Disorder Control Programme (NIDDCP)

No survey was conducted after launching NRHM to identify areas of iodine deficiency disorder

The NIDDCP aims to control iodine deficiency disorder (IDD) through production and distribution of iodised salt, analysis of salt samples and analysis of urinary iodine excretion etc.

The NIDDCP was launched in the State during 1962. During 1986 to 2003, 14 out of 23 districts were surveyed for locating areas of IDD and all these districts were identified as areas endemic to IDD. No survey was however, conducted during the period 2005-09.

The number of iodine salt samples analysed during 2005-06, 2006-07, 2007-08 and 2008-09 is given in Table-7.

Table-7

Year	No. of samples tested	Less than 15 PPM*	More than 15 PPM*
2005-06	810656	394567	409124
2006-07	612413	218292	324126
2007-08	735617	256818	325692
2008-09	658364	223564	309247

* Parts Per Million (PPM)

No action was however, taken on the analysis of Urinary iodine excretion (May 2009). Government while accepting the audit point attributed this to non-availability of qualified lab technicians and necessary equipment with Director of Health. The information with regard to patients with Iodine Deficiency Disorders was not available with the SHS or with the Additional Director, NIDDCP.

1.1.9.7 Poor implementation of schemes by NGOs

Implementation of schemes by the NGOs was poor. The entire amount of Rs 7.01 crore released to municipal corporations for establishing First Referral Units remained unspent

There were in all 87 NGOs[12] (including the Municipal Corporations) in the State which received assistance under the programme. The table below shows the position of funds released to the NGOs by the SHS during the period 2005-09 and utilisation of the grants by them. It was observed that none of the NGOs have implemented the programme during the years 2005-06 and 2006-07. Although the NGOs stated to have spent Rs 5.96 crore (out of Rs 20.69 crore released) during 2007-08, UCs were submitted only to the extent of Rs 1.14 crore as detailed in Table-8.

Table-8 (Rupees in crore)

Year	Grant-in-aid released to NGO during the year	Expenditure incurred by NGO	Amount for which UC furnished by the NGOs
2005-06	2.25	Nil	Nil
2006-07	11.10	Nil	Nil
2007-08	7.33	5.96	1.14
2008-09	NIL	NIL	---
Total	**20.69**	**5.96**	**1.14**

[12]Releases to municipal corporations are categorised as releases to NGOs

Further Rs 7.01 crore was released (2005-09) to Municipal Corporations viz., Kakinada (Rs 82.71 lakh), Guntur (Rs 91.01 lakh), Nellore (Rs 73.90 lakh), Tirupati (Rs 81.86 lakh), Kadapa (Rs 113.03 lakh), Kurnool (Rs 152.95 lakh), Warangal (Rs 87.61 lakh), Ranga Reddy District (Rs 18.11 lakh) for establishment of First Referral Units (FRUs), to meet medical requirements of urban slum people especially for women and children. However, the municipal corporations failed to utilise these amounts. The Commissioner had asked (December 2008) the municipal corporations to refund the money to SHS account. Government in its reply stated (June 2009) that out of Rs 7.01 crore pointed out by Audit, a sum of Rs 2.30 crore was refunded by the Municipal Corporations and the balance Rs 4.71 crore was outstanding.

Cases of avoidable extra expenditure/ ineligible payments/ wasteful expenditure and diversion of NRHM funds amounting to Rs 23.36 crore were noticed

1.1.10 Deficiencies in utilisation of funds

Scrutiny revealed avoidable extra expenditure in procurement of vaccine (Rs 7.91 crore), procurement of bed nets (Rs 2.51 crore), ineligible payment of incentives to pregnant women (Rs 5.22 crore), wasteful expenditure in provision of free bus passes (Rs 0.52 crore) and diversion of NRHM funds of Rs 7.20 crore for other purposes, totalling to Rs 23.36 crore as per the following details.

Nature of deficiency/ irregularity	Audit findings
Avoidable extra expenditure in procurement of JE Vaccine	The CFW procured (April 2007) 17.50 lakh doses of Mouse Brain JE Vaccine from M/s Vabio Tech, Vietnam at Rs 38 per dose and another batch of 3.50 lakh doses from Central Research Institute, Kasauli at Rs 55.42 per dose. Scrutiny of records revealed that a similar vaccine viz., SA-14-14-2A, of China make was available at Rs 12 per dose from M/s Hindusthan Latex Ltd. Further, it was observed from the technical committee recommendations that it was a single dose giving protection for 10 years, whereas Mouse Brain JE Vaccine was costlier and has to be administered three times (1^{st} phase – 1^{st} and 2^{nd} dose in a fortnight and Booster dose – after six months in 2^{nd} phase). Thus, due to procuring Mouse Brain JE Vaccine instead of a similar and cheaper vaccine ignoring the recommendations of the technical committee, the department had to incur an extra expenditure of Rs 7.91 crore in procurement of 21 lakh doses of the vaccine.
Avoidable extra expenditure in procurement of Mosquito Bed Nets	As a preventive measure it was decided to procure mosquito bed nets. APHMHIDC was entrusted with the procurement task which did not invite tenders and procured (November 2007) two lakh bed nets at a cost of Rs 240 per bed net. When tenders were called for the subsequent procurement in May 2008 the price per net was Rs 69 which was far lower. Thus, due to non-adopting competitive bidding procedure an avoidable extra expenditure of Rs 2.51 crore was incurred. Audit also observed that the expenditure on procurement of bed nets had no approval of the Ministry (Point below also refers).

Incurring of expenditure without approval of NPCC	The State Government decided (May 2007) to procure 5 lakh mosquito bed nets for tribal population and the CFW requested the NPCC, MOHFW, GOI for allotment of Rs 10.15 crore in PIP for 2007-08 for meeting the expenditure. However, even prior to receipt of funds, the CFW released (May 2007) Rs 4.90 crore in favour of MD, APHMHIDC to procure 5 lakh mosquito bed nets from M/s APCO. Accordingly the MD, APHMHIDC procured 2 lakh bed nets @ Rs 240 per bed net (deficiencies in procurement enlisted above) and rendered a bill for Rs 4.90 crore. The expenditure of Rs 4.90 crore incurred in procurement of bed nets had no approval of the Ministry of Health and Family Welfare, GOI.
Ineligible payment of incentives	To promote institutional deliveries among Rural BPL women, Government fixed (November 2005) cash incentive of Rs 700. Though this facility was not applicable to urban areas prior to April 2006, incentive was paid to 38,065 women in urban areas for this period resulting in ineligible payment of Rs 2.66 crore. Further, due to payment of incentive of Rs 700 instead of Rs 600 to 1,15,068 and 1,40,942 beneficiaries during the years 2006-07 and 2007-08, there was an excess payment of Rs 2.56 crore to the beneficiaries in urban areas.
Wasteful expenditure in provision of bus passes	For providing free travel passes for 3 round trips to 8 lakh BPL pregnant women at nearest health centres for health check-up/referral services, the department paid Rs 3.10 crore (Rs 1.55 crore each in the year 2006-07 and 2007-08). The cost of each bus pass was Rs 19.36. The passes were to be distributed through PHCs/Sub-centres to the beneficiaries. During 2007-08, out of 8.00 lakh passes given to 23 DHSs, distribution details for only 5,29,670 passes have been received by SHS. The balance of 2,70,330 passes valued Rs 52.33 lakh remained undistributed with DHSs. Thus, the expenditure was rendered wasteful. Besides, the benefit of bus passes was denied to the intended beneficiaries. Distribution details for 8.00 lakh passes issued during the year 2006-07 were not made available to Audit. Government did not give specific reply with regard to non-distribution of 2.70 lakh bus passes valuing Rs 52.33 lakh.
Diversion of NRHM funds	For preparation of Perspective Plan for the districts for the entire Mission period 2005-12, the CFW released (2006-07) Rs 2.30 crore to 23 DM&HOs at Rs 10 lakh per district. Audit observed that the DM&HOs, without the approval of the Government, diverted the entire amount towards control of epidemic of Dengue and Chickungunia, the expenditure on which should have been met from out of the State funds. The diversion has resulted in non-preparation of the perspective plan for the districts with adverse implications on the assessment of year-wise data on the needs of the districts and the resources as well. (Para 1.1.7 also refers). Government in its reply sought to justify the diversion of NRHM funds stating that it was done in public interest to overcome health emergencies. The contention is not acceptable as the expenditure on this account should have been met from the regular budget of the Health Department. The diversion has resulted in critical component of preparation of Perspective Plan of NRHM getting badly affected.

1.1.11 Monitoring

The programme suffered from inadequate monitoring mechanism

NRHM guidelines prescribe formation of Monitoring and Planning Committees at State, District, Block and PHC level so as to ensure regular community base monitoring of activities and facilitate relevant inputs for planning. Audit observed the following deficiencies in monitoring of the activities under the programme at various levels:

Item/subject and requirement	Audit findings
Computerisation and Management Information System NRHM guidelines envisaged development of computer based Management Information System (MIS) at DHS up to Block level and use of network for Integrated Disease Surveillance Project for furnishing the MIS report to Union Ministry on monthly basis through DHS/SHS.	The Department provided (April 2003) from State funds computers to 23 DHSs and 1387 PHCs and these were connected through MIS network under Family Welfare and Health Information Management System (FHIMS) with an outlay of Rs 21.87 crore. Scrutiny revealed that the MIS remained defunct since June 2005. Out of 1,387 computers procured, Computers were installed in 1,359 PHCs (January 2009). These were not used effectively for the intended purpose as the usage was restricted to data entry in 447 PHCs and generation of reports without networking in 273 PHCs. Further, 183 PHCs which were set up during the year 2004-05 i.e., before launch of the NRHM were not provided with computers (March 2009). Government did not offer specific remarks on the audit observation.
Adequacy and Efficacy of Community Participation “Communitisation” of planning, implementation and monitoring through participation of representatives of PRIs, NGOs and community based organisations at each level is envisaged in NRHM.	Health Monitoring and Planning Committee was not constituted at State level and no action was initiated to establish community based monitoring through the people’s representatives, local body representatives, NGOs and Community Based Organisations. It was observed that in none of the 24 CHCs, 48 PHCs, and 96 Sub-centres were the planning and monitoring committees formed.
Non-establishment of State Health System Resource Centre	As per the NRHM guidelines a State Health System Resource Centre (SHSRC) was to be established in each State to provide technical support to the Mission with an annual corpus fund of Rupees one crore in a large State and Rs 50 lakh in a small State. Though an amount of Rs 1 crore was released by GOI during 2007-08, the SHSRC had not been established as of March 2009.
Public Report on Health As per NRHM guidelines each district is required to publish a Public Report on Health annually.	Out of 23 districts, one district (Vizianagaram) published reports annually. In the absence of public reports on health by the DHSs the information and direction of development taking place in the districts was not readily available.

While accepting the above audit points, Government stated that efforts are being made for establishment of SHSRC, and DM & HOs are being instructed to ensure compliance on the audit observations. In the absence of adequate monitoring mechanism, the planning process did not receive regular inputs on the nature and direction of required future interventions.

1.1.12 Constraints and achievements

The basic constraint in underutilisation of funds during the period 2005-09 and under-achievement of the targets as explained by the Health, Medical and Family Welfare Department was that the programme was new. Despite this constraint the following were the achievements:

- 70,700 Accredited Social Health Activists (ASHAs) have been selected and positioned in all the habitations across the State through the Gram Panchayat Health Committees to act as health resource person of first resort. Their presence ensures wide coverage of all Mother and Child Health (MCH) Services.
- Out of 1,570 PHCs, 800 PHCs have been converted as 24 Hours MCH centres to provide round the clock services to promote institutional deliveries with basic emergency obstetric care.
- Out of 151 CEMONC centers proposed to be established to provide life saving emergency care, 77 have been established and functioning.
- There was increase in the institutional deliveries as a percentage of total deliveries from 83 *per cent* to 91 *per cent* during 2005-09 i.e., after introduction of NRHM.
- Rogi Kalyan Samithis (RKS) have been established in 166 CHCs, 1,516 PHCs and 19 district Hospitals (out of 167 CHCs, 1,570 PHCs and 19 district Hospitals) which led to improvement in up-gradation of Health Services.
- Village Health and Sanitation Committees (VHSC) have been established in all 21,916 villages with Panchayat Sarpanchas as Chairman and Ward members, Angan Wadi Workers and ASHAs to ensure optimal use of Health Services in the village.
- Rural Emergency Health Transportation Scheme (108) was introduced to provide emergency health transportation of the public in the Rural areas of the State especially for emergencies relating to pregnant women, infant/ children. 802 Ambulances are in operation covering 1.3 to 1.5 lakh population.
- Significant achievements have been made in administering Iron Folic Acid tablets to the pregnant women.
- Hundred *per cent* achievements were made in first immunization of Tetanus Toxoid and Pulse Polio.
- During the four year period 2005-09 achievement of Cataract Operations was 100 *per cent.*

1.1.13 Conclusions

The implementation of the NRHM in the State suffered mainly due to lack of comprehensive planning and absence of adequate monitoring mechanism. The programme was implemented in the State without conducting facility surveys and there was no Perspective Plan for the whole Mission period 2005-12. Twenty one to twenty nine *per cent* of the available funds remained unspent during 2005-09. No new Community Health Centers (CHCs) and Primary Health Centers (PHCs) were set up in the State after launch of the NRHM and the State Government did not pay adequate attention for creation/strengthening of infrastructure. The physical infrastructure available in the health centres was far below the desired level prescribed in Indian Public Health Standards and majority of the test checked CHCs and PHCs lacked basic infrastructure facilities. The Mobile Medical Units were functioning without essential equipment/Medical Officers in all the eight test checked districts. The implementation of healthcare services like institutional delivery care, antenatal care, 24x7 delivery services and the Medical Termination of Pregnancy etc. under RCH Programme was far from satisfactory. Functioning of Rogi Kalyan Samithis was deficient. There were shortfalls (up to 39 *per cent*) in the immunization programme (second stage/10-16 years). The objective of converging all the National Disease Control Programmes remained unachieved. Implementation of the Programme by the NGOs was not adequately monitored. Due to lack of adequate monitoring mechanism the planning process did not receive regular inputs on the nature and direction of required future interventions.

1.1.14 Recommendations

- Facility surveys should be conducted to identify the gaps in infrastructure and human resources.
- The number of Health Centres should be increased as per NRHM norms in all the districts so as to improve the accessibility of healthcare to rural and tribal population.
- Government should take immediate steps to provide adequate infrastructure at all health centres as per IPHS norms.
- Required number of doctors and other paramedical staff should be positioned in all the Health Centres for providing quality services to rural population.
- Essential equipment and Medical Officers should be provided to all the Mobile Medical Units to make them fully functional for treatment and diagnosis.
- Emphasis may be given to increased number of institutional deliveries to reduce maternal and infant mortality. All the eligible children should be covered under Immunization programme.
- Rogi Kalyan Samithis need to be strengthened by constituting monitoring committees at the different levels of Health Centres.

- The Commissioner should take immediate steps to reconcile the figures of releases by GOI and those credited by banks to SHS account and resolve the issue of short receipts in SHS account. Similar exercise needs to be undertaken in respect of releases to the DHSs by SHS.
- Government need to evaluate the prevalent rate of IMR, MMR and TFR to measure the impact of the programme.
- Adequate monitoring mechanism may be evolved by ensuring community participation and generation of public reports on health.

The above audit observations were discussed in the exit conference held in January 2009 with the Additional Director, NRHM and all the Programme Officers. The recommendations of audit were accepted.

HIGHER EDUCATION DEPARTMENT

1.2 Functioning of Osmania University

Highlights

Osmania University, established in the year 1918, manages 11 faculties encompassing 52 departments, eight campus colleges, and 988 affiliated colleges besides Centre for Distance Education. Performance Audit of the University revealed that Financial Rules were not complied with. Annual Reports were perfunctory. Certain courses offered by the University did not attract enough candidates leading to low enrolment. Little progress was seen in Research projects. Quality Control checks were not ensured in the execution of works. Estate management was poor. Hostels were overcrowded. Audit noticed deficiencies/ shortcomings in maintenance of cash books, handling of demand drafts, besides non/short collection of tuition fee, inadmissible/excess payments to teaching staff, etc. Physical verification of library books in the Central Library as well as Seminar libraries (for each department) was not done. Internal Audit was absent in the University.

The University failed to adhere to the codal provisions while appointing staff to various posts including Finance Officer.

[Paragraph 1.2.7]

Financial management was deficient. Cash books were either not maintained or were not properly maintained as per the codal provisions. Audit noticed deficiencies/shortcomings in handling of demand drafts besides non/short collection of various advances/dues (Rs 5.18 crore), inadmissible/excess payments (Rs 2.36 crore), etc. Advances amounting to Rs 66.86 lakh given to Principals and various departments/offices remained unadjusted in the books of the University.

[Paragraphs 1.2.6.3 to 1.2.6.6]

Annual Reports were perfunctory and did not include essential information which could be of use to the Academic Senate. It was observed that certain courses being offered were having low or nil enrolment.

[Paragraphs 1.2.8.1 and 1.2.8.2]

Courses offered by the Centre for Distance Education elicited poor response from the students indicating that they did not meet the needs of the industry/sectors having employment potential. The very objective of increasing the access to higher education was not achieved.

[Paragraph 1.2.8.2]

During the five-year period 2004-09 seven patents were obtained from 130 research projects completed at an outlay of Rs 12.07 crore. No research activities were conducted in 17 departments. No control mechanism also existed for monitoring of the participation of the teaching staff in the international seminars.

[Paragraphs 1.2.8.6, 1.2.8.8 and 1.2.12]

Estate management was deficient. The University neither maintained proper database of lands/estates nor had an effective survey mechanism to protect the lands from encroachments. The University also failed to evict the encroachers for several years. There were also cases of pilferage of electricity by the unauthorised dwellers and the University is saddled with the problem of avoidable payment of electricity consumption charges of about Rs 14 lakh per annum. A number of quarters continued to have defective/malfunctioning meters without immediate replacement.

[Paragraphs 1.2.9.1 and 1.2.9.2]

There was no assurance that works valued Rs 44.17 crore were properly executed as the quality control checks have not been exercised. Audit noticed several procedural irregularities in respect of works executed by the University Buildings Division.

[Paragraph 1.2.10]

There was overcrowding in hostels. The number of occupants was far in excess (up to 167 *per cent*) of the original capacity.

[Paragraph 1.2.9.3]

Internal Audit was absent in the University and as such there was no assurance to the University management that the Rules and procedures were complied with. Physical verification of stores and stock was not done in most of the departments. Physical verification in the Central as well as Seminar Libraries (for each department) was not done during the five-year period 2004-09.

[Paragraphs 1.2.11.1, 1.2.11.3 and 1.2.11.4]

1.2.1 Introduction

Osmania University (University) was established in the year 1918 and was governed up to 1958 by a Farman issued by H.E.H Nizam VII. Consequent on formation of State of Andhra Pradesh, the University was governed by Osmania University Act 1958. Subsequently, Act IX of 1959 was passed. Now the University is governed by the Andhra Pradesh Universities Act, 1991 (Act No. 4 of 1991) which came into force in January 1991.

The jurisdiction of the University is spread over six districts[13] of the State. The University has 11 major faculties[14] encompassing 52 academic departments offering 88 Post-Graduate courses, nine engineering undergraduate courses and several diploma and certificate courses being pursued by 2.98 lakh students and 1,242 research scholars (April 2009). It has eight campus colleges including Colleges of Engineering and Technology (with autonomous status), five constituent colleges, six District Post-Graduate colleges and 988 affiliated colleges under its management. The Centre for Distance Education (CDE) provides distance education in various courses.

[13] Hyderabad, Ranga Reddy, Nizamabad, Medak, Nalgonda and Mahboobnagar

[14] Arts, Social Sciences, Commerce, Business Management, Engineering, Law, Education, Science, Technology, Informatics and Oriental Languages

The goals of the University are (a) to provide for instruction and training in such branches of learning as it may think fit, (b) to make provisions for research extension programme and for the advancement and dissemination of knowledge, (c) to institute, take over and maintain colleges and hostels, (d) to establish, maintain and manage or to affiliate Autonomous colleges and PG Centres in any part of the University area outside University campus, (e) to affiliate or recognise colleges and institutions and to withdraw such affiliation or recognition, (f) to fix fees and to demand and receive such fees and other charges as may be prescribed, (g) to supervise and control the conduct and discipline of the students of the University. As of March 2009, the University had 762 faculty and 3,272 administrative and other staff.

1.2.2 Organisational set-up

The University affairs are guided and conducted by a Vice Chancellor (VC), Executive Council (EC), Academic Senate and a Board of Studies. Joint Registrar (Finance) is the head of Finance wing. The Director of State Audit is the Statutory Auditor for the University.

1.2.3 Audit objectives

The objectives of the performance audit were to assess whether:

- financial management resulted in economic, efficient and effective utilisation of resources;
- administration of the University was effective;
- academic programmes, distance education, research activities undertaken, etc. were effective in achieving the intended objectives of the University;
- management of estates/assets and supporting services was adequate and fulfilled the needs of the University;
- Building works were executed economically and buildings were put to proper and effective use; and
- proper monitoring systems were in place and were effective.

1.2.4 Audit criteria

The following criteria were adopted for the performance audit:

- Andhra Pradesh Universities Act, 1991, Orders of the University Grants Commission (UGC), Ministry of Human Resource Development, Minutes of Executive Council meetings and Financial Committee meetings;
- Orders of the College Development Council (CDC), instructions contained in GOs issued from time to time, Budget Estimates, AP Financial Code, General Financial Rules and Treasury Rules;
- Resolutions made in the Academic Senate/Executive Council and Board of Studies;
- Lease agreements relating to estate and assets;
- AP Public Works Departmental Code; and
- Monitoring systems prescribed by the University/Government.

1.2.5 Scope and methodology of audit

Audit of the University is conducted under the provisions of Section 14 of C & AG's DPC Act, 1971. The performance audit of the University was conducted (February – May 2009) covering the period 2004-05 to 2008-09. Records of all the institutions such as Administrative Office, all the eight campus colleges including College of Engineering, all the five constituent colleges and 100 (out of 988) affiliated colleges, CDE and various departments of the University viz., University Press, Central Library, Hostels, Health Centre, University Buildings Division and two[15] (out of eight) District PG colleges (Bhiknoor in Nizamabad District and Mahboobnagar) were test checked.

An entry conference was conducted (February 2009) with the Additional Secretary, Higher Education, Officer on Special Duty, Registrar and Joint Registrar (Finance) of the University. Audit objectives and the methodology of audit were explained to them. An exit conference was also held (August 2009) with the officers of the University, AP State Council of Higher Education and the Government in which most of the audit observations were discussed and accepted by the officers of the University, AP State Council of Higher Education and the Government. The recommendations were also accepted. The replies of the University have been taken into account while arriving at the audit conclusions. The results of the Performance Audit review are discussed in the succeeding paragraphs.

Audit findings

1.2.6 Financial Management

The University is mainly financed through block grants (Plan and Non-plan) (65 *per cent*) from State Government, grants received from UGC and other Central Government organisations like All India Council for Technical Education (AICTE), Council for Scientific and Industrial Research (CSIR), Defence Research and Development Organisation (DRDO), Indian Council for Agricultural Research (ICAR), Indian Space Research Organisation (ISRO), etc. The University also generates its own income by way of fees from students, sale of publications, sale of study material, processing fee, lease rents, etc.

1.2.6.1 Budget and Expenditure

The average[16] annual outlay of the University was Rs 130.67 crore. During the five year period 2004-05 to 2008-09, the University received Rs 654.36 crore towards block grant and other incomes, against which an amount of Rs 663.35crore[17] was spent. About 23 *per cent* of the budget is being spent for meeting salaries of teaching faculty followed by non-teaching staff salaries (24.59 *per cent*), pensions (19.39 *per cent*), contingencies (7.65 *per cent*) and maintenance (2.33 *per cent*). The year-wise and source-wise details of income and expenditure are given in *Appendix-1.5*.

---

[15] being the oldest and the biggest among the District PG Colleges respectively
[16] For five-year period 2004-09
[17] The excess was met from internal sources i.e. from tuition fee, affiliation fee, examination fee, etc.

Audit noticed certain shortcomings in preparation of Annual Accounts, in maintenance of cash books, system lapses in handling of demand drafts, and non/short collection of tuition fee and examination fee, inadmissible/excess payments, non-reconciliation with banks as discussed below:

1.2.6.2 Non-preparation of Income and Expenditure Account and Balance Sheet

The Annual Accounts of the University were prepared up to the year 2007-08 and the audit of annual accounts by the Director of State Audit was completed up to the year 2007-08. It was observed that the preparation of annual accounts relating to the University finances contained deficiencies as discussed below:

The University was preparing every year only a Receipts and Payments account, which was not covering all the receipts and payments in respect of university campus and constituent colleges, District PG centres and Directorates. In the absence of Income and Expenditure Account and Balance Sheet the details of pre-paid expenses and outstanding advances etc., could not be ascertained.

Due to non-preparation of consolidated accounts a true and fair picture of the University was not reflected in the annual accounts.

1.2.6.3 Maintenance of cash books

Cash books were either not maintained or were not properly maintained as per the codal provisions

The University was maintaining 121 bank accounts with various nationalised banks. The accounts were not computerised. Consequently the University was not in a position to readily know the balances at any point of time. Periodical reconciliation of cash book balances with banks was not being carried out. The maintenance of cash books in respect of these accounts as well as those relating to constituent colleges was deficient as detailed in Table-1.

Table-1

Subject	Audit Findings
Postings on the Receipt side of the Cash book	As per codal provisions, the DDs/Cash should soon after their receipt be posted in the cash book and then sent to bank for credit. Scrutiny revealed that DDs/Cash received by the University were not being posted in the cash book immediately after their receipt; instead the receipts as reflected in the bank statements were taken as receipts and entered in the cash book, which indicated that the credits given by the banks to University accounts were accepted without verification and the University wholly relied on the credits shown in the bank statements by the banks. Further, the receipt entries made based on bank statements lacked details as to the DD numbers, leaving little scope for identifying the nature of receipt entered in the cash book.
Maintenance of multiple cash books	Scrutiny revealed that different cash books were maintained for receipts and expenditure separately in CDE. Similarly, Directorate of Admission wing was maintaining separate cash books for admission fee and establishment transactions.

	However, where it was mandatory to maintain separate cash books, in Civil, Mechanical, Electronics and Communication Engineering, and Computer Science Engineering Departments of the University this stipulation was not being adhered to and as a result the transactions pertaining to UGC and non-UGC grants could not be segregated.
Revalidation/ cancellation of time barred cheques	The University Fund Account was showing (as of December 2008) 197 time barred cheques (cheques issued but not presented for payment) amounting to Rs 13.91 lakh which need to be revalidated/cancelled. The earliest time barred cheque was pertaining to the period May 2003. Since the amounts of time barred cheques were not written back in the books for a long period, the expenditure of the University got inflated to that extent. This indicates absence of proper mechanism for accountal of valuables.
Closing of cash books	As per the codal provisions, cash books should be closed regularly and at the end of each financial year. The cash books maintained by the Department of Bio-chemistry, CDE, Model High School and Directorate of Infrastructure were not closed periodically. As a result, the balances available under the respective accounts were not ascertainable besides leaving no scope for reconciliation.
Reconciliation	As per codal provisions, the cash book figures should be reconciled with bank statements monthly and at the end of each year. Audit observed that reconciliation of cash book figures with bank statements was not being done in the Model High School, University Press and University Library. In the absence of reconciliation, the correctness or otherwise of the amounts credited to banks was not ensured. It was observed that University Account was showing a minus balance of Rs 2.22 crore under the nomenclature 'differences in the opening balance between the cash book and bank pass book' for years together. The University however, failed to get the discrepancy reconciled and to make necessary adjustments to that extent. Also, in the absence of reconciliation, the grant-wise receipts and expenditure particulars viz., block grant, UGC, etc were not ascertainable and as such detection of frauds, defalcation, if any was also not possible.

1.2.6.4 Delay in remittance of DDs/Cash into banks

Belated remittance of DDs/Cash into banks resulted in loss of interest

As per codal provisions, the DDs/Cash should soon after their receipt be remitted into bank for credit. Test-check of the records of the various University colleges[18] and University Guest house revealed that DDs/Cash worth Rs 96.66 lakh received (2005-07) by them were remitted into banks with a delay ranging from 10 to 195 days. There were instances of returning of DDs by the various banks on the ground that those were time barred. Delay in sending the DDs/Cash to bank resulted in loss of interest to the University.

[18] PG College, Secunderabad, Women's College and Nizam College, Hyderabad and Academic Audit Cell

It was also observed that three DDs (of Rs 17,350 each) amounting to Rs 0.52 lakh remitted by the Director, District PG Colleges during December 2000 were not yet credited (Reasons not known to the University) by the bank[19] as of May 2009. The University failed to take action to realise the amounts for credit to the University Account.

1.2.6.5 Excess/Inadmissible payments

Excess/inadmissible payments of Rs 2.36 crore were made to University staff

Scrutiny of establishment claims and payments made to various firms disclosed excess/inadmissible payments amounting to Rs 2.36 crore as detailed in Table-2.

Table-2

Subject	Audit Findings
Implementation of APUGC Scales, 1996	While implementing APUGC Scales 1996, 126 members of teaching staff who were already given the benefit of advance increments in APUGC Scales, 1986, for acquiring Ph. D qualification were again allowed advance increments for the second time. The UGC and APSCHE[20] also expressed concern at such lapses. There was excess payment of Rs 1.10 crore towards advance increments (excluding all allowances thereon) to the teaching staff up to March 2009 with a recurring similar excess payment of Rs 1.06 lakh per month. The excess payment needs to be recovered.
Encashment of Earned Leave while in service	All the vacation teaching staff were irregularly allowed encashment of earned leave (surrender leave) while in service although they were not eligible for such facility. This resulted in inadmissible payment to the extent of Rs 1.26 crore. The University authorities admitted (May 2009) the lapse and stated that the encashment of earned leave to teachers while in service would be stopped.
Non-deduction of TDS from advertisement firms	Tax should be deducted at source (TDS) at the prescribed rates before making payments to the contractors/firms. However, the University in violation of these codal provisions made payments to the advertisement agencies during 2001-07 without however, deducting the TDS amounting to Rs 6.53 lakh.

1.2.6.6 Non/short collection of University revenues/dues

There was non/ short collection of various revenues/ dues amounting to Rs 5.18 crore by the University

Scrutiny revealed that there was non/short realisation of University dues viz., tuition fee, mess charges, electricity and water consumption charges from students, reimbursement of tuition fee by the Government, outstanding advances from the University staff and recoupment of excess expenditure on research projects to the extent of Rs 5.18 crore as detailed in Table-3.

[19] State Bank of Hyderabad, Osmania University branch
[20] Andhra Pradesh State Council of Higher Education

Table-3

Subject	Audit findings
Collection of tuition fee from students	Candidates seeking admission into various courses offered by the University were required to pay tuition fee as prescribed by it on the due dates mentioned in the prospectus, along with late fee in case of delayed payments. It was observed that no effective mechanism existed in the University to collect the amount of tuition fee due from the students within the prescribed due dates and at least before they left the University. As of March 2009, the University was yet to collect Rs 99.41 lakh[21] from the students towards tution fee pertaining to the period 2003-09.
Reimbursement of tuition fee by the Government	Tuition fee in respect of Scheduled Caste (SC) and Scheduled Tribe (ST) students is to be reimbursed by the Social Welfare and Tribal Welfare Departments. However, there was no effective pursuance on the part of the University to get the tuition fee pertaining to SC/ST students reimbursed from the Government. As of March 2009 an amount of Rs 1.50 crore[22] was yet to be received by the University for the period 2003-09.
Mess charges	The University maintains hostels for its students and the Chief Warden is responsible for recovery of hostel dues from the University hostels' inmates. All boarders are required to clear their monthly mess charges/bills regularly at the end of each academic course, and to clear all hostel dues. In respect of boarders getting scholarships, the dues are to be settled on receipt of scholarships and from others, the dues are to be collected from individuals. Scrutiny revealed that, as of March 2009, an amount of Rs 3.19 crore being the mess charges for the years 2003-09 remained to be collected from the boarders.
Remittance of electricity and water charges collected from boarders by the hostel authorities	As per the existing orders of the University, the Hostel authorities are responsible for collection of electricity and water charges from the boarders and remit the same to the University account. It was observed that although the electricity and water charges were being collected from the boarders, the amounts had not been remitted to the University account periodically by the wardens. The University also did not have any mechanism to ensure periodical collection of charges by the wardens in full and their correct remittance into University account even though the charges were periodically being borne by the University itself. As of March 2009, as against Rs 65.67 lakh an amount of Rs 32.99 lakh being the electricity and water charges collected from the boarders during the period 2003-09 was not yet remitted by the wardens/principals.

[21] 2003-04 (Rs 1.83 lakh), 2004-05 (Rs 3.35 lakh), 2005-06 (Rs 3.64 lakh), 2006-07 (Rs 4.92 lakh), 2007-08 (Rs 40.63 lakh) and 2008-09 (Rs 45.04 lakh)

[22] 2003-04 (Rs 12.93 lakh), 2004-05 (Rs 11.98 lakh), 2005-06 (Rs 10.95 lakh), 2006-07 (Rs 12.58 lakh), 2007-08 (Rs 18.26 lakh) and 2008-09 (Rs 83.55 lakh)

<table>
<tr>
<td>Advances given to the University staff</td>
<td>
AP Financial Code prescribes that the advances given for specific purposes should be adjusted by detailed bills and vouchers as soon as possible and second advance could only be drawn when the first advance is adjusted. Scrutiny revealed that advances of Rs 66.86 lakh given to the University staff for specific purposes remained unadjusted in the books of five departments (CDE, Examination wing, UGC grants wing, University Press and University Guest House) of the University as of March 2009. The consolidated year-wise details are given below:
<table>
<tr><th>Year</th><th>2003-04</th><th>2004-05</th><th>2005-06</th><th>2006-07</th><th>2007-08</th><th>2008-09</th><th>Total</th></tr>
<tr><td>Outstanding advances (Rs in lakh)</td><td>25.78</td><td>11.86</td><td>13.80</td><td>10.47</td><td>0.89</td><td>4.06</td><td>66.86</td></tr>
</table>
It was observed that periodic review of advances was not conducted to ensure the receipt of goods/pending services. There was no evidence of any punitive action being taken by the University for non-submission of the adjustment bills by the staff. The absence of a system to monitor the settlement of outstanding advances is also indicative of poor internal controls.
</td>
</tr>
<tr>
<td>Recoupment of excess expenditure on projects</td>
<td>
The research projects conducted by the University are funded either by the UGC or by other organisations. The excess expenditure incurred by the University on these projects over and above the released grants were to be recouped by obtaining reimbursement from the funding agencies.
It was observed that an excess expenditure (up to March 2009) of Rs 1.67 crore incurred over and above the released grants for the UGC sponsored research projects was yet to be got regularised/recouped by the University as of April 2009.
Further, the University failed to regularise/recoup the expenditure amounting to Rs 22.89 lakh incurred on various research projects (commenced prior to 2003-04) over and above the grant released by 16 funding agencies.
The University authorities accepted the audit point and assured to take necessary steps to get the amounts reimbursed from the funding agencies.
</td>
</tr>
</table>

1.2.6.7 Diversion of funds

The following case of diversion of funds was noticed:

Table-4

Stipulation of the grant	Diversion of funds
The State Government sanctioned an amount of Rs 3 crore being foundation grant to the University in 1962 with a stipulation that the University should utilise the interest accrued on the investment of the said grant for starting new PG courses in Science, Engineering & Technology and Social Sciences and for carrying out research activities, etc.	The University diverted an amount of Rs 74.10 lakh being the accrued interest on investment for various purposes such as construction works, loans and advances to University staff, unforeseen expenditure, etc. which was contrary to the stipulation of the grant which was meant for unique purpose.

1.2.6.8 National Service Scheme – Non-observance of guidelines

NSS guidelines about utilisation of scheme funds and submission of UCs were not being adhered to

National Service Scheme (NSS) was started to establish a meaningful linkage between the campus and the community, to understand the community in which they work, identify the needs and problems of the community and involve them in problem solving process, and to develop among them a sense of social and civic responsibility. NSS receives funds from Central and State Governments in the ratio 7:5 and also from HIV/AIDS/Special Camp programme advances, etc. GOI guidelines on NSS stipulate that the unspent balances at the end of each financial year would lapse. The colleges/research institutes which obtained NSS funds are required to submit accounts of funds received and UCs within a period of one month after closing of that financial year. Scrutiny revealed that there were unspent balances of Rs 73.59 lakh (March 2009) which accumulated over the five year period 2004-09.

It was also noticed that (i) as of March 2009 UCs for Rs 12.64 lakh were still pending from 34 colleges being recipients of NSS funds for their activities during 2003-08 and (ii) NSS funds of Rs 12.68 lakh were diverted (September 2004) towards purchase of a vehicle contrary to the instructions of NSS guidelines which prohibit purchase of vehicles from NSS grants.

The University failed to adhere to the codal provisions while appointing staff to various posts including Finance Officer

1.2.7 Establishment matters

The deficiencies/shortcomings noticed in the administration of the University are discussed in the following Table-5.

Table-5

Nature of irregularity/ deficiency	Audit findings
Appointment of Finance Officer without obtaining panel from the Government in contravention of provisions of the Act	Notwithstanding the stipulation in the AP Universities Act that Finance Officer of the University should be from out of a panel of three officers obtained from Education Department of the State Government the University appointed one of the Joint Registrars as Finance Officer without obtaining the panel from the Government. PAC recommended (September 1991) in its sixth report of IX Legislative Assembly that a Finance Officer of the rank of Accountant General drawn from Indian Audit and Accounts Services should be appointed by the University as was being done by the University of Hyderabad. However, this recommendation has not been implemented (March 2009) and the University Officer who was not drawn from Treasury and Accounts Department was continuing to hold the post of Finance Officer. The University replied (June 2009) that Government would be approached in the matter.

Unauthorised deployment of employees on temporary basis	According to the provisions of Section 3(2) no temporary appointments shall be made whether full time or part time without prior permission of Government. Scrutiny revealed that the University was making appointments of full time or part time employees on temporary basis without obtaining prior approval from the Government. During the period 2004-09 an expenditure of Rs 9.93 crore (i.e. around Rs 2 crore on an average per year) was met towards wages/salaries of temporary staff from the block grant without any approval from the Government.
Non-filling up of various posts of the University on regular basis	Government (July 2004) ordered to dispense with the services of all retired officers/officials with immediate effect. Scrutiny revealed that the University has been appointing retired officers/officials in the University (colleges, Registrar's Office, University Library, Health Centre, Estate Wing, etc.) on temporary/adhoc basis in contravention of the Government's instructions.
Excess deployment of non-teaching staff	The Rangachari Committee appointed by the Government prescribed a ratio of 1:1.2 for teaching and non-teaching staff for the Universities. However, the University did not maintain the prescribed staff strength thereby violating the norms of the committee. It was observed that the existing ratio between teaching and non-teaching staff[23] was far in excess of the established norms as detailed below:

Year	2003-04	2004-05	2005-06	2006-07	2007-08
Teaching	1106	1060	1008	981	762
Non- teaching	3089	2988	3003	2918	2510

Despite this, the University was continuing to recruit non-teaching staff on contract/part-time basis.

1.2.8 Academic activities

The main objectives of the University are to impart instructions in various branches of learning, undertake research, disseminate knowledge, conduct examinations and grant and confer degrees, diplomas and other academic distinctions. The University offers graduate and post-graduate courses in campus colleges, Centre for Distance Education and affiliated colleges in different disciplines. The average cost of education per student per annum was Rs 0.75 lakh (2008-09)[24]. The cost of imparting education for each discipline was not being computed. Deficiencies/shortcomings noticed in conduct of academic activities are discussed in Paras 1.2.8.1 to 1.2.8.9.

[23] excluding the staff working on contract basis, part-time and as consultants

[24] Expenditure in 2008-09 (Rs 138.07 crore)/number of students (18,305) in campus, constituent colleges and district PG colleges

1.2.8.1 Annual Report

Annual Reports were perfunctory and did not include essential information

Section 22 of AP Universities Act, 1991, requires the University to prepare an Annual Report of the University and send it to the Academic Senate for its consideration and further transmission to the State Government for information along with a copy of their resolution thereon, if any.

The Annual Report of the University is expected to provide essential information on important activities relating to academic and establishment matters. But the Annual Reports of the University for the years covered by the review (2004-09) did not contain vital information on the number of students appeared, passed and the success rate of students in respect of many faculties both in degree and Post graduate courses offered by the University. The number of students who passed in the final year exams was also not shown for 22 (out of 52) departments in the campus/constituent and affiliated colleges and Centre for Distance Education. The reports also do not depict a uniform pattern in the data in all the years. This was mainly attributable to lack of effective coordination between various departments and poor monitoring of various programmes/projects and other activities taken up by the University. The University while admitting the deficiencies assured that these would be taken care of while preparing the reports in future.

Thus, the Annual Reports did not give comprehensive and complete information which could be of use to the Academic Senate to review the performance of the University. It was observed that certain courses being offered were having low or nil enrolment as discussed further in Para 1.2.8.2.

1.2.8.2 Low enrolment of students against intake capacity

The enrolment showed a declining trend in certain Engineering and non-technical courses offered by colleges/CDE

University Campus Colleges

The enrolment showed a decreasing trend in certain courses offered by the University in College of Engineering and the other Campus colleges as detailed in Table-6.

Table-6

Name of the course(s)	No. of seats	Number of students enrolled				
		2004-05	2005-06	2006-07	2007-08	2008-09
M.E. Civil (Structure Engineering)	25	20	20	21	11	9
M.E. Civil (HMWM)	25	-	-	-	1	3
M.E. EEE (Drives & Control)	25	25	11	18	24	24
M.E. Mech. (Automation & Robotics)	18	14	11	15	13	14
M.E. Mech. (Turbo Machinery)	25	25	20	13	20	22

The enrolment in the above Engineering courses and in particular M.E. Civil (Structure Engineering) and in M.E. Civil (HMWM) was very poor in 2008-09. No remedial action was taken. The University attributed the low enrolment to the circumstances beyond their control. There is a need to increase the attractiveness of the courses offered so that more students would enroll.

Centre for Distance Education

Courses offered by CDE did not reflect the need of industry/sectors having employment potential

The courses offered by the CDE elicited poor response and enrolment in certain courses was also gradually decreasing from year to year as detailed in Table-7.

Table-7

Name of the course	2004-05	2005-06	2006-07	2007-08	2008-09
B.A Maths & Statistics	Nil	114	90	68	69
B.A Language	79	54	55	31	32
Bioinformatics	8	13	Nil	Nil	NA
M.A Philosophy	67	76	65	54	53
M.A Sanskrit	88	66	53	53	47
M.A Urdu	123	84	83	83	73
M.A PPM	341	272	258	208	183
M.A Psychology	241	113	86	86	85
M.Com	3268	3270	2368	1992	1528
M.Sc Maths	3278	2627	1500	1025	782
PDC	77	57	18	18	NA

The low enrolment of students in courses offered by CDE could be attributed to (i) the inadequate measures to revitalise the courses so as to attract better response for the courses offered; (ii) non-revision of syllabus of the courses offered by the University (while introducing the new PG courses also) so as to reflect the need of industry/sectors having huge employment potential; and (iii) absence of proper system to obtain feed back from the students to assess the utility of the courses in learning education through distance mode.

Distance education basically caters to those sections of society who are not able to attend regular University courses. The University failed to attract the students over the years and the very objective of increasing the access to higher education was not being achieved. The infrastructure by way of buildings and faculty costs money. Low intake of students also indicates inadequate capacity utilisation and poor quality of teaching. The University needs to take suitable action to improve the intake of students. The University attributed the low enrolment to offering of the same courses through distance education by other universities of the State. There is a need to increase the attractiveness of the students.

1.2.8.3 Training programmes by Academic Staff College

ASC failed to ensure optimum participation level per programme so as to achieve optimum utilisation of expenditure thereon

The Academic Staff College (ASC) was established to help teaching faculty in the University/affiliated colleges to update their knowledge in their chosen field of expertise. It was observed that there was decreasing trend in the number of participants (up to 16 *per cent*) to the training programmes though there was increasing trend (up to 40 *per cent*) in the expenditure incurred on each participant during 2005-08 as detailed in Table-8.

Table-8

Year	Number of courses conducted	Required number of participants	Actual number of participants (decrease %)	Expenditure incurred on training programmes (Rs)	
				Total	Per trainee (increase %)
2005-06	17	680	636	8,412	13
2006-07	15	600	572 (10)	8,759	15 (15)
2007-08	13	520	481 (16)	10,308	21 (40)
2008-09	18	720	575 (20)	7,550	---

The ASC failed to ensure optimum participation level per programme so as to achieve optimum utilisation of expenditure being incurred on each training programme.

1.2.8.4 Declaration of PG results by CDE

There were delays in releasing examination results by CDE

The University was to conduct examinations and announce results within a period of 15-60 days from the scheduled date of last paper of the examinations. It was however, observed that during 2003-08 the CDE released the results of different PG courses with delays ranging from 44 days to as high as 96 days as detailed in Table-9.

Table-9

Year	2003-04	2004-05	2005-06	2006-07	2007-08
M.A., M.Com and M.Sc.					
Delay (days)	60	93	62	92	96
M.B.A*					
Delay (days)	-	44	64	75	90

*Course offered from 2004-05

Long delays were noticed in release of examination results by the CDE every year. The University attributed the delay to existence of double valuation system for answer scripts and assured that necessary steps would be taken to reduce the delays in declaring results by engaging more number of examiners.

1.2.8.5 Furnishing of incorrect information for performance evaluation

Incorrect information was furnished to APSCHE with a view to seeking good ranking in performance evaluation

The AP State Council for Higher Education (APSCHE) prescribed unified system of performance parameters for Universities to assess their functioning and evaluate performance of the Universities. It was observed that the University officials did not furnish (2007) correct information pertaining to hostel accommodation, participation of teaching staff in international seminars, number of teaching staff, Ph.Ds awarded, number of research papers published, number of seminars/conferences organised by the departments to APSCHE, obviously with a view to seeking to get good ranking in performance evaluation. The Committee which was constituted for prior verification of genuineness of information being submitted to APSCHE also failed to properly verify such information before submission to APSCHE.

1.2.8.6 Research Projects

During the five year period 130 research projects were completed at an outlay of Rs 12.07 crore. No research activities were conducted in as many as 17 departments

The University has 'Development Centre' and 'UGC Affairs Centre' which facilitate and monitor research programmes of various departments. The University receives research funding from various national agencies for its research activities. The University had 82 *per cent* of the faculty with Ph.D. as the highest qualification and four *per cent* of the faculty with M.Phil. During the period 2004-09, 130 research projects (57-UGC funded and 73 non-UGC funded) were completed after incurring a total expenditure of Rs 12.07 crore (UGC grant: Rs 2.78 crore and non-UGC grants: Rs 9.29 crore). Further, 89 research projects were in progress with a total outlay of Rs 14.89 crore. The following are the audit observations:

- No research activities were conducted in 17 departments including Computer Science Engineering, ECE, etc.
- While submitting UCs in respect of the completed projects the unutilised balances were to be refunded to the funding agencies. It was however, noticed that an amount of Rs 52.89 lakh was not yet refunded to the funding agencies; of which Rs 25.14 lakh in respect of 69 projects pertained to the years prior to 2003-04. The details of balances were also not available in the accounts.

1.2.8.7 Delay in submission of Dissertations/theses

Delayed submission of dissertations/ theses has adverse implications due to continued usage of infrastructural facilities by the same set of students

As per the University norms the normal duration of M.Phil course is 36 months for all candidates. For Ph.D. the duration is five years for all full time scholars and six years for part time scholars including extended period. Audit noticed that large number of scholars have not submitted their dissertation/ theses reports within even the extended time frame. The percentage of persons completing the M.Phil and Ph.D. programmes was low (17 *per cent*) when compared to enrolment. Delayed submission of dissertations/theses resulted in delayed submission of reports and the continued usage of the existing infrastructure facilities by the same set of students. There is a need to ensure that the students complete the M.Phil within the period of 36 months. Two advantages would accrue from such a measure. Firstly the existing infrastructure gets released for utilisation by new students. Secondly more students would undertake M.Phil courses once a trend is set that one does not have to spend more than three years for getting an M.Phil qualification. The University did not furnish specific reasons for the delay in submission of dissertations/theses. However, the University stated that time frame has since been fixed from the current year.

1.2.8.8 Participation of teaching staff in the international seminars

No control mechanism existed for monitoring participation of the teaching staff in the international seminars

The University was to nominate the teaching staff for various international seminars with the assistance of UGC and various funding agencies. It was observed that the University had no pre-defined policy to depute personnel to international seminars especially with regard to the eligibility criteria for the purpose such as relevance to the field of study, minimum leftover service after attending the seminar. The University had no proper mechanism to monitor the foreign travel of personnel attending the international seminars. The

University did not maintain any database in this regard. In the absence of proper mechanism the number of international seminars a person is entitled to and has actually attended in his official tenure could not be verified. The University could not ensure that the same official would not visit the same country repeatedly.

The University while furnishing the information to Audit stated that 14 teaching officials attended (2006-07) international seminars whereas while furnishing the details in this regard to APSCHE for purpose of assessing the performance of the University it was stated as 111. This also indicates lack of data consistency due to improper monitoring mechanism of the University in this regard.

1.2.8.9 Equipment not returned by Researchers

Equipment worth Rs 35.38 lakh was not returned by researchers even after completion of the projects

One of the conditions of the grants (including UGC grant) was that the equipment used on research projects should be returned to the laboratories after completion of the projects for their utilisation on the new research projects. Scrutiny revealed that there was no centralised database containing the details of equipment being procured under different projects, the status of the equipment, its life time and its utility. No entries were made in the stock registers of the respective departments in respect of equipment procured by the researchers.

A test-check of three departments (Botany, Microbiology and Physics) revealed that equipment worth Rs 35.38 lakh procured by the researchers was not yet returned to the laboratories as of April 2009 even after completion of the research projects. This indicates ineffective monitoring of research equipment by the University.

1.2.9 Estate management and support services

Estate wing is headed by Estate Officer who is *inter alia* responsible for the upkeep/control of the University properties. For effective estate management the estate wing is required to maintain database regarding ownership details of lands/assets of the University, leases of lands, collection of rentals, etc. The University was allotted 1,627 acres of land by the then Nizam Government; of which the University sold 28.21 acres of land and leased out an extent of 181.72 acres of land to 23 organisations/agencies for various educational activities. Besides, three acres of land was allotted to Municipal Corporation of Hyderabad for road widening.

1.2.9.1 Poor Estate management

There was no proper database/ documentation regarding University lands/ estate. Estate management was poor

Audit observed the following deficiencies/shortcomings with regard to the Estate management:

- The University was not maintaining any proper database relating to its lands/Estates. In respect of the lands leased out to 17 agencies (out of 23 agencies) the University did not execute lease agreements.

- The University is in a prime location and the value of land is high. There was no system of regular inspection of the lands belonging to the University to prevent encroachments from coming up. Consequently, there were huge encroachments of the University lands and about 1,200 semi-permanent dwelling units have sprouted in the University area.
- Due to failure of the University to safeguard its lands, certain lands encroached upon had to be regularised by the Government. While doing so Government promised to the University that alternative land to the extent of 35.8 acres at another place (Gachibowli) would be allotted to the University but possession was yet to be given as of May 2009.
- The nominal rent fixed for lands leased out were not being revised for several decades resulting in undue benefit to these parties and the University was deprived of the much needed additional revenue. Most of the lease periods ranged from 25 years to 99 years with nominal lease rent of Rs 1 per annum. The University replied that action would be taken to revise the lease agreements by taking legal opinion.

1.2.9.2 Power consumption of the University

The following observations are made:

There was avoidable expenditure of Rs 67.91 lakh during 2004-09 (with similar recurring expenditure of about Rs 14 lakh every year) on power consumption charges

- The University was provided with 5 High Tension (HT) power connections with a contracted minimum demand (CMD) ranging from 250 to 750 KVA @ Rs 195 per KVA from AP Central Power Distribution Company Limited (APCPDCL) with a contractual agreement that consumption charges would be the maximum demand recorded during a particular month or 80 *per cent* of CMD which ever is high.

  It was observed that even though the consumption of power by the University was far less[25] than the CMD, it did not get the CMD reduced. Failure to do so resulted in the University incurring avoidable payment of Rs 67.91 lakh towards electricity consumption charges during 2004-09 with a recurring liability of about Rs 13.58 lakh every year.

The University failed to prevent electricity pilferage thereby incurring a recurring monthly liability of Rs 1.50 lakh

- As discussed in Para 1.2.9.1 *supra* encroachers constructed about 1200 semi-permanent dwelling units which spread over the University area. The encroachers were illegally drawing electricity for their household purposes from the University HT lines. As per the Consultant who was engaged by the University as an advisor on electricity consumption, the electricity charges approximately amounting to Rs 1.50 lakh per month were being paid by the University towards electricity consumption of the encroachers.

Electricity pilferage by encroachers

[25] ranging from 90 KVA to 387 KVA

164 out of 398 quarters were with defective/ malfunctioning meters without immediate replacement

- The University had 398 staff quarters in its campus and each quarter has a separate electric connection. Of these, 164 quarters were with defective/ malfunctioning meters. The University failed to immediately replace them. These quarters are being charged on *adhoc* basis resulting in the extra consumption being borne by the University.

The above deficiencies contributed to considerable loss of revenue to the University.

1.2.9.3 Inadequate hostel accommodation

Students were accommodated in the hostels far beyond their original capacities exceeding up to 167 *per cent*

Hostel accommodation was provided to the campus students of the University. The maintenance of hostel buildings is done by the University Buildings Division. Scrutiny showed that there was overcrowding in hostels (as of May 2009) as the number of occupants was far in excess (up to 167 *per cent*) of the original capacity as detailed in Table-10.

Table-10

Name of the Hostel	Original Capacity	Occupancy	Excess (Percentage)	Overcrowding in University Women's Hostel
Hostel-A	297	466	169 (57)	
Hostel-B	320	595	275 (86)	
Hostel-C	254	465	211 (83)	
Hostel-D	274	566	292 (107)	
Hostel-E-II	345	521	176 (51)	
Hostel-E-I	268	398	130 (49)	
B.Ed Hostel	119	179	60 (50)	
New PG Hostel	108	198	90 (83)	
NRSH	168	216	48 (29)	
Old PG Hostel	90	226	136 (151)	
Manjira	102	212	110 (108)	
CHW-I	449	787	338 (75)	
CHW-II	378	747	369 (98)	
CHW-III	320	717	397 (124)	
Koti College	116	310	194 (167)	
Nizam College	208	507	299 (144)	
PGC, Secunderabad	180	225	45 (25)	

Overcrowding of hostels is neither conducive for study nor for hygienic living and the existing infrastructure had to be shared by more number of students.

Further, there were also press reports stating that there were many cases of unauthorised persons staying in both men and women's hostels since a long time adding to the woes of the students. There was no mechanism to prevent unauthorised persons staying in hostels. The University accepted the audit point and attributed the overcrowding to increase in number of boarders every year. The University also stated that steps were being taken to extend the existing hostels and to construct new hostels.

1.2.9.4 University Printing Press

The University failed to undertake modernisation of its Printing Press while the printing works were outsourced. This resulted in the printing establishment (at an annual outlay of Rs 1 crore) being kept almost idle

The University had its own Printing Press with the strength of 88 working staff including 48 technical staff. The University was however, outsourcing its printing works on the plea that the University Press was not being well equipped with modern state of the art technology. It was observed that the various printing works including printing of answer sheets were got executed (2003-08) through private printing units incurring an expenditure of Rs 7.48 crore[26].

The Committee constituted by the University to evaluate the printing cost of answer sheets opined (September 2006) that the University could save at least Rs 15 lakh per annum if the printing process was entrusted to University Printing Press itself by modernising it with one-time expenditure of about Rs 60 lakh which would be off-set within four years. Although it was decided (September 2008) to purchase new machinery, it had not been procured as of August 2009 and the University did not implement the suggestions of the Committee. Instead, the University was continuing the outsourcing of its printing works while restricting the engagement of the establishment of the Press (with annual expenditure of Rs one crore on salaries and contingencies) to the minor works only. The University authorities accepted the audit point and assured modernisation of the Press.

There was no assurance that works valued Rs 44.17 crore were properly executed as quality control checks were not ensured by the University

1.2.10 University Buildings Division

The University has a Buildings Division for executing construction works and maintenance works of existing colleges and administrative buildings, hostels, residential quarters and internal roads, etc. Audit noticed the following deficiencies in the construction activities of the University Buildings Division as detailed in Table-11.

Table-11

Item/Subject	Audit Findings
Quality control	In order to ensure good quality of works, Government directed (November 2006) all the authorities of the Universities to provide all the information relating to estimates, tender agreements and other relevant information/data available with them or available with other persons in this regard to the Quality Control Wing of the respective area of Roads & Buildings (R&B) Department as well as to Advisor to Government, R&B Department, by transferring the amount at 0.5 *per cent* of the University estimates to the Quality Control Circle of R&B Department. It was however, noticed that, during the five-year period 2004-09, the University authorities had not referred any work to quality control wing of R&B Department. Thus, there was no assurance that the works valued Rs 44.17 crore were properly executed as Quality control checks were not ensured by the University.

[26] 2003-04 (Rs 0.67 crore), 2004-05 (Rs 1 crore), 2005-06 (Rs 1.10 crore), 2006-07 (Rs 1.63 crore) and 2007-08 (Rs 3.08 crore)

Incorrect preparation of estimates	It was noticed that the University Buildings Division adopted incorrect and rates higher than those mentioned in Standard Schedule of Rates (SSRs) while preparing estimates for the construction works of Central Facilities Complex building (Estimated cost: Rs 3.50 crore) and the construction works of Girls Hostel building for Engineering and Technology students (Estimated cost: Rs 3.28 crore) at University Campus and the payment to the contractors was also made accordingly. Thus, an excess expenditure of Rs 6.20 lakh was incurred towards construction works due to adoption of rates higher than SSRs while preparing estimates as detailed in *Appendix-1.6*.
Statutory violations	VAT @ 4 *per cent* and TDS @ 2.24 *per cent* was not recovered before making of payment to the contractors resulting in loss to the Government and consequent undue benefit to the contractors. The amount involved was Rs 6.24 lakh. As per Sales Tax Act 19 of 2000, Sales Tax (12 *per cent* up to April 2005 and 12.5 *per cent* thereafter) should be collected on the cost of tender forms collected from the contractors. It was observed that Sales Tax at the prescribed rates was not collected from the contractors during the period 2003-08 to the extent of Rs 3.57 lakh which resulted in loss of revenue to the Government.

1.2.11 Monitoring systems

1.2.11.1 Absence of Internal Audit

No internal audit was conducted in the departments of the University during 2004-09

Internal Audit examines and evaluates the level of compliance with the departmental rules and procedures and provides reasonable assurance to the management on the adequacy of the existing internal controls. The primary function of Internal Audit is to ensure accuracy of the accounts and correct statement of financial transactions of the University.

It was observed that though an Internal Audit Wing existed with a complement of three staff members headed by Deputy Registrar, internal audit of none of the departments of the University was conducted during the five-year period 2004-09. In the absence of Internal Audit, there was no assurance to the University management that the rules and procedures were being complied with by various departments of the University.

1.2.11.2 Absence of follow-up of NAAC recommendations

Necessary follow-up action on the NAAC recommendations was not taken by the University

The National Assessment and Accreditation Council (NAAC) in its peer report observed (February 2008) that there had been institutional weaknesses like absence of inter-disciplinary teaching and research programmes, lack of specific efforts to bring about national visibility of faculty and their research outputs, limited upkeep and maintenance of student laboratories and their amenities and lack of effective use of IT enabled teaching and learning services available in the University, etc. It also advised that (i) the Tutor-ward system that exists in the University needs to be strengthened, (ii) training to be provided to the faculty to enable them to use diverse teaching methods, (iii) augment resources through consultancy, (iv) ICT based automation of Administration, Finance and Examination divisions need to be expedited as a total solution, etc. Audit observed that necessary follow-up action on the recommendation of the Committee was not yet taken as of May 2009.

1.2.11.3 Stores and Stock

Maintenance of stores and stock accounts was poor. Physical verification of stores and stock was not done in most of the departments of the University

Scrutiny of stock registers relating to stores revealed the following deficiencies:

- The maintenance of Stores and Stock accounts in the University was very poor. The stock Registers were not being regularly maintained and updated periodically. Many items were not even being entered in the stock registers. The University Guest House did not maintain any stock registers for stores during the five-year period 2004-09.
- Physical verification of stores, stock, furniture and equipment was not conducted in most of the departments in the University.
- Idle equipment (Computers and peripherals) pertaining to the University Library and damaged/old furniture were dumped in Chief Warden's Office and Guest House.

The University accepted the audit point and assured to carry out necessary measures for periodical physical verification of stock and stores and disposal of unserviceable articles.

1.2.11.4 Non-conducting of physical verification of library books

The University spent a meagre amount on providing library facilities to the students. Physical verification of library books was not done at periodical intervals

The University has a Centralised Library to cater to the needs of the students and faculty. During the period 2007-08 an expenditure of Rs 30.30 lakh was incurred towards purchase of books and publications for the Library. The following observations are made:

- The amount spent on purchase of library books when compared to the total expenditure of the University was very meagre. The University was incurring only 0.22 *per cent* (on an average) of its expenditure on maintenance of the Library. While the cost of education per student in the University was more than Rs 75,000 per annum, the cost of providing library facilities per student stood at Rs 165 per annum.
- The Library had no proper system of monitoring the issue of the library books to students and the faculty and their prompt return; thereby the faculty and the students were continuing to retain the books borrowed from the Library for years together.
- The physical verification of Seminar Libraries (for each department) of the University was not conducted periodically. Even though there were standing instructions from the Government that complete physical verification was to be done in the alternative years (where loss of books was more than five out of every 1,000 books) sample physical verification only was done in the alternative years in the Central Library.

Thus, there was no assurance that, in the absence of physical verification, there was no loss/theft of valuable books.

1.2.11.5 Huge pendency of post-audit objections

As per Annual Audit Report of the Director of State Audit for the year 2005-06, 5,515 audit objections were pending for period since 1995-96 and up to 2005-06. Besides, 194 Inspection Report (IR) paras[27] of the Accountant General were also outstanding as of March 2009. This indicated non-responsiveness of the University for taking remedial action on the objections raised and less of opportunity for improving financial discipline.

1.2.12 Constraints and achievements

The block grant released by the State Government is meant for meeting the expenditure on account of salaries, pension and contingencies. In the recent past the State Government has not released the budgeted/sanctioned block grant in full. The block grant released is not sufficient even to meet the expenditure on account of salaries resulting in the University having to tap internal sources to meet this expenditure. The following were the achievements of the University:

- The Osmania University was the first University in the State to go in for accredition of NAAC in the year 2001 and achieve the highest rating of five stars. It went in for reaccredition this year and was accorded the highest A grade by NAAC.
- The campus colleges of Engineering and Technology were conferred with Autonomous status. The constituent colleges viz., College for Women, Nizam college and PG College, Secunderabad were also conferred with autonomous status. The faculty of Management has been recognised by the Business Today as one of the best in terms of number of Ph.Ds awarded.
- Grant of Centre for Advanced Study (CAS) at national level was awarded to Department of Communication and Journalism, (C&J) the first ever Department of C&J in the country to have been conferred with CAS status. This is the fifth department in the University being conferred with CAS status. The other four being Political Science, Genetics, Astronomy and Linguistics.
- The College for Women and Nizam College were granted “College with potential for excellence status”. Centre of excellence in Microwave Engineering at University College of Engineering was launched. Value Added courses in Medical Transcription, Health Care and Banking were launched.
- The University could attract more than 800 foreign students from 65 countries to join different courses. On account of research activities conducted in various departments, out of 130 projects completed at an outlay of Rs 12.07 crore the University generated seven patents (during the review period).

[27] up to 2003-04: 120, 2004-05: 10; 2005-06: 41 and 2006-07: 23

- More than 90 *per cent* students are from rural areas, 80 *per cent* belong to SC, ST, OBC and minorities who are given exemption and are in receipt of scholarships. The release of scholarships by Government is not regular leading to huge amounts of tuition fee and mess charges remaining to be received by the University.
- The NSS wing of the University has the largest number of NSS volunteers (60,505) from its colleges. The NSS unit of the University bagged the Indira Gandhi National NSS award for its outstanding performance and contribution to nation building.
- The University received INTACH Heritage awards for Arts College, Women's college Darbar Hall and other University buildings.

1.2.13 Conclusions

The University failed to adhere to the codal provisions while appointing various posts of staff including the Finance Officer. Financial management in the University was deficient. Cash books were either not maintained or were not properly maintained by the University as well as the campus/constituent colleges. There was no assurance that all demand drafts remitted into banks were credited to University account. Collection of prescribed tuition fees and examination fees was not ensured. Excess/inadmissible payments were made to University teaching staff in implementation of UGC scales. Advances given to Principals and various departmental officers of the University were outstanding due to non-adjustment. The Finance Branch failed to ensure correct remittances of amounts due to University account by Colleges and Hostels. Annual Reports were perfunctory and did not highlight areas of concern. Certain courses conducted by the University did not attract enough candidates leading to low enrolment. There was no assurance that works were properly executed as no Quality control checks were ensured by the University Buildings Division. Estate management was poor. The University failed to protect its lands from encroachers. There were cases of pilferage of electricity due to which the University is saddled with the problem of unnecessary payment of electricity charges. Physical verification of stores and stock was not carried out in most of the Departments. Physical verification of the library books in the Central Library/Seminar Libraries was also not done. Internal audit of the University departments was not conducted during the five-year period 2004-09 and as such there was no assurance to the University management that the rules and procedures were complied with by the departments.

1.2.14 Recommendations

- Appointment of Finance Officer as stipulated in AP Universities Act and also keeping in view the recommendations of Public Accounts Committee should be considered.
- The University should ensure proper maintenance of computerised cash books by all the departments/constituent colleges. The receipts and expenditure transactions should be invariably posted in the same cash book. Reconciliation with bank statements should be carried out invariably for all bank accounts. Delays in remittance of Demand Drafts should be avoided.
- The annual accounts should be computerised with income and expenditure account and balance sheet.
- Annual Reports prepared should contain comprehensive and complete information which could be of use to Academic Senate. The University should review and identify new courses that would appeal to prospective students.
- The Centre for Distance Education should assess the reasons for low enrolment and take suitable steps for improvement.
- Outstanding advances should be adjusted promptly before the close of the financial year.
- The University Buildings Division should ensure quality control checks in execution of works.
- The University lands should be safeguarded from encroachments by providing proper security personnel and executing pucka lease agreements in case of leased lands to avoid litigation. The land records and its usage should also be computerised.
- The University should take immediate steps for providing sufficient accommodation to all the boarders.
- The Buildings Division (Electrical wing) of the University should check theft of electricity to avoid payment of electricity charges.
- Physical verification of library books and stores and stock should be carried out periodically and action taken to dispose off old/obsolete books/ stores items.

The above observations were reported to Government in June 2009; reply had not been received (August 2009).

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

1.3 Third Party Quality Control/Assurance (TPQC) in execution of irrigation projects

1.3.1 Introduction

The I&CAD Department has a separate quality control wing. In November 2004, Government decided to engage outside agencies for checking the quality of irrigation projects as a part of Third Party Quality Control/Assurance (TPQC) arrangement. The department entrusted (October 2005 to March 2008) 41 TPQC packages worth Rs 167.97 crore[28] to 10 firms to cover 232 package works worth Rs 33,800.29 crore entrusted on Engineering, Procurement and Construction (EPC) turnkey basis. The TPQC works were entrusted by the Superintending Engineers of the respective circles after evaluation of the bids submitted by the empanelled firms for each package by a committee comprising (1) Commissioner, Commissionerate of tenders (2) Engineer in Chief (Irrigation) (3) Deputy Financial Advisor, Finance (W&P) and (4) Chief Engineer of concerned project.

Audit conducted a test-check of TPQC system covering 14 TPQC packages[29] involving an expenditure of Rs 46.35 crore by scrutinising records of Secretary, I&CAD Department (Reforms), four Superintending Engineers[30] covering four packages[31] and Executive Engineer, Special Designs Division No.4, Hyderabad (identified as centralised division for making payments to all TPQC firms) (November 2008). Replies of the Government have been taken into account while finalising the report. The findings of audit are discussed in the succeeding paragraphs.

Audit findings

1.3.2 Empanelment

1.3.2.1 Award of marks

The whole process of empanelment was itself faulty

The empanelment of 18 firms, which were selected in two phases viz., expression of interest and tendering process, took place through the Government Orders of June 2005. In the first phase (November 2004) 16 out of 32 firms were selected and two firms were selected in the second phase (May 2005). Seven firms which got less than 60 marks in the first phase were included in the empanelled list and there was no cut off mark. A firm[32], which

[28] Expenditure to end of November 2008 was Rs 113.33 crore
[29] Package No(s). 2, 3, 8, 10, 16, 23, 24, 27, 32, 36, 37, TPQC-1, AVRHNSS and GLIP selected on the basis of high agreement values and covering all the 10 TPQC agencies engaged by the Government
[30] AMRP Circle No. II, G.V. Gudem, Nalgonda; Pulichintala Project Circle, Jaggiahpet; Construction circle, Ongole; TGP Circle, Srikalahasthi
[31] Package Nos. 3 (Rs 1.96 crore), 8 (Rs 3.58 crore), 10 (Rs 1.43 crore) and 24 (Rs 5.71 crore)
[32] TUV Suddeutschland India

got 'zero' marks for senior and junior level technical personnel, in-house testing and field testing facilities, got only 3 marks (for Non-destructive testing equipment facility) in the first phase. The firm however, got 76 marks in the second phase against the cut off marks of 70 due to change in parameters. The firm got 10 marks each for track record of proven experience in similar field, association with institutions of the standards of IIT, minimum 5 works of similar nature worth Rs 50 crore and annual turnover of Rs 5 crore. It also got 22.5 marks for manpower. It got 14 marks for some other parameters.

The Government replied (August 2009) that the firm[32] did not furnish the relevant documents at the time of "expression of interest" but produced it in the second phase viz., tendering and accordingly got qualified. The reply is silent whether the non-submission of documents was due to non-possession of the required qualification prescribed for the first phase. The reply also overlooks the fact that the parameters were significantly changed which enabled the party to get such a high rating.

1.3.2.2 Parameters for selection of firms

The Government stipulated availability of technical personnel at senior and junior level, test facilities (in-house, field and non-destructive testing equipment), previous experience in similar quality contract works as basic parameters for selection of firms for empanelment in the first phase. It was, however, observed that no minimum marks were stipulated for each parameter separately leading to 16 out of the 18 firms being empanelled in the first phase. The following deficiencies were also noticed:

Parameter	Audit findings
Availability of junior level technical personnel with QC experience	Two firms[33], which did not possess junior level technical personnel with quality control experience, were included in the list of empanelled firms.
Availability of field testing facilities	Four firms[34], which did not have any field testing facilities, were also included in the list of empanelled firms. Out of these four firms, seven TPQC packages valuing Rs 26.12 crore dealing with quality control aspects pertaining to 36 EPC packages (value: Rs 5,229.29 crore) were entrusted to GHERZI Eastern limited.
Availability of Non-Destructive Testing (NDT) Equipment	Six firms[35], which did not have Non-Destructive Testing (NDT) equipment like Rebound hammers, Ultrasonic equipment, Nuclear gauges, Magnetic crack detectors, etc. were empanelled. Out of these six, GHERZI Eastern limited itself was entrusted with seven TPQC packages as mentioned above against item 2.

[33] Aarvee associates & architects and Wilbur Smith associates private limited
[34] GHERZI Eastern limited, MDP consultants, Tahal consulting engineers and Ernico (India) private limited
[35] Engineers India Limited, C.C. Patel and Associates private limited, Aarvee associates and architects, GHERZI Eastern limited, Ernico (India) private limited and NAG infrastructure consulting engineers private limited

Previous experience in similar quality control works	Three firms[36], which did not have any previous experience in similar quality contract works, were also empanelled. This was also in contravention of the clauses 1(a) and 1(c) of the notice inviting pre-qualification bids for empanelment. One firm (NAC) was entrusted with two TPQC packages valuing Rs 6.36 crore pertaining to seven EPC packages (Value: Rs 1,117.30 crore).
Association with professors of accredited institutions of the standard of IIT	No marks were stipulated for this parameter in the first phase. None of the firms entrusted with TPQC contracts were associated with a professor of any IIT institute.

The Government stipulated that only empanelled firms should be eligible for participating in the tenders. However, nine TPQC packages valuing Rs 25.05 crore (*Appendix-1.7*) covering 46 EPC packages (value: Rs 4,318 crore) were entrusted to four firms[37] which were not in the empanelled list. Of these, Engineering Staff College of India (ESCI), which failed to qualify for the empanelment, was entrusted with two TPQC packages valuing Rs 6.20 crore covering 8 EPC package works (value: Rs 1,089 crore).

Thus, the very objective of empanelment of firms for conducting TPQC works was defeated.

The Government replied that the firms were exempted from fulfilment of some of the clauses/conditions on the ground that they would acquire these qualifications subsequently. The reply does not say why this exemption was extended to only selected parties. Further, the entrustment of the sensitive item of checking the quality of projects worth several thousands of crores to parties which did not have the requisite experience is detrimental to Government's interest.

1.3.3 Tendering process

Inconsistencies were noticed in the tendering process

Audit observed inconsistencies in the tendering process as narrated below:

- In package No. AVR HNSS, partner of an empanelled Joint venture (JV) firm was considered for entrustment of TPQC Package-AVRHNSS based on the experience as a JV firm. However, both the partner firms were earlier disqualified on the same grounds in another TPQC package (Tunnel I and Tunnel II of Veligonda project).
- TPQC contracts of major irrigation projects like Aliminati Madhava Reddy Project, Pulichintala project, Komaram Bhim project, Palemvagu project, Kinnerasani project (packages 3, 37 and 10) were entrusted to an unempanelled firm which did not have experience in quality assurance of irrigation projects.

[36] National Academy of Construction (NAC), Becon Society Franchise, C.C.Patel and associates private limited

[37] Engineering Staff College of India, Hyderabad; M/s VAS consultants, Hyderabad; M/s National Consultancy for planning and engineering, Hyderabad; Indian Registrar of Shipping, Hyderabad

- In package 24, tenders were compared excluding service tax component while all tenders for all the other packages were compared with service tax component.
- In the same package 24, several bid conditions were amended after conclusion of agreements like deletion of retention money clause, change in payment methodology, number of establishment of mobile laboratories. Issuing amendments to tender conditions after entrustment indicating vitiation of tender process and undue favouritism to the party.
- In packages 16 and 17, firms' financial proposal (C1 form), summary of cost (C2) and the agreement value were different from one another for reasons not on record.
- In respect of packages 21 and 22, the Internal Bench Mark (IBM) values were higher than the sanctioned estimates. This was statedly due to higher number of mobile labs.

Thus, the tendering process was defective. The Government did not offer specific remarks on the audit observations.

1.3.4 Delay in/non-entrustment

There were delays of 12 to 36 months in engagement of TPQC firms after entrustment of original execution of works

The process of quality assurance begins well before commencement of actual execution and includes review of designs, plans and specifications for constructability and operability. In respect of 40 EPC projects costing Rs 10,962.79 crore, the TPQC works were entrusted to firms with delays ranging from 12 to 36 months after entrustment of the original execution of works.

Audit also observed that no TPQC firm was engaged for quality control in respect of tunnel work with tunnel boring machine (TBM) in Aliminati Madhava Reddy project (EPC package-value: Rs 1,925 crore).

The Government did not offer specific remarks on the audit observations.

Shortcomings with regard to quality assurance were noticed in the agreements

1.3.5 Deficiencies in agreements

Scrutiny of agreements revealed shortcomings with regard to quality assurance as described below:

Item	Audit findings
Analysis of designs	By the time the TPQC agreements were concluded many of the EPC packages were already under execution. However, the department provided for "Analysis of design" in the TPQC agreements, which proved to be redundant. If the scope of the work to TPQC agencies had accordingly been modified the savings to the department would have been Rs 2.75 crore (*Appendix-1.8*). The Government replied that though TPQC might not see a few designs, it would be able to contribute significantly towards the majority of the designs which would be

	finalised during the course of execution in the larger interest of the projects. The fact however, remains that there was no proportionate recovery for designs not seen by the TPQC.
Payment schedule	Several agreements did not prescribe a specific payment schedule for payment of bills. Even in cases, where specific payment schedule was prescribed, it was revised frequently for reasons not on record (Package No.2 covering Thotapalli, Peddagedda, Tarakarama Theertha Sagar and Janjhavathi projects).
Absence/ Inadequacy of security measures	It was prescribed that the EMDs of TPQC firms would be returned on completion of 24 months after lapse of agreement period without linking it to the defects liability period of EPC packages. In several agreements there was no clause relating to deduction of retention money from the running bills. As a result, the department could not take penal action against the firms which withdrew from the TPQC activity midway or against the firms which were not willing to extend the contract period in case of extension of EPC package execution.

1.3.6 Control and Coordination

The control by the Special Designs Division was ineffective

The Government decided (March 2006) that all the payments pertaining to TPQC firms be centralised with the Engineer in Chief (Irrigation) (ENC). Accordingly the ENC identified Special Designs Division No.4, Hyderabad for that purpose. The performance of the division suffered from the following shortcomings:

- The Executive Engineer, Special Designs Division No.4, Hyderabad (EE, SDD-4), did not monitor the quality checking of work done by the TPQC firms before releasing payments on the presumption that the quality checking works done by the TPQC firms were being monitored by the field engineers of the EPC packages concerned. The field engineers were not able to furnish records in support of such supervision.
- The EE, SDD-4 had no information about whether any of the field engineers of the EPC packages were accompanying TPQC firms while collecting samples or conducting tests.
- The EE, SDD-4 had also no information regarding the quality tests being conducted by the EPC firms and whether the TPQC firms were verifying ten *per cent* of those tests independently.
- The Engineers in charge of the EPC packages were not certifying the invoices/bills raised by the TPQC firms directly on the EE, SDD-4 on monthly basis.
- The monthly test reports furnished by the TPQC firms were also not being regularly certified by the Engineers in charge.

Thus, the Special Division which was entrusted with the task of payment control did not discharge its functions effectively.

The Government stated (August 2009) that it was decided to pay the TPQC agencies directly for ensuring their independence from the field engineers. It was also stated that three new posts of Chief Engineers for quality control had been created (October 2008) for coordination and better monitoring. The contention of the Government is not acceptable. The field engineers represent the department/Government and TPQC agencies are private parties. It is the field engineers by virtue of being on the work spot who will be in a position to make a proper assessment of the quality of work done by the TPQC agencies. Cutting out such an important wing of the engineering department was detrimental to Government interest.

Non-existence of agreement between EPC agency and TPQC firm: There was no proper coordination between EPC agencies and TPQC firms. There were several instances of non-cooperation by EPC firms with the TPQC firms viz., non-submission of Quality Management Plans (QMP), non-submission of drawings before commencement of works, non-furnishing of approved designs for analysis, non-intimation of concrete work schedules, non-furnishing of details and reports of tests conducted by EPC firms to TPQC firms for secondary tests, non-submission of corrective action reports (CARs) on the defects pointed out by the TPQC firms. The Government replied that the EPC agreements stipulate “checks by departmental engineers or any other organisation and the contractor shall extend test facilities to them also”. However, in practice the EPC agencies failed to fulfill their obligation stipulated in this clause. Government by its own admission confirmed that due to non-cooperation by the EPC agencies it had to reiterate the instructions.

Quality assurance suffered from several lacunae mainly on account of laxity of departmental engineers

1.3.7 Quality assurance aspects

Audit scrutiny revealed lacunae in the process of quality assurance by the TPQC agencies as narrated below:

Requirement	Audit findings
Quality Management Plan(QMP)	
Review of contractor’s QMP	**(i)** In package 16, the EPC firm did not furnish QMP to the TPQC as of August 2008. **(ii)** In package 23, the EPC firm did not furnish QMP as of December 2008. **(iii)** In Package 24, the TPQC firm did not review (i) designs and specifications in respect of 6 out of 8 EPC packages, (ii) QMP in respect of 7 packages and (iii) calibration for 7 packages.
Quality testing equipment and material testing	
Quality Testing Equipment	**(i)** The EE, SDD-4, during inspection observed non-availability of key equipment like Non-Destructive Testing (NDT) equipment, Concrete core cutter and U.T.M., Hydraulic pressure tester, Insitu permeability test apparatus, PH meter, Hydrometer, etc. (Package No.2, 10, 11). **(ii)** In package 23, the firm carried out required tests in other engineering colleges and universities which was to be done in the TPQC lab.

<table>
<tr><td>Material testing</td><td>(i) In packages 8 and 10 concreting plan was not being intimated to TPQC firms. The EPC agencies were executing concreting works at night hours without giving prior intimation to TPQC firms. This has serious implications given that the supervision of quality of concreting is an activity involving concurrent collection of samples.
(ii) In package 10, the TPQC firm was testing cement concrete cubes manually which did not reflect true values, which was stated to be subsequently rectified.
(iii) In package 10, the EPC firm was not maintaining sufficient stack of materials despite being repeatedly mentioned in the monthly reports. Thus, the arrangements for testing materials before they are put to use by the EPC contractor were inadequate.
(iv) In package 23, the EPC firms did not involve the TPQC firm while conducting QC tests of material brought to site.</td></tr>
<tr><td colspan="2">Calibration</td></tr>
<tr><td>TPQC firms were to conduct calibration of EPC firm’s equipment</td><td>In package 11, the TPQC firm did not conduct calibration of the equipment even after one and half years after entering into contract.</td></tr>
<tr><td colspan="2">Presence of departmental engineers at the time of sampling and analysis</td></tr>
<tr><td>Presence of departmental engineers</td><td>In package No.24 TPQC firm (LASA-VAS) complained (July 2006) that only work inspector was available at the work spot during the inspections and departmental engineers (AE/AEE/DEE) were not available even while executing major structures. The firm also represented that no technical representative or engineer on behalf of EPC firm was present.

In package 27 also, work inspectors were signing the daily test reports on behalf of the department indicating that the departmental engineers were not being present while collection of samples or analysis of the samples collected.</td></tr>
</table>

Superintending Engineer, SSLC & SB circle, Nellore, communicated (October 2006) to the agreement concluding authority i.e., Superintending Engineer, Telugu Ganga Project Circle, that, even after eleven months the TPQC firm did not have reliable machinery for checking the concrete structures. It was however, observed that the contract period was extended after completion of the agreement period apart from entrustment of additional works to the same firm.

Thus, the monitoring of quality of the projects suffered from several lacunae. The Government did not offer specific remarks on the audit observations.

1.3.8 Corrective action on TPQC reports

Departmental engineers failed to ensure corrective action on the deficiencies pointed out by TPQC firms

Scrutiny of the corrective action reports (CARs) revealed the following:

- In Packages 3 to 10, corrective action was not taken immediately on the observations made by the TPQC firms.
- In package 32, there were no reports of corrective action.
- In package 23, TPQC firm was not involved while taking corrective action.
- In packages 8 and 10, the suggestions of TPQC firm are repetitive in nature regarding honey combing, improper vibrations, insufficient metal stack, improper curing etc. This indicates that the EPC firm did not pay proper attention to the repeated remarks of the TPQC firm.

Thus, the departmental engineers failed to ensure corrective action on the deficiencies pointed out by TPQC firms. Audit further observed that there was no system to get the quality certified by the TPQC firm after corrective action as pointed out by the TPQC firms was taken by EPC firms. The Government did not offer specific remarks on the audit observations.

1.3.9 Checks of samples by outside laboratories

Departmental engineers were unable to furnish records relating to checking of samples by outside labs

The TPQC contracts envisage that 10 *per cent* of tests are to be got checked by an outside laboratory (NCCB and APERL) (cost to be borne by TPQC firm) once in three months to give an assurance that proper testing and analysis is being done by EPC/TPQC firms. It was however, observed that the Superintending Engineers concerned of AMRP Circle II, G.V. Gudem, Pulichintala Project Circle, Jaggiahpet and Telugu Ganga Project circle, Srikalahasthi, were unable to furnish records relating to conducting of such an exercise. The Government did not offer specific remarks on the audit observations.

1.3.10 Deployment of qualified staff

Deployment of experienced staff for quality control was not given due importance

Agreements with the TPQC firms stipulate that the firms have to engage on their rolls qualified and experienced staff for quality control. The following observations are made:

- The TPQC firm of package 3 (pertaining to Aliminati Madhava Reddy Project) engaged specialists in “Transport Planning”, “Transport engineering” which were not related to quality control in Irrigation Projects. Audit also observed that some of the staff engaged by TPQC firms did not have experience in quality control aspects.
- All the agreements stipulated that the firms should submit curriculum vitae (CV) of the field staff engaged by the TPQC firms. Audit observed that in majority of the cases either the CVs were not submitted (Package 32) or did not contain full particulars (Packages No.37 and AVR HNSS).

- The TPQC firms were replacing their key personnel, scaling down the manpower without prior approval of the agreement concluding authority in contravention to the stipulations of the agreement and without any instructions to that effect from the Engineers in charge (Packages No. 2, 10) which would have an adverse effect on the continuity of quality assurance.

The above deficiencies indicated that deployment of experienced staff was not given due importance. The Government did not offer specific remarks on the audit observations.

1.3.11 Inspections by professors of premier institutes

The agreements stipulated that TPQC firms would invite professors from the premier institutes of standards of IIT once in three months for quality assurance of the irrigation works. In packages 3, 11, 15, 18, 19, 39, 43, 49, TPQC-1 and AVRHNSS, audit observed that some of the firms had not furnished the reports of the inspections conducted by professors of such premier institutes. Instead of getting the tests conducted by the professors of institutions with standards of IIT, the firms got the tests done by professors of local universities. There were shortfalls in the number of visits of professors. In package 27, there was also an instance where such inspections were all carried out on a single day. The Government did not offer specific remarks on the audit observations.

1.3.12 Construction of central laboratory buildings

The clause relating to construction of central laboratory buildings by the TPQC firms was not enforced

All the agreements stipulated that the TPQC consultant should construct a central laboratory at a location suggested by the department. The land was to be handed over to the consultant by the department and the consultant was to hand over the laboratory with infrastructure to the department at the end of the contract period. The following deficiencies were noticed:

- No time frame was stipulated for construction of central laboratory in the agreements. In respect of 18 TPQC packages, the firms did not construct central laboratories as of December 2008 statedly due to non-handing over of land by the department. No deductions were, however, made towards non-construction/provision of central laboratories from the agreement value. The cost of construction/provision for central laboratories as per the agreements in these 18 packages was Rs 7.66 crore (*Appendix-1.8*).
- Firms were allowed to function from elsewhere without establishment of laboratories. While one firm operated laboratory in a rented building (package 3), another firm established central laboratory in government quarters (package No.24). In package 23, the firm operated its mobile laboratory from that of the EPC firm with adverse implications on the quality assurance of those projects.
- The plinth area of central laboratory, even in the cases where it was constructed with some delay was less than the stipulated 400 square meters (packages 2, 10 and 11).

- In package 36, the department did not take over (December 2008), though envisaged in the agreement, the central laboratory from the TPQC firm even after the original agreement period elapsed in May 2008.
- The agreement of the package 3 stipulated contradictory clauses for establishment of central laboratory along with infrastructure at firm's own cost on the land provided by the department as well as central laboratory building rent of Rs 12 lakh at a rate of Rs 40,000 per month. The EE, SDD-4 paid Rs10.90 lakh as of December 2008 towards rent. The building was constructed by the firm after the contract period, which was over by September 2008. Infrastructure and other amenities were yet to be provided by the firm and as such the building could not be put to use by the department as of February 2009.

Thus, the department failed to enforce the clause relating to construction of central laboratory buildings by TPQC firms. The Government did not offer specific remarks on the audit observations.

1.3.13 Vulnerability assessment of departmental reliance on TPQC firms for quality assurance

In case of detection of wrong certification by the TPQC firm, the damage cannot be rectified as the value of contracts awarded to TPQC firms is negligible part of the total value of the EPC works, the quality of which is to be monitored/ensured. Even detection of such wrong certification is difficult. In TPQC package 11, pertaining to EPC package No.23 of Handri Neeva Sujala Sravanthi project, the TPQC firm[38] had given (in 2006) a quality assurance certificate for work which was yet to be executed. It was only the public watchfulness and outcry that ensured detection of such lack of supervision on the part of the TPQC firm.

Audit observed that no penal action was taken against the firm for incorrect certification except recovery of the amount from the firm on prorata basis. Instead of blacklisting the firm, the firm was allowed to continue certification of quality in respect of other works/packages.

This clearly indicates that total reliance on an outside agency for the critical function of quality control is fraught with adverse implications as the system does not envisage presence of departmental engineers at the time of collection of samples and at the time of carrying out testing and analysis of the samples collected. Engagement of TPQC firms does not guarantee first rate assurance of quality work done by EPC firms.

The Government replied that hundred *per cent* departmental supervision would not be feasible. The reply overlooks the fact that non-critical functions can be outsourced but not critical functions such as quality of irrigation projects worth several thousands of crores. The engagement of TPQC agencies can only be used to augment the strength of each quality inspection team. The

[38] LASA-VAS

deployment of TPQC agency is justifiable to the limited extent that all the members of a quality inspection team need not be from Government but no quality inspection team should be without any departmental engineer. There has to be hundred *per cent* supervision of the inspection work by a departmental engineer at the time of collection of samples as well as analysis of samples.

1.3.14 Dilution of departmental quality control

Government stipulated (December 2005) that the TPQC firm should give quality control certificate for each work bill executed by the EPC firm. The payments were being made to the EPC agencies even without the certification by the departmental engineers entrusted with quality control. As a result the EPC agencies were not paying proper attention to the observations made by the departmental quality control staff. Audit observed in package 10 that in a large number of cases corrective action reports had not been received for nearly one year for the observations made by the departmental quality control staff. The Government did not offer specific remarks on the audit observations.

1.3.15 Action on deficiencies in quality detected by the TPQC firms

A few cases relating to serious deficiencies pointed out by the TPQC firms are illustrated below:

- In TPQC package 10 (Pulichintala project) the firm pointed out that for blocks 2 to 9 foundation stage load cells required for assessing load bearing capacity etc., were not installed for further studies.
- Hydraulic pressure tests for pipes were conducted only for five minutes instead of stipulated two hours (NIT, Warangal report for package 38).
- Flakiness and elongation index of coarse aggregate available at site for concreting was 58.3 *per cent* instead of stipulated maximum of 30 *per cent* despite being objected earlier by NIT, Warangal (package 38).
- Vertical reinforcements of Pump House III were terminated abruptly instead of bending the bars (NIT, Warangal report for package 38).
- The EPC firms were not assessing the safe bearing capacity of foundation soils (Package 23).
- The EPC firms were not executing the work as per approved drawing (Package 23). For instance, laying of pipeline (Pushkara and Venktanagaram Lift Irrigation Schemes) and thrust blocks (VNPS) is one of the examples.
- Adequate importance was not given to items like Water Cement Ratio, Back filling, Removal of form work and curing, etc. (package 23).
- Hydrostatic pressure test was not being done even at the time of final bill (package 23).

- The eligibility for qualifying for payment in respect of distributaries for discharges between 100 C/s and 10 C/s and in respect of minors and sub-minors was not being followed (package 23).

Details of remedial action taken on the above deficiencies were not readily available with the department. The Government did not offer specific remarks on the audit observations.

1.3.16 Payment during extended period

Payments made beyond the agreement periods of TPQC contracts led to extra expenditure amounting to Rs 21.79 crore

Activities like land acquisition, forest clearance, etc., are time consuming and the time required to complete these activities cannot be estimated with any degree of certainty. Award of work without executing components of uncertain duration is beset with the following problems:

(i) The TPQC agency being paid the full amount regardless of the quantum of work done by the executing agency during the period of contract with the TPQC agency

(ii) Additional costs for deployment during the extended period

These issues were ignored in award of projects scrutinised by Audit leading to delay in execution of projects.

As payment to TPQC parties are linked to the duration of the projects for which they were engaged, the above deficiencies led to extra expenditure of Rs 21.79 crore beyond the agreement periods of TPQC contracts. The details are given in *Appendix 1.9*. The Government did not offer specific remarks on the audit observations.

1.3.17 Improper payment methodology

The department did not stipulate a definite payment schedule method or invoice/bill procedure for the TPQC packages. Many of the invoices raised contained details of the expenditure incurred by the firms like personnel on rolls/salaries, miscellaneous expenditure, equipment expenditure, reporting expenditure, software reimbursement expenditure, etc., instead of the quality checks being performed or services rendered by them. As a result, the linkage between the payments made to the firms and services rendered by them could not be established.

Audit also observed in package 36 that the costs of various items[39] in supplemental agreements were much higher than that in original due to increase in remunerative costs component. The Government did not offer specific remarks on the audit observations.

[39] Testing of Input materials and analysis, Insitu tests and analysis, and Tests on finished products and analysis

1.3.18 Force Majeure

Remunerative and miscellaneous components such as establishment of lab, etc. involving value of Rs 10.74 crore which were already included in the original agreements were also included in supplemental agreements

The agreements stipulate that during the period of extension as a result of force majeure, the consultant shall be entitled to reimbursement of additional costs reasonably and necessarily incurred by them during such period for the purposes of the services and in reactivating the service after the end of such period.

Audit found that the remunerative and miscellaneous components pertaining to analysis of design, establishment of laboratories, testing of input materials and analysis, insitu tests and analysis, and tests of finished product and analysis costing Rs 10.74 crore (*Appendix-1.8*) were also included in the supplemental agreements concluded for extensions of time, which were already included in the original agreements. The Government did not offer specific remarks on the audit observations.

1.3.19 Conclusions

The TPQC system suffers from an inherent deficiency as it does not envisage presence of departmental engineers at the time of collection of samples and at the time of carrying out testing and analysis of the samples collected. Audit also noticed deficiencies such as faulty empanelment for engaging TPQC firms, engagement of firms which did not have experience in quality control of irrigation projects, inadequacies in agreements, modification of tender conditions thereby passing undue benefit to firms, non-enforcement of the agreement conditions, etc. Also, the EPC firms did not take prompt action on the deficiencies pointed out by the TPQC firms.

Checking of quality of projects works is too critical a function to be outsourced completely to independent third party agencies without any quality inspection team having no representation of the Government. Monitoring during execution of the project assumes considerable significance. There is no substitute for hundred *per cent* departmental supervision of these agencies. The agencies can only assist the departmental engineers in discharging this important task.

1.3.20 Recommendations

- There is urgent need to strengthen the quality checking and monitoring wing in the department itself. The engagement of TPQC agencies can only be used to augment the strength of each quality inspection team. The deployment of TPQC agencies is justifiable to the limited extent that all the members of the quality inspection team need not be from Government but no quality inspection team should be without a departmental engineer. There has to be hundred *per cent* supervision of the inspection work by the departmental engineer at the time of sampling and analysis of samples.
- Engagement of TPQC firms should not be after award of the EPC work and needs to be properly synchronised. Entrustment of TPQC may be considered for each irrigation package at the time of entrustment of

package itself so as to avoid finalisation of designs, drawings, and execution of work without involvement of TPQC firms.

- The department needs to initiate action for empanelment of more number of TPQC firms for better competition as in majority of tenders finalised there were single tenders.
- The Department should ensure prompt corrective action on the observations of TPQC agencies before making payments to EPC agencies.

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

1.4 Accelerated Irrigation Benefit Programme

1.4.1 Introduction

The Accelerated Irrigation Benefit Programme (AIBP) was launched by the Government of India (GOI), during 1996-97, to provide assistance to the States for accelerating the implementation of major[40] and medium[41] irrigation projects, costing more than Rs 1,000 crore, which were beyond the resource capability of the States and to complete on-going major/medium irrigation projects which were in advanced stage of completion. The monetary limit of cost of the project was relaxed to Rs 500 crore in March 1997. Minor irrigation[42] (MI) schemes were subsequently introduced from the year 1999-2000.

The main objectives of AIBP are:

- To accelerate the completion of on-going major and medium irrigation projects; and
- To realise bulk benefits from the completed projects.

In Andhra Pradesh, 30 Major/Medium Irrigation Projects and 67 MI schemes were identified under AIBP. GOI released an assistance of Rs 2,762.42 crore for the 30 identified major and medium projects (*Appendix-1.10*) up to the year 2008-09. For 67 MI schemes (*Appendix-1.11*) a sum of Rs 161.46 crore was released by GOI during the period from 2006-07 to 2008-09.

At State level, the Chief Engineers of the respective projects are the Project Implementing Authotities (PIAs). The PIAs carry out the activities under the overall supervision of the Principal Secretary, I&CAD.

1.4.2 Audit objectives

The performance audit had the following objectives:

- Whether planning for new project and prioritisation for funding the on-going projects were done as per prescribed procedures and guidelines;
- Whether individual projects were executed in an economic, efficient and effective manner;
- Whether the Rehabilitation and Resettlement (R&R) works were carried out as contemplated;
- Whether the potential created was utilised fully;
- Whether the programme achieved its objectives of speedy completion of projects;

[40] Projects that create irrigation potential greater than 10,000 hectares of cultivable command area (CCA)
[41] Projects that create irrigation potential greater than 2,000 ha and less than 10,000 ha of CCA
[42] Projects that create irrigation potential less than 2,000 ha of CCA

- Whether the monitoring mechanism was adequate and effective; and
- Whether there was adequate and effective mechanism for evaluation of projects including assessment of achievement of the desired Benefit Cost (BC) Ratio.

1.4.3 Scope and Methodology of Audit

Audit conducted (July 2008 to March 2009) a review of AIBP projects implemented in Andhra Pradesh covering 10 out of 30 Major/Medium Projects (five major[43], five medium[44] projects) which received Central Assistance of Rs 937.30 crore and 14 out of 67 MI schemes which received Central assistance of Rs 37.70 crore. The details are given in *Appendix-1.12*. Selection of the Projects was done based on Simple Random Sampling Without Replacement Method (SRSWOR). For the MI schemes it was also ensured that at least two geographical regions of the State were covered. An entry conference was conducted (25 June, 2008) with the Chief Engineer (CE), Major & Medium Irrigation and CE, Central Water Commission (CWC) and the audit objectives were explained. The review covered the implementation of the programme during the period from 2004-05 to 2008-09. As the scheme was launched in 1996-97, transactions relating to the programme prior to April 2004 were also taken into consideration and included in the report for continuity, wherever necessary. Exit conference was also conducted (December 2008) with the Principal Secretary, I&CAD, CE, Major & Medium Irrigation, CE, Minor Irrigation and CE, CWC. Replies of the Government were considered and incorporated while finalising the Performance Audit review. The results of the review are discussed in the succeeding paragraphs.

Financial outlay

The Financial outlay in respect of eight (incomplete) out of ten* major and medium projects for the years 2004-05 to 2008-09 is as shown in Table-1.

Table-1

S.No.	Name of the Project	Central Assistance received	Budget provision (both Central and State share)	Expenditure incurred	Physical Target and Achievement	
		(Rs in crore)			Target	Achievement
1	Gundlakamma Reservoir Project	99.35	597.50	380.85	100%	80%
2	Komaram Bhim Project	110.25	955.80	170.69	100%	23%
3	Pushkara Lift Irrigation Scheme	47.08	599.00	279.49	100%	63%
4	Ralivagu Project	6.71	65.60	36.90	100%	48%
5	Somasila Project	164.53	635.24	217.20	100%	35%
6	Thotapally Barrage Project	75.09	569.50	327.35	100%	54%
7	Veligallu Reservoir Project	62.34	194.37	59.08	100%	98%
8	Yerrakaluva Reservoir Project	28.46	55.78	54.68	100%	-NA-

*Alisagar Lift Irrigation Scheme and Sriram Sagar Project Stage-I were already completed NA: Not available

[43] Alisagar Lift Irrigation Scheme, Nizamabad; Gundlakamma Reservoir Project, Prakasam; Pushkara Lift Irrigation, East Godavari; Somasila Project, Nellore and Sriram Sagar Project Stage-I, Karimnagar

[44] Komaram Bhim Project, Adilabad; Ralivagu Project, Adilabad; Thotapalli Barrage Project, Vizianagaram; Veligallu Reservoir Project, Kadapa and Yerrakaluva Project, West Godavari

The year-wise details of the Budget provision vis-à-vis, the expenditure are furnished in *Appendix-1.13*.

1.4.4 Planning

1.4.4.1 Preparation of PPR[45] and DPR[46]

PPR and DPR were not prepared for any of the Minor Irrigation Schemes

The State Government is required to prepare a preliminary report of the proposed projects after carrying out necessary survey and investigation irrespective of whether the project is funded through State Plans or from AIBP. In respect of major projects, PPRs are to be submitted to CE, CWC, New Delhi. In respect of medium projects, the reports are to be submitted to respective regional offices of the CWC under intimation to CE (PAO), CWC.

For Minor schemes, DPRs approved by the State Technical Advisory Committee are to be forwarded to the Ministry of Water Resources (MoWR) for approval on the basis of Benefit Cost (BC) Ratio and development cost. The preliminary reports are to be submitted to CWC at State level and if found acceptable 'in principle' consent is given to State Government for preparation of DPR.

It was observed that no PPRs and DPRs were prepared by the respective project implementing authorities for any of the selected Minor Irrigation (MI) schemes. Further, as per the guidelines, BC ratio for all irrigation schemes to be funded under AIBP shall be more than one[47]. In many of the MI schemes, such scheme - wise calculations were not done. Instead, a mere certificate was issued by the I & CAD Department stating that the BC ratio in respect of all MI Schemes was more than one. Scrutiny, however, disclosed that in the formation of new tank across Maddileru Vagu, Gani (V) (Kurnool District) the BC ratio was nearly 0.25.

The MoWR merely accepted the certificate with regard to BC ratio without checking the detailed calculations in support of the BC ratio as these were not furnished by the State Government.

1.4.4.2 Prioritisation of Projects

Prioritisation for funding the projects under AIBP was not done in a systematic manner by computing the cost of balance works to be executed in each project

The year-wise releases of funds by GOI were as shown in Table-2.

Table-2

Year	Amount released (Rupees in crore)	Year	Amount released (Rupees in crore)
1996-97 to 2001-02	630.62	2005-06	311.38
2002-03	33.19	2006-07	843.42
2003-04	205.53	2007-08	576.85
2004-05	87.55	2008-09	235.34
		Grand Total	**2923.88**

Note: GOI changed the nature of AIBP assistance from loan to grant from 2005-06

45 Preliminary Project Report
46 Detailed Project Report
47 If BC ratio of a project is less than one, it implies that the benefit derived from the project is less than the cost of the project

Audit scrutiny revealed the following:

Major and Medium Projects

One of the key objectives of AIBP was to correct the situation of huge public investments in irrigation projects lying dormant / incomplete for several years for one reason or the other. The funds provided may not be adequate to complete all on-going projects. Therefore the deployment of funds required prioritisation by (i) Computing the cost of balance works to be executed in each project; and (ii) funding those projects first which require minimal finance to bring them to completion. Such an exercise would have facilitated selection of projects in such a manner as to complete them at an accelerated pace with available funds. The selection of projects was not done in such a systematic manner. The State Government failed to properly estimate the cost of balance works for inclusion in AIBP.

Government stated (July 2009) that only those projects which are eligible as per AIBP guidelines were considered for AIBP assistance. The reply does not answer the specific audit observation with regard to the prioritisation based on criteria mentioned by Audit.

Out of 11 major/medium projects taken up prior to 2005-06 only six projects had been completed and five are still in execution stage

Consequently, out of the 30 projects taken up under AIBP from 1996-97 to 2006-07, so far eight projects were completed over a period of 14 years. Despite higher assistance from 2005-06 onwards, there was failure to get accelerated irrigation benefits due to the faulty prioritisation of projects to be executed. Out of 11 major/medium projects taken up prior to 2005-06 only six projects[48] had been completed and five are still in execution stage as of March 2009, as shown in Table-3.

Table-3

Name of the project	Year of sanction	Scheduled date of completion	Expenditure (Rs in crore)
Somasila	1997-98	June 2001	217.20
Kanpur Canal	2000-01	October 2003	0.44
Gundlavagu	2000-01	2003	6.68
Yerrakaluva	2000-01	2003	54.68
Maddigedda	2000-01	2003	4.50

Out of the 19 major/medium projects taken up after 2005-06, except two projects, no other project was completed. Thus, assistance under AIBP has not been effectively used to accomplish the objective of completion of irrigation projects

- Even in the case of completed projects, the projects were completed with delays which ranged up to five years as shown in *Appendix-1.14*.
- From 2005-06 onwards, 19 more major/medium projects (details are in *Appendix-1.15*) were taken up. In addition, 67 Minor Irrigation schemes were also taken up. Except two major projects (Ali Sagar Lift Irrigation scheme (LIS) and Guthpa LIS which were included under AIBP in 2006-07), no other project/scheme was completed as of March 2009.

[48] Cheyyeru (Annamayya), Madduvalasa, Nagarjuna Sagar Project, Priya Darsini Jurala Project, Sri Ram Sagar Project (Stage-I) and Vamsadhara (Phase I of Stage-II)

Thus, the grant released during the years 2005-06 to 2008-09 amounting to Rs 1,966.99 crore (Rs 593.81 crore in the selected projects as discussed in para 1.4.4.3 below) largely remained blocked in incomplete projects.

The AIBP is not a scheme to bestow capital grants to States of capital investment, but to redeem past capital investments in irrigation, which were idling for want of completion. The programme however, was not confined to only to truly last mile projects by the State Government as the funds were used for other on-going projects also. This led to wasteful and wasted investment and in continued idleness of dormant irrigation assets. This also resulted in large part of investments made becoming ineffective or sub-optimal as brought out above.

Government stated (July 2009) that it does not consider the investment on irrigation projects as wasteful and wasted investment nor did it prolong idleness of dormant irrigation assets. But the fact remains that the targeted results have not been achieved in almost all the projects taken up under AIBP. The incomplete assets do not give benefits to the people for the expenditure incurred. Early completion of projects by proper planning would have resulted in early benefits to the people.

Minor Irrigation schemes

Out of 14 MI schemes test-checked, only two were physically completed. Water was however, not released to the fields due to non-construction of field channels

GOI sanctioned 61 MI schemes (GOI share: 90 *per cent*) in 2006-07 in Phase-I (of these 14 were selected for test check) and six MI schemes in 2008-09 in Phase-II under AIBP. Out of the 14 sampled MI schemes, only two schemes[49] were physically completed, but completion reports have not been submitted (March 2009). Though water was impounded in the tanks, no water was released to the fields due to non-construction of field channels by the Water Users Associations, even after lapse of one year of completion of the schemes. Thus, there was lack of coordination between the department and the Users to ensure that the field channels were ready by the time the works are completed.

In other two MI schemes (in Kurnool District), the tenders were not finalised as of March 2009 as detailed in Table-4.

Table-4

Name of the MI Scheme/ Contemplated ayacut	Date of administrative approval	Date of technical sanction	Status of tender process as of March 2009
Formation of new tank across Maddileru vagu, Ghani (V), Kurnool District - 260 acres	6-2-2007 (Revised administrative approval on 1-12-2008)	16-2-2009	The opening of tenders was postponed twice. Due to technical problems (non-visibility) with regard to e-procurement platform the tenders were not finalised.
Formation of new tank across Chandravanka near Chinnabodhanam (V), Kurnool District -350 acres	6-2-2007	13-2-2009	The opening of tenders was postponed twice. Due to technical problems (non-visibility) with regard to e-procurement platform the tenders were not finalised.

[49] Formation of new tanks at Nambala, Thugeda Villages of Adibalad District (estimated cost: Rs 0.81 crore and Rs 1.11 crore)

The reasons advanced by the Executive Engineer are not convincing as there has been no total breakdown of the e-procurement platform since the same was being used for tenders in other projects.

In the case of formation of new tank across Chandravanka near Chinnabodhanam Village, audit also observed that there was overlapping of the Telugu Ganga Project distributory as per the original designs which caused the delay in tender process on account of change of designs so as to exclude the overlapping ayacut.

1.4.4.3 Award of work without prior completion of the activities of uncertain duration

Award of work along with components of uncertain duration led to eight out of ten sampled projects (AIBP assistance; Rs 593.81 crore) taken up getting adversely affected. The amount remained blocked resulting in the envisaged irrigation potential not being achieved

There are two approaches for execution of projects.

Approach (A): Award of work along with components of uncertain duration. The adverse effect is that the time gap between the investments and the accrual of benefits is very large leading to lower growth rate of economy. This is the common mistake committed.

Approach (B): Complete components of uncertain duration in advance and then only award the work. The time gap between investments and the accrual of benefits will be short leading to speedy growth rate of economy.

Land acquisition is a complex and tedious process where the time required for completing the work cannot be assessed with any degree of certainity. Starting of projects without acquiring land in advance is beset with the risk of adverse consequences of escalation in payments to contractors due to extended period of execution and blockage of funds in incomplete projects which were held up due to land acquisition problems.

Government stated (July 2009) that as the land acquisition work was entrusted to revenue authorities, PIAs cannot be held responsible for the delay. The reply is not acceptable, as the basic audit observation related to award of work without acquiring the land in advance which is inherently of uncertain duration resulting in enormous sums being blocked in incomplete assets without any benefit to the people. These funds could have been utilised elsewhere for early completion of works not taken up for want of funds.

In irrigation projects, it is not the commercial rate of return but the Economic Rate of Return (ERR) which is used as the criterion for measuring the benefits accruing from the projects.

As illustrated in the *Appendix-1.16*, for faster growth rate of economy, the allocation of funds or investments should be only for projects where the activities of uncertain durations like land acquisition, obtaining of environmental clearances etc., are completed before incurring any expenditure.

There are basically two adverse effects from award of work without executing components of uncertain duration:

- The contractor gets benefit by way of retaining mobilisation advance for longer periods by having to pay only on simple interest basis and further benefit by waival of even this interest in some cases.
- The time gap between investments and the accrual of benefits becomes very long leading to lower growth rate of economy.

The conceptual frame work used in audit analysis in this regard in project management and to achieve speedy growth rate of economy is detailed in *Appendix-1.16*.

In the State, eight out of the ten sampled irrigation projects taken up have been adversely affected due to starting of projects without acquiring land in advance as detailed in Table-5.

Table-5

Sl. No.	Name of the Project	Year of Sanction	AIBP assistance (Rs in crore)	Scheduled date of completion	Physical status (Percentage) of work
1	Somasila Project	1997-98	164.53	June 2001	35
2	Yerrakaluva Reservoir Project	2000-01	28.46	March 2004	Not completed (physical status not furnished)
3	Pushkara Lift Irrigation Scheme	2006-07	47.08	September 2006	63
4	Ralivagu Project	2006-07	6.71	March 2007	48
5	Gundlakamma Reservoir Project	2005-06	99.35	May 2007	80
6	Veligallu Reservoir Project	2006-07	62.34	September 2007	98
7	Komaram Bhim Project	2006-07	110.25	March 2008	23
8	Thotapalli Barrage Project	2005-06	75.09	March 2008	54

For all the projects, the scheduled date of completion was over and especially the projects at Sl. No.1 to 4 have been badly delayed. With the present pace of progress, it is unlikely that the projects at Sl. No. (1), (2), (3), (4), (7) and (8) will be completed in the near future.

Consequently, AIBP assistance to the extent of Rs 593.81 crore in eight of the ten selected projects largely remained blocked in incomplete projects resulting in the objective of accelerated pace of completion of the projects not being achieved even after lapse of several years due to delay in acquisition of land.

1.4.4.4 Non-release of funds to the Project Implementing Authorities (PIAs)

As per the guidelines the Central assistance along with State's share has to be released to the Project implementing authorities. The payment control had been with the PAOs since 2002-03 in the State and due to issue of instructions by the Government not to make payments on account of freezing of funds there were delays in payment of work bills. For instance, during the period between December 2008 and March 2009, the AIBP work bills amounting to

Rs 7.05 crore[50] were not paid in three out of the 24 projects/schemes as of March 2009. This resulted in hampering the progress of works.

Government while admitting the deficiency stated (July 2009) that payments for work bills could not be made during the period from December 2008 to March 2009. As these funds were provided by the Government of India, the same should have been released promptly.

1.4.5 Award of works

Deficiencies in Agreement conditions

Audit scrutiny of the contract agreements revealed deficiencies resulting in undue benefits to the contractors

Scrutiny of the contract agreements relating to the 10 selected projects revealed the following system deficiencies:

- Although the contracts were awarded on a fixed price basis, scope of work was not precisely defined. In three[51] out of the ten projects, the scope of work was altered subsequently during execution. Government in reply (July 2009) stated that keeping in view the various constraints in implementation of irrigation projects, EPC system was introduced wherein contractor was given freedom while executing the work without changing the scope of the work. It was further stated that the scope of the work was not altered in any medium irrigation projects. The reply is not acceptable. Change of designs after award of work results in change in quantities of work to be executed. There was no clause safeguarding the Government interest with regard to reduction in the payments, if less quantities of work were executed due to award of work on fixed price basis. As regards the medium irrigation projects, the reply is incorrect as the length of the canal was reduced in Thotapalli Barrage Project, a medium irrigation project.
- Instead of fixation of the milestones by the I&CAD Department, the contractors were allowed to propose their own milestones for completion of the projects. Further, the contractors were allowed to submit revised milestones in case of delay in completion/non-execution of work as per the original milestones submitted by them earlier. Government stated (July 2009) that the contractors were allowed to draw milestones/Revised milestones as the delays caused were beyond their control like land acquisition and R&R. The fact however, remains that the contractors were allowed to draw up their own milestones even at the initial stage of work.
- Liquidated damages (LD) clause is effective only when the work awarded consists of components of certain duration. Non-acquisition of land prior to award of work resulted in making the LD clause ineffective. Consequently, LD clause incorporated in the agreements could not be invoked due to non-acquisition of land in advance by the Department even though the projects were not completed as per schedule.

---

[50] Pushkara Lift Irrigation Project, East Godavari District: Rs 6.14 crore, Formation of new tank across local vanka near vayalpad, Chittoor District: Rs 0.65 crore and Formation of Reservoir across Isukagedda, Visakhapatnam District: Rs 0.26 crore

[51] Thotapally Reservoir Project, Pushkara Lift Irrigation Scheme, Gundlakamma Reservoir Project

Government stated (July 2009) that delays occurred on account of land acquisition, R&R and forest clearance. The fact remains that mere incorporation of LD clause does not ensure timely completion of project unless components of uncertain duration are executed prior to award of work.

- As the contracts were awarded on a fixed price basis there was no clause in the agreement for payment of price escalation. The contractors were, however, paid price escalation on the basis of Government memos.

  Government stated (July 2009) that due to contractors' requests, certain clauses relating to payment of bills were relaxed. The fact remains that the amounts towards price escalation were paid to the contractors which was violative of tender conditions. If price escalation clause was incorporated, Government would have got the benefit of reduction in prices.

The above deficiencies in the contract agreements led to the contractors reaping undue benefits on several counts (as discussed in Para 1.4.7.1) besides leading to delays in completion of the projects.

1.4.6 Implementation of Projects

Scrutiny revealed lapses in implementation of the Projects, mainly attributable to poor monitoring, as discussed below project-wise:

Nature of the audit observation	Audit findings
Abnormal delay in submission of forest land proposal	**Khomaram Bhim Project (Adilabad District)** The original date for completion of the project was March 2007. But the proposals for acquiring the forest land of 12.54 Ha required for this Project, were submitted by the State Government for forest clearance, only in July 2008. Forest clearance is still awaited as of April 2009 resulting in consequential delays in execution of the project. Government stated (July 2009) that due to some legal problems, it was delayed. The fact remains that there was delay in submission of proposals.
Non-submission of utilisation certificate	**Ralivagu project (Adilabad District)** The State Government is required to submit utilisation certificate (UC) to CWC under the countersignature of Secretary level authority for assistance received in a year. The UC in respect of the project had not been submitted to CWC as of March 2009 for the Central assistance of Rs 6.71 crore received in the year 2006-07. Government confirming the audit observation stated (July 2009) that UC was received and under submission to GOI.
Incorrect completion report	**Sriram Sagar Project Stage-I (Karimnagar District)** The State Government wrongly submitted completion report to CWC in November 2004, though 26 works costing Rs 283.06 crore taken up under AIBP were not completed. The CWC authorities, however, accepted the completion report without any checking.

	Somasila Project (Nellore District) The Project implementing authorities were forced to submit completion report due to insistence by the State Government to include a new project in place of this project though contemplated ayacut was not created. Government stated (July 2009) that in respect of SRSP-I and Somasila Project, completion reports were submitted as the central funds were utilised. The fact remains that the projects were incomplete and CRs were incorrect as these are different from utilisation certificates.

Deficiencies in execution of works led to extra burden/ unproductive outlay amounting to Rs 104.69 crore in the test-checked projects alone. Undue benefits amounting to Rs 8.86 crore were also passed on to the contractors

1.4.7 Execution of works

1.4.7.1 Deficiencies in execution of works

Scrutiny revealed deficiencies in execution of works, leading to extra burden/ avoidable expenditure, unproductive outlay and improper quality control checks, etc. involving money value of Rs 104.69 crore. Further, due to system deficiencies like entrustment of work with variable scope on fixed price basis and non-adherence to agreement clauses, etc. undue benefits were passed on to the contractors amounting to Rs 8.86 crore. The details are as follows:

Nature of the audit observation	Audit findings
Overlapping of ayacut	**Pushkara Lift Irrigation Scheme** The ayacut of 73,318 Hectares contemplated under 'Pushkara' project was already covered and contemplated under Polavaram project. Further, the canal works of both the projects were taken up in the year 2004-05 with a gap of six months. Hence, if the Polavaram project is completed, ***the head works i.e., pump house, regulators etc. of Pushkara project costing Rs 101.49 crore will be redundant.*** Government stated (July 2009) that the headworks will be utilised in other proposed LI schemes. The fact remains that there is overlapping of ayacut and the pump house machinery will become redundant.
Improper planning	**Gundlakamma Reservoir Project** Some 'Minors' were completed (estimation of distributaries: Rs 50 crore) at the tail end without completing the work in the middle and beginning because of land acquisition problems. Any expenditure on the tail end of a minor does not serve the purpose unless the beginning and middle portion are completed first. In the instant case no expenditure should have been incurred on the tail end portion till the land acquisition problems had been sorted out for completion of the beginning and the middle portions. Government stated (July 2009) that for early completion of the projects, the contractor executed the works wherever land is acquired. This is another illustration of incurring expenditure without executing components of uncertain duration before award of work resulting in money being blocked in incomplete assets.

Unproductive outlay	**Construction of multipurpose checkdam across Musi river near A.varam (V) (Prakasam District)** An anicut with two lift irrigation schemes was taken up (2006-07) under a MI Scheme with AIBP grant for an agreement value of Rs 3.74 crore. The contractor stopped (October 2006) the work after completion of the anicut (expenditure Rs 1.97 crore) ***but without constructing the lifts*** because the payment of Rs 0.55 crore for extra cyclone damage works executed by him during March 2006 to October 2006 was not paid. There has been delay in completion of balance work as the tender process was still underway and the work remains unresumed as of March 2009. Thus, no irrigation potential was created and no water could be lifted to the contemplated ayacuts and the expenditure of Rs 1.97 crore incurred on anicut without the lifts remains blocked. No reply was received from Government with regard to this audit observation.
Third Party Quality Control (TPQC) agreement after completion of substantial portion of work	**Gundlakamma Reservoir Project** The Project works of Package II (agreement value: Rs 212.49 crore) were commenced in November 2004 and payments amounting to Rs 43.87 crore were made to the contractor from November 2004 to August 2006. It was, however, observed that an agreement was concluded with a TPQC firm in August 2006, i.e. after execution of works valuing Rs 43.87 crore, *inter alia,* to check the quality of ***all civil works of Package II***. In the absence of collection of sample material concurrent with execution of work by contractor, the entrustment of quality checks of all the civil works to a TPQC firm after the execution of the same would serve no purpose. This casts doubts about the benefits derived from the engagement of TPQC firm (expenditure: Rs 1.23 crore) and also the quality of the project construction work as substantial portion of the work (Rs 43.87 crore) was already completed. Government stated (July 2009) that the TPQC agency satisfactorily performed quality control checks on completed works also. The reply is not acceptable as the quality checks have to be done concurrently during execution of the project which were not done for a period of two years.
Delay in execution of Rehabilitation & Resettlement works	**Khomaram Bhim Project (Adilabad District)** As per National Policy (2003) on Rehabilitation and Resettlement of project affected families, the rehabilitation and resettlement benefits viz., house sites, agriculture wages, etc. shall be extended to all the project affected families. Further, in such rehabilitation colonies basic amenities like roads, electricity, drinking water, etc. shall be provided. Though the possession of the lands for construction of the project was taken prior to March 2005, such Rehabilitation and Resettlement works have not been completed as of March 2009. **Veligallu Reservoir Project (Kadapa District)** Though the possession of the lands for construction of project was taken prior to July 2003, Rehabilitation and Resettlement works were not completed as of March 2009. Government confirmed that these works were not completed.

Undue benefit to the contractors	**Thotapalli Barrage Project** As per basic parameters of the agreement the length of the canal to be excavated is 52.45 Km. Though the length of the canal to be executed has reduced to 48.88 Km the award of work on fixed price basis without any clause for proportionate reduction in payment led to undue benefit to the contractor to the extent of Rs 8.16 crore, as this was a fixed price contract. Government stated (July 2009) that while there was reduction in the length of the canal, the quantities have increased due to increase in total number of CM & CD works and concrete quantities of CM & CD works (M3). The audit observation basically is a comment on the non-incorporation of a clause with regard to reduction in payment, if less quantities of works are executed. Financial figures were not furnished in support of its contention that no benefit has accrued to the contractor due to reduction in length of the canal i.e., the reduction in length of canal has been completely offset by the increase in items mentioned above.
	Sri Khomaram Bhim Project As per the agreement, the contractor is required to maintain the project for a period of two years after completion. A provision of two *per cent* was made in the IBM estimate. There should have been a specific clause in the agreement to retain two *per cent* of the payment made towards maintenance cost and release this amount after satisfactory completion of maintenance period. No such clause was incorporated in the agreement leading to advance payments for work not done. Government confirmed the absence of such a clause in the agreement.
	Pushkara Lift Irrigation Scheme An amount of Rs 0.70 crore was paid towards electrical charges by the department. As electrical charges are to be met by the contractor as per the agreement conditions, this resulted in undue benefit to the contractor. Government stated (July 2009) that there is no condition in the agreement that the agency has to pay the current consumption charges. The reply is factually incorrect as the agreement clause clearly stipulates that no separate payment towards O&M expenses will be made to the contractor by the employer and the bid price quoted by the bidder shall be inclusive of all these expenses. Further, the facilities e.g., accommodation, transport, electricity, water etc., are to be provided to the deployed manpower by the contractor only.
Diversion of funds	**Yerrakaluwa Project** As per guidelines, repair works are not to be met from AIBP assistance. Scrutiny revealed that an amount of Rs 1.21 crore was spent on repair works which was met from AIBP assistance. Government stated (July 2009) that re-sectioning of canals and other modernisation works were taken up. The reply confirms the audit observation as these items are in the nature of repair works.

The targeted irrigation potential has not been achieved for eight (out of the ten) sampled projects (shortfall: up to 95 *per cent*)

1.4.7.2 Creation of Irrigation Potential (IP)

The main purpose of AIBP is to create irrigation potential. GOI fixed year-wise targets for creation of irrigation potential for each of the major/medium projects. It was noticed that, in the eight out of the ten sampled Projects, the shortfall in creation of IP was as high as 100 *per cent* in one project and it was ranging from 6 to as high as 95 *per cent* in the seven projects, due to non-completion of canal works to full extent, as shown in Table-6.

Table-6

Name of the project	Target fixed (in hectares) up to March 2009	Target achieved (in hectares) up to March 2009	Shortfall in achievement (in hectares)	Percentage of shortfall
Gundlakamma Reservoir Project (Prakasam District)	32,400	16,188	16,212	50
Khomaram Bhim Project (Adilabad District)	9,915	NIL	9,915	100
Pushkara Lift Irrigation Scheme (East Godavari District)	71,184	34,841	36,343	51
Ralivagu Project (Adilabad District)	2,428	1,012	1,416	58
Somasila Project (Nellore District)	38,475	34,660	3,815	10
SRSP (Stage-I) (Karimnagar District)	1,36,960	1,28,869	8,091	6
Thotapalli Barrage Project (Vizianagaram District)	74,463	4,047	70,416	95
Yerrakaluva Reservoir Project (West Godavari District)	6,961	5,060	1,901	27

In respect of the projects where the irrigation potential is stated to have been created, no supporting ayacut registers, water release schedules were maintained by the Water Users Associations

Thus, the objective of creating adequate and targeted irrigation potential was not achieved despite the projects being included under AIBP since 1996-97.

Further, even in respect of the projects where the irrigation potential is stated to have been created, no supporting ayacut registers, water release schedules, etc., were maintained by the Water Users Associations. Thus, the irrigation potential stated to have been created and utilised could not be verified.

1.4.8 Joint physical verification of works

During joint physical verification[52] conducted by Audit with the Project Implementing Authorities, the following deficiencies were noticed:

- Any project which does not cater to the requirements of the fields enroute is vulnerable to unauthorised utilisation of water. Due to not addressing this issue it was observed that ayacutdars whose fields were not contemplated for use of water resorted to unauthorised utilisation with adverse implications for the tail end users.
- Due to non-clearance of tunga (bushes) in the canals, the flow of water was obstructed.

[52] Gundlakamma Project (Prakasam District) and Somasila Project (Nellore District)

1.4.9 Monitoring

Monitoring of the Projects was not effective during the first ten year period (1996-97 to 2005-06)

AIBP was started during the year 1996-97. The monitoring of the projects was, however, entrusted to the Project Monitoring Unit (PMU) belatedly during the year 2006-07. Thus, there was no effective monitoring of the projects for a period of ten years i.e. from 1996-97 to 2005-06 wherein Central assistance of Rs 1,268.27 crore besides State's share was spent.

Further, GOI, through Central Water Commission entered into an agreement (February 2007) with the National Remote Sensing Agency, Hyderabad, for applying remote sensing technology to monitor the progress of project works/IP creation in respect of six projects[53] in the State along with projects of other States without the need for making field visits. But, no such monitoring was done in the State through Remote Sensing Technology as of June 2009.

1.4.10 Conclusions

Prioritisation for funding the Projects under AIBP was not done in a systematic manner by computing the cost of balance works to be executed in each Project. Although land acquisition is a time consuming process and of uncertain duration, the Projects were awarded without prior acquisition of land and this resulted in majority of the Projects on which substantial expenditure has been incurred getting stalled mid-way and non-creation of envisaged irrigation potential. These two lapses resulted in the basic objective of accelerated irrigation benefits not being derived due to blocking of funds on projects stalled due to non-completion of land acquisition and inadequate funding, due to resources being spread thinly on too many projects. Awarding of projects on a fixed price basis without firming up quantity of work to be executed and not having payments linked to quantity of work executed resulted in undue benefits to the contractors. Monitoring of the Projects was absent during the first ten year period i.e. from 1996-97 to 2005-06. No mechanism existed for evaluation of the projects assisted under AIBP to assess creation and utilisation of envisaged irrigation potential.

1.4.11 Recommendations

- Government should ensure that activities of uncertain duration like land acquisition, environmental clearance are taken up before incurring any expenditure on a project.
- The availing of AIBP assistance should be in confirmity with the basic principles of meeting works expenditure of identified 'last mile' irrigation projects.
- Emphasis should be on deriving accelerated irrigation benefits and not taking up of too many projects by spreading the available funds thinly.

[53] Sri Ram Sagar Project (Stage-I), Priya Darshini Jurala Project, Somasila Project, Gundlakamma project, Sri Ram Sagar Project (Stage-II) and Nagarjuna Sagar Project

- When the quantities of work to be executed have not been firmed up it would be in the interest of the Government to link payments to quantities executed rather than awarding works on fixed price basis despite scope of work expressed in quantities not being precisely determined.

The above audit observations were discussed and accepted by the CE, Major and Medium and the CE, Minor Irrigation in the Exit conference held in December 2008.

CHAPTER II

AUDIT OF TRANSACTIONS

2.1 Excess payment; wasteful/infructuous expenditure

CONSUMER AFFAIRS, FOOD & CIVIL SUPPLIES DEPARTMENT

2.1.1 Issue of Iris based Ration Cards

The Iris based methodology as adopted and operated for issue of ration cards on which an expenditure of Rs 106.88 crore has been incurred (up to March 2009) was inappropriate.

Government launched (June 2005) the project for issue of ration cards using 'Iris Biometric technology' by discarding the traditional system of 'door to door' enquiry by an official team. For this purpose, 1,800 Designated Photographic Locations (DPLs) were established across the State. The Government instructions stipulated capturing iris images of beneficiaries, digital family photographs and applicants' details with the help of iris cameras positioned at DPL centres. A ration card with unique number is then generated for issue to the head of the family.

Software Development for the project was executed through Andhra Pradesh Technology Services Limited (APTSL). Iris personal licences (for 8 crore population) that include implementation support service period of nine years was acquired (June 2005) from M/s Labcal Biometric Technologies Private Limited, Hyderabad, a representative of LG Electronics, USA through global tender.

To the end of January 2009, 2.17 crore ration cards covering population of 7.77 crore (average family size: 3.58) were issued. Of this, 1.78 crore cards related to Below Poverty Line families (BPL) (population: 6.34 crore). In order to cover the remaining families, transfer of cards from one place to another, modifications in the existing cards, conversion of cards on account of increase in income ceiling limits[1], 100 permanent DPL centres were established (duly phasing out the 1,800 centres) in the State, one each in 81 Revenue Divisions and 19 Metropolitan cities/municipal corporations. The cost of the project to the end of March 2009[2] amounted to Rs 106.88 crore[3].

Audit scrutinised (March 2009) the records relating to the implementation of the project in the office of the Commissioner of Civil Supplies.

---

[1] Rs 20,000 to Rs 60,000 (Rural areas); Rs 24,000 to Rs 75,000 (urban areas)

[2] This does not include the committed liability for the year 2008-09 as the payments for the year 2008-09 were yet to be made

[3] APTSL: Rs 15.99 crore; Computer Service Providers (CSPs): Rs 56.79 crore; Misc.: Rs 11.78 crore; amount yet to be paid to CSPs: Rs 22.32 crore

Audit carried out an analysis to ascertain as to what extent the 'Iris Bio-metric technology' was effective in ensuring that bogus ration cards are not issued. The following observations are made:

Vulnerability concerns	Audit observations
Issue of multiple cards to members of the same family	Iris based technology is useful to establish the identity of an individual. The basic principle is that each individual has a unique iris. One important application where this is relevant is verification of the individual's identity at the immigration counter at the airport. The primary focus of issue of a ration card is not the individual but family as a unit because the entitlements are linked to 'family'. Accordingly, the primary concern is to ensure issue of not more than one card per family. As per the existing rules, each member of a family is entitled to 4 Kg of rice per month subject to upper limit of 20 Kg. In case of sugar/dals, the entitlement is 1 Kg per card. For example, if a family consists of 10 members, the family can obtain more than one card. The iris technology cannot establish the family relationship from the iris image of individuals to prevent issue of more than one card to members of a family. This is the inherent limitation in iris technology as far as issue of ration cards is concerned. Given this limitation, iris technology adopted by the department does not restrict the issue of multiple cards to members within ***'the same family'*** from the same DPL centre. Capturing iris image is easier part of the system. The more complex and significant part is the iris pattern recognition system. Before issue of ration card two essential controls are required. **(i)** No issue of ration card if iris images of the family members included in the ration card are not captured. **(ii)** Verifying the present iris images captured with the iris images already captured at the current DPL centre or any other DPL centre to prevent issue of duplicate cards. Due to the absence of these controls, the issue of cards at other centres is also not prevented. Government while admitting that there were cases of issuance of multiple cards to the members of the same family attributed (June 2009) this to the DPL centres working only as stand alone centres which prevented validating iris image against the State-wide iris data.
Issue of cards with fictitious addresses	Iris technology offers no superior safeguard against the traditional method of issue of ration cards as far as this aspect is concerned. Address is a vital segment of information. Audit observed that in a large number of cases the 'address field' had no valid information as it was filled with invalid data like 'OOO' and some of them were blank. This clearly establishes that there is no control to prevent issue of ration cards without information relating to address being captured.

	The objective of the project is to do away with door-to-door verification. Scrutiny however, revealed that this objective had not been achieved as the iris technology could not prevent issue of duplicate (bogus) cards. In a large number of cases the department had to resort (January 2007) to verification of particulars by door-to-door visits with the help of the district administration. Government while accepting that there were instances of issue of cards with fictitious addresses stated that the deficiencies would be rectified during the proposed intensive door-to-door verification. The reply is not acceptable. When the iris technology was adopted for issue of ration cards, the envisaged benefit was that door-to-door verification could be dispensed with. Thus, this objective of adopting iris technology has been defeated.
Issue of cards to families which do not satisfy income criteria	The new iris technology did not offer any solution better than the conventional method with regard to the risk of issuing cards to families who do not satisfy the income criteria. Government sought to justify this by stating that biometric technologies cannot offer solutions to wrong declarations of income by the applicants. The Government's reply only confirms the audit observation.
Cards issued without Iris Image (Null-Iris cards)	The basic requirement for issue of iris based ration card is to capture iris images of all the family members. Scrutiny revealed that in the State as whole, 25.27 lakh iris cards covering a population of 1.06 crore were issued without the capture of iris image of even a single family member of the card holder. The subsidy involved in these cards was Rs 269.21 crore for the year 2008-09 alone which is a significant part of the total subsidy of Rs 1,681 crore (to end of February 2009). Government replied (June 2009) that cases of generation of null iris cards by the incharges of DPL centres by misusing the provisions were found and that penalties were being levied on the service providers for these deficiencies. The reply is not acceptable. The system as adopted and operated lacked basic and vital control for prevention of issue of ration cards without capture of critical data such as iris images.

Iris Database: The main objective of adoption of the iris technology was to prevent issue of more than one card to a family. The iris technology as adopted and operated cannot prevent issue of more than one card to a family at any DPL centre. There is inherent technological limitation to establish the family relationship by comparing the iris images of the family members. Further, since the data of iris images captured at various DPL centres are not available in an integrated database with an arrangement to access the same from each DPL centre the issue of further cards to the members of the same family at other DPL centres is also not prevented.

Thus, the Government lost sight of the fact that the issue of ration cards is not individual based but the focus is a family as a unit as the entitlements are linked to the family and that the iris technology is useful for establishing the bonafides of an individual.

Thus, the methodology of iris based issue of ration cards as adopted and operated which involved an expenditure of Rs 106.88 crore was inappropriate as it offers no solutions superior to the conventional method with regard to the vulnerability concerns mentioned above.

MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT

(Hyderabad Metropolitan Water Supply and Sewerage Board)

2.1.2 Excess payment to the contractors

Incorrect regulation of payments for earthwork excavation involving blasting component resulted in excess payment to the contractors to the extent of Rs 83.77 lakh which needs to be recovered.

Hyderabad Metropolitan Water Supply and Sewerage Board (Board), awarded contract of "Krishna Drinking Water Supply Project – Phase II" to four different contractors in four packages.

As per para 4(II) of preamble to SSR 2004-05 and Note (2) thereto read with Government Memo of May 2004, for earthwork excavation for laying pipelines in restricted places where the depth is less than 1.5 times the width, an extra 75 *per cent* on the rate of earthwork is allowed. However, the above extra percentage in respect of excavation in restricted places is not to be allowed for items involving blasting component which may be taken as 1/3 of the cost. In other words, for excavation involving blasting component the extra percentage of 75 *per cent* is to be allowed after deduction of 1/3 rate towards blasting component.

Audit scrutiny (August and September 2008) of the records of the General Managers (Engineering), Project Division III, Project Division V and Project Division VI of the Board revealed that the rate for earthwork excavation involving blasting as per SSR 2004-05 was Rs 96.72/cum. The Divisions V & VI while making payments towards earthwork excavation in areas where the depth is less than 1.5 times the width, allowed the extra 75 *per cent* on the full rate of the earthwork instead of on 2/3 rate in violation of existing provisions. As against the rate of Rs 151/cum to be allowed the Divisions allowed Rs 176.10/cum. A total quantity of 3,58,946.47 cum of earthwork involving blasting was executed in the three packages. Thus, the Divisions[4] V and VI made an excess payment of Rs 83.77 lakh to the contractors in the three packages[5] on earthwork as follows:

[4] Project Division III had applied the correct rate while making payment

[5] Package I – M/s NCC-SMC-IVRCL (JV) at 7.02 *per cent* less than estimated contract value (ECV); Package II – M/s TAIPPL-IHP-KCCPL-BRCPL (JV) at 7.07 *per cent* less than ECV; Package III – M/s L&T Ltd at 7 *per cent* less than ECV

(Rupees in lakh)

Package	Quantity of earthwork executed where blasting is involved (cubic metres)	Amount paid (at the rate of Rs 176.10/cum)	Amount admissible (at the rate of Rs 151.00/cum)	Excess payment to contractors
I	208332.12	341.12	292.50	48.62
II	67659.31	110.72	94.94	15.78
III	82955.04	135.86	116.49	19.37
Total	**358946.47**	**587.70**	**503.93**	**83.77**

The excess payment of Rs 83.77 lakh needs to be recovered from the contractors.

The matter was reported to Government in March 2009 (also reminded in May 2009); reply had not been received (August 2009).

INFORMATION TECHNOLOGY AND COMMUNICATIONS DEPARTMENT (Electronically Deliverable Services)

2.1.3 Unifie-X Gateway Project

Lack of in-depth project appraisal at the initial stage led to a Unifie-X Gateway Project setup at a cost of Rs 6.36 crore being shelved.

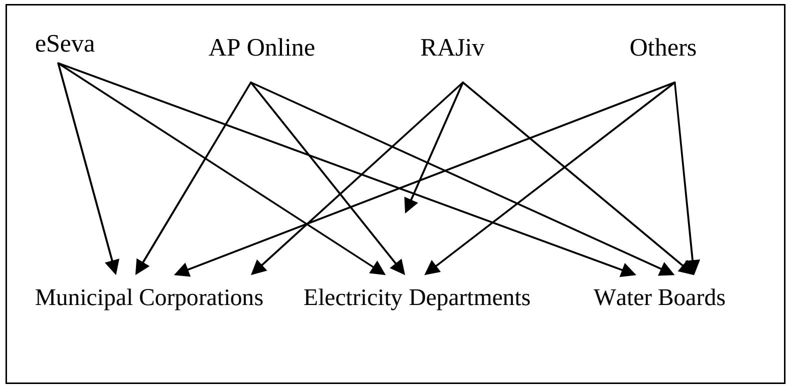
The State Government as part of its IT initiatives took up a project named ‘Unifie-X Gateway Project’ in March 2004. The project was felt necessary as different service providers like eSeva, AP Online, RAJiv, etc. have to access different databases separately, liaise with the departmental officials and enter into Service Level Agreement (SLA) with each Government Department in the absence of a Gateway.

M/s Intel Solutions Services Ltd., Bangalore was engaged to provide the services for designing, developing, integrating, testing, deploying and development of connectors as per the specifications laid down by a consultant[6] to the Department of IT&C. M/s. Ram Informatics Ltd., Hyderabad was engaged in April 2006 for migration of eSeva services to Unifie-X Gateway and maintenance of application server. A total amount of Rs 6.36 crore (Rs 5.43 crore for creation of Unifie-X Gateway and consultation + Rs 0.93 crore for development of Software) was spent on the project implementation from March 2004 to December 2007. The Project was, however shelved in December 2007.

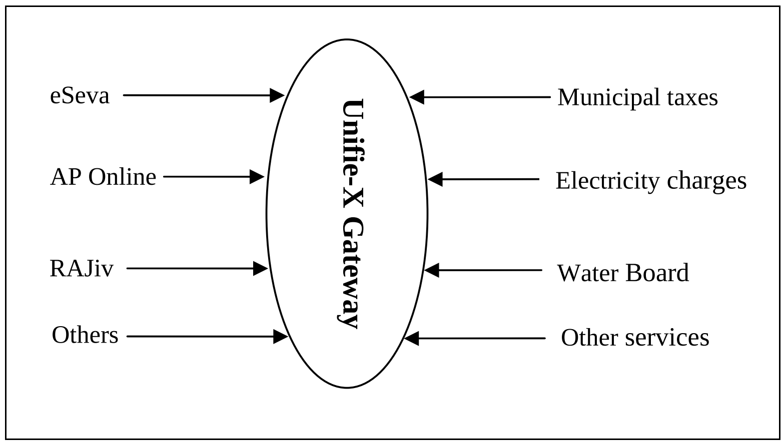
During the course of audit scrutiny of the office of the Commissioner, Electronically Deliverable Services (EDS) in January 2009 audit evaluated the merits/demerits of shelving the project. Audit examination revealed that the following benefits accrued from the project:

[6] M/s Hasselfree, consultant to Department of IT&C for the project

Schematic diagram of existing system:



Schematic diagram of Gateway System:



- Department can give a single access permission to the Gateway, which ensures data integrity, security and management.
- A point of integration between service seekers and service providers is facilitated. The service providers need not approach various Government Departments.
- A standardised, secure and reliable conduit of message transfer between service seekers and service providers is facilitated.
- As there is a single point of access for common services, an efficient fault tolerant mechanism with alternate routings can be put in place.

The project functioned from July 2005 to December 2007. HMWS&SB[7], APCPDCL[8], RTC[9], BSNL[10], etc. were provided connectivity through Unifie-X Gateway and more than 1.6 lakh number of transactions have taken place up to January 2007 (as per reports available up to January 2007).

[7] Hyderabad Metropolitan Water Supply & Sewerage Board
[8] AP Central Power Distribution Company Limited
[9] Road Transport Corporation
[10] Bharat Sanchar Nigam Limited

The reasons cited by the Government for shelving the project in December 2007 and the audit remarks are tabulated below:

Reasons cited by the Government	Audit remarks
The design makes a single point failure.	Any integrated system suffers from these kind of vulnerabilities/risks. If this was considered as an unacceptable risk, the project should not have been taken up in the first place.
Scalability of Unifie-X Gateway was designed with augmenting the infrastructure, which requires additional investments.	Any up-gradation of a system requires additional investment.
The processes require continuous support.	Any IT system requires support.

The reasons advanced for shelving the project lack substance and if these were considered to be *bonafide* problems, the initial investment should have been avoided altogether. Thus, lack of indepth project appraisal at the initial stage led to the project setup at a cost of Rs 6.36 crore being shelved.

The matter was reported to Government in July 2009; reply had not been received (August 2009).

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Irrigation Wing)

2.1.4 Incomplete lift irrigation project

Failure to firm up specifications before award of works and delay in approval of the revised estimates resulted in non-completion of the Vontimitta lift irrigation scheme in Kadapa District even after ten years and the expenditure of Rs 2.24 crore incurred thereon remained unfruitful.

With a view to providing irrigation facility to 493 acres in Vontimitta Mandal of Kadapa District, Government accorded (March 1999) administrative approval for a lift irrigation scheme on Pennar River to feed Vontimitta Tank. Chief Engineer, Minor Irrigation accorded technical sanction (April 1999) for Rs 3.16 crore. Various components of the scheme were entrusted to different agencies for completion by the end of 2004. Audit observed that, the scheme has not been put into operation even after ten years from March 1999 due to failure of the department to complete some of the major components, as follows:

Component/Sub-work	Deficiency noticed
Name of the work: Construction of pressure main from sump well to cistern at the head of gravity channel. **Agreement:** 22 SE/2003-04 dated 12 December 2003 **Agreement value:** Rs 96.49 lakh **Expenditure:** Rs 1.18 lakh	Work was entrusted without firming up the specifications of the pipes in advance. Initially non-pressure (NP) pipes were proposed for gravity mains. After award of work, the department realised that the NP class pipes were not suitable and changed (March 2004) their classification to MS (Mild Steel) and concrete pressure pipes. Meanwhile, the contractor stopped the work pending approval of the revised estimate with revised designs. The revised estimate was approved only in May 2006.The contractor did not take up the work and the work was terminated. The department has again changed (March 2004 and May 2008) the specifications of the pressure mains to GI pipes and that of gravity mains to MS pipes. The cost of the work has increased by Rs 3.63 crore and the revised estimate is yet to be approved.
Name of the work: Excavation of supply channel including CM & CD works **Agreement:** 1 SE/1999-2000 dated 03 June 1999 **Agreement value:** Rs 96.70 lakh **Expenditure:** Rs 102.24 lakh	The work was taken up under 'Janmabhoomi' programme, even before construction of infiltration wells, collection sump, pressure mains etc. In June 2004, Government decided to discontinue the 'Janmabhoomi' programme and the contract was closed after executing work costing Rs 1.02 crore. The balance work, estimated to cost Rs 0.26 crore, has not been taken up so far.
Name of the work: Supply and erection of Machinery **Agreement:** 2 SE/2004-05 dated 22 May 2004 **Agreement value:** Rs 28.01 lakh **Expenditure:** Rs 28.59 lakh	The contractor supplied nine HP motors and the cable. The motors were not installed. The utility of the cable is doubtful as the department has now proposed to use 25 sq. mm. cable instead of 16 sq. mm. already procured. It was further observed that a cable costing Rs 2 lakh was stolen and an enquiry was on. The balance work of installation of motors and laying of cables, now estimated to cost Rs 33 lakh, has not been taken up so far.

It is clear that the department failed to properly investigate the site conditions and to finalise the appropriate specification of pipes for pressure mains and gravity mains before commencing the work. This led to alteration of initial designs in March 2004 and again in May 2008.

Laying of pressure mains and gravity mains and installation of motors is essential for pumping water from the infiltration wells to the sump well and from sump well to the Vontimitta Tank for releasing water to the ayacut. Non completion of these core items left the scheme incomplete.

The revised estimate for the balance works has not yet been approved. As per the latest estimate the total cost of the scheme has increased by Rs 4.48 crore

(Revised cost of Rs 7.64 crore minus Original cost of Rs 3.16 crore). Thus, due to failure of the department to firm up the specifications before award of the works and delay in approval of the revised estimates resulted in non-completion of the scheme till date. The expenditure of Rs 2.24 crore[11] incurred during 1999-2005 remained unfruitful and the objective of providing irrigation facility to 493 acres of the poor and marginal farmers remained unfulfilled even after ten years.

Government replied (May 2009) that the specifications of the works were changed as per the suggestions of the technical experts to suit the requirements of the scheme as per the site conditions and that the revised estimate was under examination of the Government.

The requirements of the scheme and the specifications should have been assessed properly before commencing the work. Further, abnormal delay in approval of revised estimates and taking up the balance works indicates lack of seriousness in the expeditious completion of the scheme.

IRRIGATION & COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

2.1.5 Excess payment due to improper fixation of market value of land

Adoption of market rates of lands in contravention of Land Acquisition Act provisions resulted in excess payment of Rs 2.06 crore.

As per Section 23 of Land Acquisition (LA) Act, the key parameters for fixation of market value of land to be acquired shall be (i) market value of land prevailing on the date of publication of notification and (ii) the sale value of lands in the vicinity of the land proposed to be acquired.

Special Collector (LA), Sripadasagar Project (SSP), Hyderabad acquired 554.27 acres of land during 2006-08 in the limits of Potyala village for submergence under SSP (Yellampally). The market value of the land in the village ranged between Rs 0.30 lakh to Rs 0.60 lakh per acre as per registered sale particulars. Instead of adopting these values, the sale values of lands of neighbouring Murmoor village, which ranged from Rs 0.46 lakh to Rs 0.82 lakh per acre were taken into consideration for fixation of market value of land in Potyala village and awards were passed accordingly on the plea that the value of lands in the same village under acquisition were under-assessed to avoid stamp duty and registration fee and as such the transactions were not considered.

[11]Including: Rs 61.25 lakh on construction of infiltration wells, Rs 17.01 lakh on power supply arrangements, Rs 6.00 lakh on land acquisition, Rs 0.60 lakh on inspection track, Rs 4.69 lakh on erection of transformers, Rs 2.62 lakh on switch room

The reasons put forth are basically a plea to give higher compensation to land owners. The procedure followed in adopting values of neighbouring village Murmoor instead of Potyala village is not in accordance with the laid down procedure. The LA Act does not provide for deviation from the stipulated procedure. The values as recorded in the transactions have to be considered as market values. If these were understated, the Registration Department should not have registered them. If the transaction values are ignored on the logic of understatement to avoid payment of higher registration fee, such an interpretation can lead to excessive land compensation and is also not in consonance with LA Act.

Thus, the method followed was in contravention of the provisions of the LA Act and resulted in excess payment of Rs 2.06 crore.

The matter was reported to Government (March 2009); reply had not been received (August 2009).

2.2 Violation of contractual obligations, undue favour to contractors and avoidable expenditure

GENERAL ADMINISTRATION
(Information and Public Relations) DEPARTMENT

2.2.1 Violation of rules, etc. in releasing advertisements

Government violated the norms in releasing advertisements to newspapers and failed to observe economy principles and disregarded propriety requirements resulting in additional/avoidable expenditure of Rs 34 crore.

Empanelment of newspapers

Release of advertisements by the Special Commissioner, Information and Public Relations (CIPR) is covered under the Government orders of July 1984, May 1989, July 1992 and January 1994.

The expenditure incurred by the Government on 'Advertisements' during the years 2007-08 and 2008-09 was scrutinised in Audit. Apart from compliance with rules and regulations, Audit examined whether the expenditure meets the requirement of transparency, propriety and Article 14 (equality before law) and Article 16 (equality of opportunity) of the Constitution.

As per Government orders (May 1989), advertisements were to be released only to those newspapers with a minimum paid circulation of 5,000 copies having uninterrupted and regular publication for a period of six months.

Audit scrutiny revealed that during 2007-09, two newspapers of vernacular press were added to the empanelment list. In both the cases, Government, in violation of the norms laid down, empanelled two newspapers before completion of six months from the date of launching of these newspapers and gave advertisements as detailed below:

Name of the Newspaper	Date of launching	Date of empanelment	Value of advertisement (Rs in crore)
P1	22-10-2007	27-12-2007	0.81
P2	23-03-2008	25-04-2008	6.90

Even prior to their empanelment, sixteen display advertisements worth Rs 91.45 lakh were released to the two newspapers (P1: 9/Rs 31.79 lakh during October 2007 and March 2008; P2: 7/Rs 59.66 lakh during March 2008 and June 2008).

Government replied (July 2009) that it gave exemption of six months continuous period of publication as they were launched with heavy circulation. The Government waived the condition with regard to six months period by way of 'relaxing' the condition. The period of stipulation of six months is vital as it tests the capacity of the newspaper to survive on its own for at least six months without Government support.

Release of advertisement on rotation basis

As per Government orders (May 1989), advertisements were to be issued to small and big newspapers on rotation basis by maintaining a roster. It was, however, noticed that rotation principle was not followed for release of advertisements. The department attributed (February 2009) the non-following of the roster system to urgency requirements. 'Rotation' principle was important to ensure equality of opportunity to all the parties. The plea of urgency was basically to favour selected parties to the detriment of other parties.

Economy in space/expenditure

Economy of space is the fundamental criterion for controlling the expenditure. The advertisement should be restricted to the minimum size required for communicating the message. However, the following were observed:

- In 29 out of 32 display advertisements scrutinised in audit, it was noticed that advertisements were released without observing the principle of economy of space. Comparison of sizes of the same advertisement in different newspapers revealed that, nine newspapers were favoured with larger size advertisements indicating non-observance of economy and undue benefits to a few favoured newspapers. Additional expenditure incurred on advertisements in sizes higher than the minimum size required worked out to Rs 10.41 crore.
- In 11 out of 97 release orders issued during 2007-08 and in 21 out of 134 release orders issued during 2008-09, advertisements were issued to various newspapers for insertion at selective spots which are charged at rates higher than the normal rates resulting in avoidable expenditure of Rs 23.61 crore.

Government while admitting the lapse sought to justify it by stating that bigger advertisements were given to newspapers having higher circulation. The party P2 was able to come up with high circulation right from inception as the six months limit was waived and business worth Rs 6.90 crore was given to it in a span of just six months. In fact, the party was assured of support even before empanelment. Non-following of the rules given resulted in the party P2 being favoured and business denied to the other parties.

Compliance with propriety requirements

Canons of financial propriety require that public money shall not be utilised for the benefit of a particular person or section of the community. Conclusions about compliance with requirement is arrived at by scrutinising the contents of the advertisement. The expenditure on advertisements highlighting the achievements of the Government of its departments increased from Rs 18.75 crore in 2004-05 to Rs 55.04 crore in 2007-08 and Rs 81.07 crore (up to January 2009) in 2008-09.

Advertisements on behalf of Government Companies/Corporations

The department of Information and Public Relations (I&PR) is the nodal agency for release of advertisements. It was observed that I&PR issued advertisements on behalf of Government companies and corporations without ensuring whether they had funds available to meet the cost of advertisements. Consequently, these organisations expressed funds constraints resulting in the expenditure being borne by the Government ultimately.

Scheme/Subject to which the advertisement relates to	Name of Organisation on behalf of which the advertisement was released	Date of insertion of advertisement	Cost involved (Rs in lakh)
Indiramma Gruhapravesalu	AP Sate Housing Corporation	9 October 2007 and 22 October 2007	78.07
Water supply to Hyderabad	Hyderabad Metropolitan Water Supply and Sewerage Board	14 November 2008	15.44
Indira Kranthi Patham	Society for Elimination of Rural Poverty	17 July 2008	6.70
Amalgamation of BHPV industry	Commissioner, Industries and Commerce Department	10 May 2008	206.00

The Government in its reply stated that it did not matter who paid the money as the expenditure was to be finally borne by the Government. The reply is not acceptable. The non-availability of funds with the Companies/Corporations indicates that this was not a normal item of expenditure and was also substantial in nature making it unaffordable to be met from their regular budgets.

INFORMATION TECHNOLOGY AND COMMUNICATIONS AND REVENUE DEPARTMENTS

2.2.2 Undue benefit to a Company in allotment of land

Government passed on undue benefit of Rs 165.75 crore to a private firm in allotment of 50 acres of land.

Government in Information Technology and Communications (IT&C) Department declared (March 2005) Information and Communication Technology (ICT) Policy and offered to alienate land for developing Information Technology (IT).

Government allotted (December 2008) 50 acres of land belonging to the Police department (25 acres), and Visakhapatnam Urban Development Authority (25 acres) in the Kapuluppada village of Visakhapatnam District to M/s Satyam Computers Limited (Company) on the basis of an application received from the firm. As ascertained by the Department from the District Collector, the prevailing value realised through auction varied from Rs 4.00 crore to Rs 4.55 crore per acre.

Audit scrutinised (February 2009) the records relating to allotment of land by the Revenue Department and found that the Revenue Department allotted the land

(i) without giving wide publicity prescribing the starting date and last date for receipt of applications

(ii) by not selecting the allottees in a fair manner from the applications so received.

Thus, the transaction was violative of the Constitutional provisions of equality of opportunity and did not meet the requirement of transparency.

As per the conditions of the allotment of land for IT policy stipulated by Government in IT& C Department, the Company selected was entitled to 0.30 acres of land for every 100 jobs created at concessional price and no concession was applicable to areas allotted in excess of this limit. The Company was therefore entitled to a rebate of Rs 5 crore or 7.5 acres[12] of land at concessional price (which was fixed by the Government at Rs 10 lakh per acre for such allotments) and market value of the land was payable for the remaining land. However, as against 7.5 acres of land entitled at concessional rate of Rs 10 lakh per acre, Government allotted 50 acres of land at a concessional price of Rs 10 lakh per acre. As against Rs 170 crore (Rs 4 crore X 42.5 acres) payable, the Company paid a meagre amount of Rs 4.25 crore (42.5 acres X Rs 10 lakh) towards cost of the land allotted in excess (i.e. 42.5 acres) of the limit prescribed in ICT policy.

[12] Rs 20,000 X 2,500 jobs (promised by the Company) or 0.30 acres of land X 2500/100 whichever is less

Thus, allotment of land in excess of the limits prescribed in ICT policy resulted in an undue benefit of at least Rs 165.75 crore[13] to the Company.

Government (in Revenue Department) in its reply stated (June 2009) that the land was allotted to the Company at concessional price of Rs 10 lakh per acre as decided by Government (in IT&C Department) in the year 2005. The reply overlooks the fact that Company was entitled to only 7.5 acres of land at concessional price (Rs 10 lakh per acre) and the remaining 42.5 acres of land should have been charged at the prevailing market value. Failure to do so resulted in undue benefit of Rs 165.75 crore to the Company.

INFRASTRUCTURE & INVESTMENT (PORTS -I) DEPARTMENT

2.2.3 Deficiencies in award of work relating to development of Machilipatnam Port

The contract for development of Port at location 'Gilakaladinne' near Machilipatnam of Krishna District was given to a party which did not initially submit bid for that location. Government is saddled with the payment of Rs 335 crore as against 'nil' investment initially contemplated.

The State Government decided to develop all weather, deep water multipurpose port at Machilipatnam. In response to the call of expression of interest (September 2005) nine firms responded, out of which five were short-listed for issue of bid documents. After issue of bids and a pre-bid meeting, only one party, a consortium of four companies (Consortium) which included M/s Maytas Infrastructure Pvt. Limited, submitted the bid for development of the port at 'Gogileru'. The work was entrusted to the Consortium in January 2007 on 'Build, Own, Operate and Transfer' basis. Subsequently, after finalisation of the bid and after entrustment of the work Government decided (January 2008) to develop the port at 'Gilakaladinne'. The Consortium demanded (January 2008) a payment of Rs 335 crore for change in the location and this was agreed to (January 2008) by the Government. Director of Ports also handed over (September 2008) Government land to the extent of 412.57 acres[14].

Audit observed the following deficiencies with regard to award of work:

Pre-bid meeting was held on 12 January 2006. Given that the work involved was a complex task of construction of deep water port adequate time was required for the bidders to prepare their detailed estimates. The last date for submission was fixed as 20 February 2006 and piece-meal extensions were given from time to time up to 29 March 2006 initially and up to 22 April 2006 by which time only one bid was received. No further extensions were given to elicit bids from other parties to obtain competitive offers. Stipulation of

[13](50 – 7.5) acres X Rs 4.00 crore = Rs 170.00 crore – amount received Rs 4.25 crore = Rs 165.75 crore

[14]Out of 6262 acres of land offered by Government in RFP document

submission of financial bids simultaneously with technical bids has the merit that the parties at this stage do not have knowledge of how many parties will be participating. This minimises the chances of collusion. Such a procedure was not adopted.

At the time of calling for tenders, the Government had not made up its mind as to the location to develop the Port. Yet, it failed to insist on submission of financial bids for both the locations. This was necessary so as to get the bids for both the locations through the competitive bid route and not after the price bids are opened. In the instant case, although Government specified in the NIT that the contractors quote bids for development of port at either of the locations – 'Gogileru' and 'Gilakaladinne', the Government did not insist on submission of financial bid for 'Gilakaladinne' before opening the bid. The additional cost of Rs 335 crore claimed by the Consortium suffers from a major deficiency of vitiating the tender process in that the port was to be developed on a revenue sharing basis with zero investment by the Government. The acceptance of bid from the firm was objectionable as it did not submit any bid originally for 'Gilakaladinne'. If the undertaking of development of the port at the alternative location was to be made by financial contribution from Government then this would have been a major departure from the conditions initially stipulated while calling bids. Fresh bids should have been called as per the prescribed procedures.

The agreement clause (No. 3.6) facilitated the Consortium to raise loans not based on their financial capability but by mortgaging Government land and future revenue streams from the port activities. This was tantamount to Government standing guarantee for loans raised by a private party as Government land has been mortgaged. The contractual provision is beset with the risk of the party diverting the funds raised by mortgaging Government assets.

Audit also carried out a vulnerability assessment of the revenue sharing arrangement. The gross income can be adversely affected by understatement of revenue. The revenue is collected by the operator throughout the year. This requires that a Government representative be associated with this revenue collection throughout the period of operation on 24X7 basis to ensure that all the revenue collected by the operator is brought into books of accounts. The contract does not stipulate such a requirement and the omission can be considered as a major flaw providing an avenue to the operator to understate the revenue realised.

Although the stipulated date of financial closure elapsed on 21 April 2009 the Consortium was yet to fulfill the conditions prescribed (clause 3.2) and commence the work as of June 2009.

The Government stated (April 2009) that M/s MAYTAS submitted the proposal for development of the Port at Gogileru near Machilipatnam with an estimated cost of Rs 1,255 crore. Due to representations received from the public it was decided to develop the Port at Gilakaladinne and not at Gogileru. MAYTAS sought payment of Rs 335 crore for development of the Port at the new location. It further stated that the payment of additional costs to the firm was certified by M/s WAPCOS[15] (India) Limited, New Delhi. The reply is not acceptable. From the point of view of safeguarding Government's interest, competitive bidding procedure is prescribed. The benefit of calling for bids accrues only when sufficient number of parties participate in the bids and give their quotations. To ensure that enough number of people participate what was required was uninterrupted period of sufficiently long duration given the complexity of the project to be executed. Fixation of short duration for submission of bids and piecemeal extensions of again short duration deters potential bidders from making their own assessment of the magnitude of work for submission of price bid. In this case, piecemeal extensions were given till the firm MAYTAS submitted price bid. Participation of only a single party has gone against the very basic principle of participation of sufficient number of parties and competitive bidding. Once MAYTAS did not submit a financial bid for the other location at 'Gilakaladinne' it has to be treated at par with other firms which did not submit any price bid. Since no bids were received from any of the parties for the location 'Gilakaladinne' fresh bids should have been called giving adequate time in the initial stage itself instead of giving piecemeal extensions of short duration as was done earlier. The award of work involving payment (Rs 335 crore) was violative of the NIT conditions which stipulated no payment by Government.

2.2.4 Implementation of agreements relating to construction and operation of Kakinada Port

Government passed on undue benefit of Rs 52.52 crore to a Company entrusted with operations of the Kakinada Port as it failed to ensure compliance of agreement clauses and also by modifying the agreement clauses.

Government developed (1996-97) a deep-water port at Kakinada with three berths at a cost of Rs 293 crore and entrusted (March 1999) the work of operating the existing three berths, development and operation of one more berth and management of common facilities of the entire Kakinada port to International Seaports Pvt. Ltd. (Company) on 'Build, Operate, Maintain, Share and Transfer' basis. The duration of the contract was initially for 20 years.

Audit scrutiny (January and February 2009) of implementation of the agreements between the State Government and the Company revealed the following deficiencies:

Short collection of Lease Charges

As per clause 7.2 of the agreement, the lease charges shall be payable from the date of handing over of land at the existing rates.

[15] Water And Power Consultancy Services

The Government order of January 1994 regulates the computation of lease rentals. The steps involved are as follows:

Step (1) Ascertain the registered market value at the time of handing over of the land

Step (2) Reduce this land value to 40.30 *per cent*

Step (3) Fix lease rent at 6 *per cent* of the reduced registered market value as computed in step (2).

Step (4) Increase lease rental every three years on the base rent fixed in step (3) above.

The lease charges shall be payable from the date of handing over of the land at the rates existing. The lease charges in respect of reclaimed lands shall be as follows:

Period of lease	Lease charges
First 5 years	25 *per cent*
Next 5 years	50 *per cent*
Next 5 years	75 *per cent*
Next 5 years and beyond	100 *per cent*

Accordingly, Audit computed the rate payable by the party for different pieces of land as given in *Appendix-2.1*. It was observed that the rates charged were far below these rates resulting in an undue benefit of Rs 3.52 crore to the party. The lease rent was fixed on the basis of lease rents prevailing in 1994 and extrapolating these figures by increasing them by 15 *per cent* every three years. The correct procedure would have been to adopt the registration value of land pertaining to the date of handing over of the land for the purpose of computation of lease rental. This was not done.

Short collection of Government's share of operational income

As per clause 7.3 of the agreement, the Company shall share the income with the State Government on percentage sharing basis for various years as given in column (3) of Table 1 (*Appendix-2.2*). If for the years, amounts worked out on the basis of these percentages in column (3) are less than the minimum guarantee share amounts (MGA) stipulated in column (2) the Company shall pay the MGA.

For the years 1999-2000 and 2000-01, the Government collected an amount of Rs 27 crore towards MGA as per the agreement.

For the next three years i.e., 2001-02 to 2003-04 amount receivable was Rs 60 crore, i.e. the MGA fixed. As against this, the Company paid Rs 26.60 crore only. In 2003, the amounts stipulated in column (2) of Table-1 (*Appendix-2.2*) were revised as shown in column (2) of Table-2 (*Appendix-2.2*). The underlying principles in this modification were:

(i) Adoption of amount already received for the years 2001-02 to 2003-04 as MGA legitimising the short collection.

(ii) The short collection in the years 2001-02 to 2003-04 was to be compensated by MGA higher than originally stipulated so that the net present value of the total MGA amount discounted at a rate of 12 *per cent* remained the same.

This resulted in further short collection of MGA of Rs 15.60 crore for the years 2004-05 to 2006-07 as compared to what was initially stipulated in the agreement. For the year 2007-08 the amount paid i.e., Rs 30.50 crore as revenue shareable as per column (3) of Table-2 of *Appendix-2.2* was more than MGA (column 2) of Table-2 (*Appendix-2.2*). The clause relating to MGA was deleted (January 2009) from the year 2008-09 onwards.

Thus, the reduction of MGA for the period 2001-02 to 2006-07 and subsequent deletion of clause from the year 2008-09 relating to MGA after finalisation of selection process and during operation of the contract was detrimental to the Government interest. This only vitiated the sanctity of the tendering procedure resulting in undue benefit of Rs 49 crore[16] to the Company for the period 2001-07.

The total undue benefit passed on to the Company in the collection of lease rentals (Rs 3.52 crore) and Government's share of revenue income (Rs 49 crore) amounted to Rs 52.52 crore as of March 2009. Apart from this the benefit will continue to accrue during the remaining years of the agreement.

Government in its reply (June 2009) stated that the lease charges were computed as per the Government order of 1994. It was also stated that there was rescheduling of un-escalated MGA and from the year 2009 the Government took decision to delete the MGA clause. The reply is not acceptable. The Government order of January 1994 was not correctly applied. While computing the lease rentals the latest registration value of the land was not adopted resulting in short collection of revenue. As regards the sharing of operational income, the stipulation of MGA was an important condition of the original agreement having substantial implication for the State Government to ensure that they get a minimum return from the investment made in the project. Any modification of this clause was violative of the sanctity of the original agreement and the terms and conditions on which the work was awarded.

[16]Rs 33.40 crore for 2001-02 to 2003-04; Rs 15.60 crore for 2004-05 to 2006-07

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Irrigation Wing)

2.2.5 Avoidable extra expenditure due to inappropriate rejection of bids initially received

Incorrect decision to reject bids in the first call resulted in avoidable extra expenditure of Rs 49.11 crore besides delaying improved irrigation facilities to the farmers.

Government accorded (May 2006) administrative approval for modernisation of Pennar Delta System at a cost of Rs 340.50 crore. The works were divided into different packages.

Tenders were invited (August 2006) for the package works viz., 'Package 34 – Kanigiri Reservoir and its canal system', 'Package 35 – Survepalli canal system' and 'Package 40 – Jaffer Saheb canal system' and the bids received were as follows:

(Rs in crore)

Package No.	Name of the Party	Value of bid received	Estimate (IBM Value)	Percentage variation
34	A. Prabhakar Reddy & Co.	57.28	55.88	2.513
35	P. Venku Reddy, Sri Durga Chambers, Hyderabad	57.25	57.54	(-) 0.50
40	P. Venku Reddy, Sri Durga Chambers, Hyderabad	39.90	40.72	(-) 2.00

The bids received were very close to the Internal Bench Mark (IBM) value and within the upper ceiling limit of 5 *per cent* prescribed by Government. Despite this the bids were not accepted (March 2007) on the plea that only single bids were received.

When bids were reinvited, the response was poor and could be finalised only after repeated attempts as detailed below leading to extra expenditure of Rs 49.11 crore.

(Rs in crore)

Package No.	Name of the party	Tender call number	Agreement value (Date)	Lowest bid in 1st call	Extra expenditure
34	M/s. G.V.R Constructions Pvt. Ltd., Hyderabad	6th call	76.89 (19 May 2008)	57.28	19.61
35	M/s. G.S.R. & Co., Hyderabad	5th call	80.40 (25 April 2008)	57.25	23.15
40	M/s. Engineering Projects (India) Ltd., Hyderabad	3rd call	46.25 (4 February 2008)	39.90	6.35
		Total	**203.54**	**154.43**	**49.11**

Non-acceptance of the initial bids received earlier resulted in those parties not taking part in further bidding process.

The initial rejection of bids on the basis that only single bids were received was inappropriate given that the values quoted were close to the IBM value and resulted in avoidable extra expenditure of Rs 49.11 crore. In fact, the subsequent award of work for the three packages were also on the basis of single bids. The delayed award of works (May, April and February of 2008) deprived the farmers of the benefit of early realisation of improved irrigation facilities.

The matter was reported to Government in February 2009; reply had not been received (August 2009).

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

2.2.6 Avoidable extra expenditure due to non-finalisation of tenders within validity period

Failure to place order within the validity period of the first tender call resulted in placement of order on the same contractor in the second call for an additional value of Rs 2.68 crore.

Government accorded (July 1998 and January 2004) administrative approval for the 'Sangambanda Balancing Reservoir Project in Mahboobnagar District'. Construction of earth dam, spillway and canals of the project was completed by August 2006 at a cost of Rs 50 crore. The department invited tenders in January 2006 for the balance component of work 'Supply and erection of radial gates, hoist arrangements and stoplog gates to the spillway'. The bid evaluation committee recommended (March 2006) for acceptance of the single bid received with a quoted price of Rs 10.89 crore. The Government finalised the bid (February 2007) after a delay of more than ten months. The contractor backed out on the plea that the tender validity period of six months (up to September 2006) has expired and the rates of materials and labour have increased. When tenders were invited again the same contractor emerged as the lowest bidder but the bid value was Rs 13.57 crore, which was Rs 2.68 crore more than the price quoted by him in the earlier tender call. The work was entrusted to the contractor in September 2007.

Thus, non finalisation of tenders in the first call within the validity period resulted in avoidable extra expenditure of Rs 2.68 crore. Besides, due to delay of nearly 18 months in entrustment of the work, the dam and canals already constructed with an expenditure of Rs 50 crore were not put to use and there was delay in realising the objective of providing irrigation facilities to the targeted ayacut of 15,900 acres.

The matter was reported to Government in March 2009; reply had not been received (August 2009).

REVENUE AND TRANSPORT, ROADS & BUILDINGS (R&B Wing) DEPARTMENTS

2.2.7 Undue benefit to a firm in formation of 40 feet wide road

Government conferred undue favour to a firm by allotting a valuable piece of land in exchange for disputed land of smaller size. Change in alignment of road resulted in Rs 31 lakh already incurred becoming wasteful.

As a part of the process for development of deep water port at Gangavaram (Visakhapatnam District) the EE (R&B) Division, Marripalem, Visakhapatnam (EE), requisitioned (March 2007) three acres of land in Yarada for formation of 40 ft. connectivity road from Hilltop road to Fish Landing Centre.

When the draft notification and declarations for acquisition of land were published (June 2007) in the News Papers, M/s Brook Fields & Resorts Pvt. Ltd., Visakhapatnam represented (June 2007) that the alignment of the road proposed by the EE was passing through the land purchased by them, rendering other part of their land wasteful and, therefore, suggested alternative alignment along the boundary of their land. The firm offered to give 2.10 acres of their land required for the road in the alternative alignment in exchange of another piece of Government land admeasuring 3.00 acres. This request was acceded to and the orders were issued by the Government permitting allotment[17] of land to the firm despite objections by Special Deputy Collector, Land Acquisition, SEZ-I, Visakhapatnam (LAO). This was a clear favour to the firm and detrimental to the Government in view of the following:

- The land offered by the firm was in the hilly track and the ownership was under dispute as the ownership of the land offered by the firm was not conferred on the original enjoyers from whom the firm claimed to have purchased the land as opined by the LAO.
- The Government land has commercial value for development of resorts business at the beach.
- The EE had already incurred an amount of Rs 30 lakh towards development of kutcha road falling in the original alignment.

Thus, the action of the Government in allotting a piece of 3.00 acres of land to the firm in exchange of a disputed land of a smaller size not only resulted in conferring undue favour to the firm but the expenditure of Rs 30 lakh (incurred by the EE) on the development of kutcha road and another Rs 1 lakh (incurred by the LAO) for publication of DN and DD was also rendered wasteful due to change in alignment of the road.

The matter was reported to Government in March 2009; reply had not been received (August 2009).

[17] information regarding the date of actual handing over of the land to the firm awaited from the department

YOUTH ADVANCEMENT, TOURISM AND CULTURE (Youth Services) DEPARTMENT

2.2.8 Commencement of work of Multipurpose Cultural Centre without ensuring sufficient funds

The Multipurpose cultural centre at Hyderabad though conceived in December 2003 had not come up as of February 2009 mainly due to taking up of the project without ensuring in advance availability of funds. This resulted in the objective of promotion of culture not being achieved. The delay also led to cost escalation of about Rs 4 crore.

Government of India (GOI) released[18] (October 2004) Rs one crore for construction of 'Multipurpose Cultural Centre (MPCC)' at Kavuri Hills in Hyderabad under the Centrally Sponsored Scheme for promotion of culture. The objectives for construction of MPCC are (i) Coordination of functions of various cultural fields, (ii) Protection, Preservation of Classical and Folk Art Forms, Art and Architecture and (iii) Library, indoor and open air theatres for performances, etc. The estimated cost of the project was Rs 6 crore to be shared by GOI and the State Government on 1:1 basis. The Director, State Gallery of Fine Arts was to monitor the project under supervision of the Director of Culture.

The work was entrusted (February 2005) to a contractor at an estimated contract value of Rs 4.39 crore with a stipulation to complete it within 12 months of handing over the site. The site was handed over to the contractor in April 2005 and the work was scheduled to be completed by April 2006. The construction of the MPCC building had not been completed (expenditure incurred as of March 2009: Rs 1.79 crore) and the work was stopped (July 2006) midway by the contractor at a stage where a mere structure with slab of ground floor was laid and pillars erected for first floor.

Audit scrutiny (February 2008) of the records in the office of the Director of Culture revealed the following:

- The work was taken up by the Director, State Gallery of Fine Arts without ensuring availability of adequate funds for the project. GOI released Rs 1 crore as part of its share in October 2004 itself. The State Government delayed the release of its share till the year 2006. The State Government released Rs 34 lakh in June 2006, i.e., after the scheduled date of completion of April 2006, Rs 50 lakh in June 2007 and another Rs 50 lakh in February 2008. Further, the amount of Rs 34 lakh released in June 2006 lapsed as the amount was not utilised on account of non-preferring of the bill in time by the Director, State Gallery of Fine Arts. This resulted in the contractor stopping (July 2006) the work for want of prompt payments.

[18] The State Government accorded administrative sanction for Rs 6 crore in December 2003

- The contractor expressed his inability to resume the work unless his demands for revision of cost, compensation of losses suffered by him and prompt payment on completion of works were agreed to and the contractor was advised (January 2009) to submit revised estimates for the balance work as per SSR 2008-09. The cost of balance works at SSR 2008-09 was estimated at Rs 6.36 crore (yet to be approved by the department).

Given that the scheduled period of completion of construction of the building was only one year, the Director should have ensured advance receipt of full funds required for the project by the time of commencement of the work in April 2005. Failure to do so resulted in the contractor backing out for want of prompt payments and the MPCC building remains incomplete even after four years of the release of funds by GOI. The objectives envisaged for promotion of culture also remained unachieved. The inordinate delay also resulted in cost escalation of about Rs 4 crore on the project.

Government in its reply (June 2009), while accepting the above audit points, stated that efforts would be made to complete the project at the earliest.

2.3 Idle investments/idle establishments/blocking of funds/delays in commissioning of equipment; diversion/misutilisation of funds

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

2.3.1 Execution of work without obtaining prior clearance from Forest Department

Excavation of canal and distributaries under Somasila Project without obtaining prior clearance from Forest Department resulted in idle investment of Rs 5.48 crore.

According to Section 2 of the Forest (Conservation) Act, 1980 as amended in 1988, prior approval of the Central Government is required for use of forest land or any portion thereof for non-forest purpose.

The South Feeder Channel (SFC), one of the three main canals under the Somasila Project in Nellore District, runs for a length of 74.725 KM and was intended for creation of 25,000 acres of dry and 16,000 acres of wet ayacut through its 45 distributaries. At KM 58.720 of the SFC, an aqueduct was required to be constructed at Yeturu village in Chejerla Mandal of Nellore District. Part of the canal from KM 58.600 to 58.800 and from KM 70.500 to 71.950 including aqueduct at KM 58.720 fell in forest land. Irrigation facilities required to be provided for land beyond KM 58.720 was 5,500 acres and this was possible only if the aqueduct was constructed. As this location falls under forest area, approval of Central Government was a pre-requisite for construction of the aqueduct. The execution of work beyond KM 58.720 required forest clearance.

Audit scrutiny revealed that without obtaining forest clearance in advance, which is mandatory as per the Act, the department went ahead with the excavation of entire length of canal and 41 distributaries which includes works beyond KM 58.720 valuing Rs 5.48 crore executed between 1989-90 and 2004-05. The forest clearance for construction of the aqueduct has not been received so far and the aqueduct at KM 58.720 has not been constructed as of date (January 2009). Due to non-completion of the aqueduct, water was not being released beyond KM 58.720.

Thus, undertaking excavation of canal without obtaining forest clearance has resulted in blockage of funds to the tune of Rs 5.48 crore. Besides, the intended benefit of providing irrigation facilities to the ayacut of 5,500 acres has not been achieved so far.

The matter was reported to Government in February 2009; reply had not been received (August 2009).

YOUTH ADVANCEMENT, TOURISM AND CULTURE (Youth Services) DEPARTMENT

2.3.2 Non-implementation of a Tourism Project

Taking up of a tourism project in Visakhapatnam without ensuring the suitability of land and without firming up suitable drawings and designs attributable to non-involvement of APTDC at initial stage has led to non-starting of the work even after two years besides blocking of funds of Rs 2.80 crore with APTDC.

Government of India (GOI) sanctioned (December 2006) Rs 3.50 crore for establishment of a Dutch village at Bheemili[19] and Thotlakonda beach circuit, in Visakhapatnam District, to depict past history of Dutch settlements, religious monuments spanning different eras, for attracting international tourists. The Dutch village was to include the components (1) A visitor centre-cum-restaurant, (2) Dutch Museum, (3) Dutch flavour to buildings and (4) Recreation of the Dutch lifestyle. GOI released (December 2006) an amount of Rs 2.80 crore towards first instalment with a condition that funds should not be kept unutilised for more than six months and that the project should be commissioned within 24 months i.e., by December 2008.

Audit scrutiny (February 2008) of the records of Tourist Information Officer, Visakhapatnam, revealed that the tourism project did not take off and the entire amount was lying unutilised with the AP Tourism Development Corporation (APTDC)[20], and as of February 2009, detailed drawings, designs and the estimates were not ready.

[19] Bheemili is a coastal town with Dutch heritage
[20] in the savings bank account of the APTDC with IDBI

It was observed that the land[21] originally selected was not suitable. It was not directly accessible from the Dutch cemetery and not suitable to connect to the theme of Dutch village. There is no record to show that APTDC which executes tourism projects was involved in preparation of initial proposals of the project. Non-selection of a suitable land for the project could be attributed to this deficiency. There was also initial delay of one and half years in release of funds to APTDC by the Director, Tourism.

The Director, Tourism, in reply (July 2009), while confirming the audit observation stated that the site was under finalisation for Bheemili Dutch village and final drawings and estimates were under preparation for the beach circuit.

Thus, submission of proposals to GOI without ensuring the suitability of land and without firming up the drawings and designs, etc. for the project has resulted in non-utilisation of funds within the stipulated time of two years besides blocking up of Rs 2.80 crore.

The matter was reported to Government in April 2009 (also reminded in June 2009); reply had not been received (August 2009).

2.4 Regularity issues and others

GENERAL ADMINISTRATION DEPARTMENT

2.4.1 Lack of follow-up action by the Government departments on Vigilance Reports

As of January 2009, 2966 action taken reports (ATRs) were pending for one to twelve years from various administrative departments on the Vigilance & Enforcement (V&E) reports.

Vigilance & Enforcement (V&E) Department was established in the year 1985 under the administrative control of the Director General, Vigilance & Enforcement. The department conducts enquiries into the complaints/petitions, etc. received from the citizens. The department also takes up *suo moto* enquiries, verification of engineering/development works after gathering primary evidence through its field units located region-wise[22]. The Headquarters Task Force comprising the four wings[23] scrutinises the reports received from the field units and sends final reports to the various administrative departments of the Government and the Heads of Departments concerned through the Vigilance Commission for taking action on the recommendations made by it. The annual budget of the V&E Department is around Rs 18 crore (2008-09).

[21] The Buddhist site of Thotlakonda measuring about 120 acres
[22] Designated as Regional Vigilance & Enforcement Officers
[23] Development Works, Engineering, Natural Resources and Revenue

Audit scrutiny (January/March 2009) of the records of the Director General, V&E Department revealed the following:

- As of January 2009, 2966 action taken reports[24] (ATRs) were pending from various administrative departments on the reports issued by the V&E Department. The year-wise details are given in *Appendix-2.3*.
- Of these 1,987 reports were pending for 3 to 12 years.
- No action was initiated by the administrative departments on 757 reports (26 *per cent*) or no information was available with V&E regarding the action initiated, if any. Of these, 257 reports were pending for 3 to 12 years.
- In 2,209 cases, action though initiated was not complete. Again, of these, 1,730 reports pertain to 3 to 12 years old.
- The following five departments topped the list (with regard to huge pendency) of departments from whom the ATRs were pending:

Department	Total No. of reports pending as of January 2009		No. of reports on which action was initiated but not completed		No. of reports on which action yet to be initiated	
	Total	> 3 years	Total	> 3 years	Total	> 3 years
Municipal Administration and Urban Development	496	355	401	334	95	21
Revenue	455	264	359	247	96	17
Panchayati Raj and Rural Development	321	238	228	189	93	49
Irrigation & Command Area Development	275	182	226	162	49	20
Agriculture & Co-operation	185	117	125	102	60	15
Total	**1732**	**1156**	**1339**	**1034**	**393**	**122**

Audit observed that neither the Government nor the V&E Department fixed any time frame for submission of ATRs by the administrative departments resulting in huge pendency of V&E reports with the various administrative departments.

Non-submission of ATRs by the administrative departments for several years is a matter of serious concern. An effective utilisation of the V&E Department has the potential to yield benefits to Government several times the budget (Rs 18 crore) of V&E Department. However, the reports produced through laborious efforts of V&E Department have not been properly utilised by the Government. This had adverse implications by way of the officials involved getting promotions in the meanwhile or retiring besides diluting the deterent effect on erring officials.

The matter was reported to Government in March 2009 (also reminded in April 2009); reply had not been received (August 2009).

[24] 1997 (5 reports); 1998 (7); 1999 (19); 2000 (28); 2001 (105); 2002 (133); 2003 (227); 2004 (396); 2005 (618); 2006 (449); 2007 (466), 2008 (492) and 2009 (21)

PLANNING DEPARTMENT

2.4.2 Member of Parliament Local Area Development Scheme

Irregularities like non-completion of works, diversions, irregular payments, etc. involving Rs 70.29 crore in implementation of MPLAD Scheme denied the envisaged benefits to the people at large.

The "Member of Parliament Local Area Development Scheme (MPLADS)" was designed to enable the Members of Parliament (MPs) to recommend works for provision of certain basic facilities with emphasis on the creation of durable community assets in their constituencies. The scheme is fully funded by Government of India. The District Collector is the Nodal officer at the district level and the works are executed by District Rural Development Agency (DRDA), District Water Management Agency (DWMA) and Chief Planning Officer of the district.

Scrutiny of the transactions of MPLAD Scheme and accounts of six[25] Chief Planning Officers (CPOs) (comprising[26] 18 MPs) for the period 2003-04 to 2008-09 revealed the following deficiencies:

Incomplete works

As per the scheme guidelines the works taken up under the scheme should generally be completed within one year. In the six districts, out of 7,940 works sanctioned during 2003-04 to 2006-07 (estimated cost: Rs 142.63 crore), only 5,283 works (estimated cost: Rs 89.57 crore) were completed leaving a balance of 2,657 works (33 *per cent*) (estimated cost: Rs 53.06 crore) (some of them taken up 5 years ago) not yet completed as detailed in *Appendix-2.4*. The expenditure already incurred on these works amounted to Rs 9.07 crore.

Locking up of funds

Further, 1360 works (17 *per cent*) sanctioned during the years 2003-04 to 2006-07 costing Rs 23.37 crore were not even started resulting in locking up of funds of Rs 12.86 crore[27] already released to the executing agencies. Details are given in *Appendix-2.5*. There was no justification in keeping the moneys unutilised with the executing agencies when the works could not even be started for several years. The Chief Planning Officers attributed the delays to site disputes and technical problems, etc. Therefore, without acquisition of land, sanctions should not have been accorded.

[25] Vizianagaram, West Godavari, Krishna, Guntur, Prakasam and Medak

[26] **Lok Sabha**: Bobbili, Eluru, Narsapuram, Vijayawada, Machilipatnam, Narsaraopet, Guntur, Tenali, Ongole, Bapatla, Siddipet and Medak
Rajyasabha: West Godavari, Krishna-I&II, Guntur-I&II and Medak

[27] Information regarding the amounts released not furnished by the CPOs in respect of 216 works

Execution of inadmissible works

In all the six districts 33 inadmissible works (estimating Rs 0.38 crore[28]) viz., repairs of roads, buildings and tank bunds which were prohibited under the scheme were sanctioned for execution during 2003-04 to 2008-09. Although initially recommended by the MP, it was the duty of the District Collector to bring it to the notice of the MP that the works were inadmissible so that the MP could recommend alternative works. The CPOs assured that the guidelines would be kept in view while issuing the sanctions in future.

Irregular retention of balance funds of retired Rajya Sabha Members

As per the scheme guidelines, in respect of elected Members of Rajya Sabha the balance funds (funds not committed for the recommended and sanctioned works) left in the nodal district by the predecessor Members in a particular State were to be equally distributed by the State Government among the successor elected Rajya Sabha Members in that State. In respect of nominated Members of Rajya Sabha, the balance funds were to be distributed amongst the successor nominated Members of Rajya Sabha. It was however, observed that, an amount of Rs 0.75 crore being the unspent balances in respect of retired Members of Rajya Sabha were irregularly retained by the CPOs for over two to fourteen years in the five nodal districts, thereby violating the scheme guidelines. Details are given in *Appendix-2.6*.

Non-remittance of unutilised balances and interest

The CPOs failed to obtain the unutilised amount of Rs 1.04 crore (West Godavari: Rs 0.51 crore, Guntur: Rs 0.03 crore, Krishna: Rs 0.25 crore, Prakasam: Rs 0.12 crore and Medak: Rs 0.13 crore) and accrued interest thereon in respect of completed works from the implementing agencies as of January 2009.

Parking of MPLADS funds in private banks

As per guidelines, MPLADS funds received by the district authority (from GOI) and the Implementing Agencies (from the district authority) shall be kept only in a nationalised bank. Contrary to this, in five out of the six districts and 4 implementing agencies[29] in three districts, the accounts were opened in private banks.

Non-furnishing of Utilisation Certificates by the Executing Agencies

Similarly, the implementing agencies are required to send utilisation certificates (UCs) to the district authority within one month of completion of works. Scrutiny revealed that UCs aggregating Rs 3.85 crore were not received by the district authorities as detailed in *Appendix-2.7*.

---

[28] Vizianagaram: 1 work Rs 0.02 crore, West Godavari: 2 works Rs 0.02 crore, Krishna: 18 works Rs 0.16crore, Guntur: 8 works Rs 0.12 crore, Prakasam: 4 works Rs 0.06 crore

[29] EEs, PR, Eluru, Machilipatnam, Narasaraopet and Guntur

Non-transfer of assets to user agencies

As per the guidelines, on completion of the work, the district authority and the implementing agency shall maintain asset register containing the details of assets created and their transfer to the user agencies. The CPOs in all the six districts except Krishna, did not maintain any such records. Though the assets were to be transferred to the user agencies, there was no record to show that assets were transferred to user agencies in all the six districts. During the period from 2003-04 to 2008-09, 7375 works were completed at a cost of Rs 130.21 crore in the six districts.

Other points of interest

(i) Though prescribed in the guidelines and also directed by the sanctioning authority, MP-wise cash books/bank accounts were not maintained by the Executing agencies[30]. Further, CPOs in Vizianagaram, West Godavari, Krishna, Guntur and Medak Districts opened/operated more than one account (two to five) per MP in violation of the guidelines.

(ii) As per guidelines, funds can be converged with other scheme funds for execution of eligible works, which are otherwise permissible subject to the condition that the use of funds from MPLADS results in completion of the work. The funds from MPLADS are to be released only towards the end and the funds from other sources should be used first.

It was, however, observed that an amount of Rs 0.30 crore in Guntur (Rs 0.10 crore) and Prakasam (Rs 0.20 crore) Districts was released (October 2007 and June 2008) without ensuring the release/incurring of funds from other sources. Those works were not completed as of January 2009.

(iii) As per guidelines, the balance funds (funds not committed for the recommended works) left by the predecessor MP in a Lok Sabha Constituency would be passed on to the successor MP from that constituency. Scrutiny revealed that an amount of Rs 1.90 crore was not passed on to the successor MPs[31] in two districts (Vizianagaram: Rs 0.27 crore; West Godavari: Rs 1.63 crore) and left unspent as of January 2009. Due to this, the present MPs could not recommend the works to that extent.

(iv) It was noticed that, in Krishna District, during the year 2006-07, 14 works at an estimated cost of Rs 0.33 crore, were recommended by officer incharge of MP (LS), Machilipatnam, and the same were sanctioned by the District Collector, without insisting upon the recommendation by the MP concerned.

---

[30] EEs PR, Vizianagaram, Siddipet, Medak and Sangareddy; Rural Electrical Cooperative Society, Cheepurapalli; Municipal Commissioners, Bapatla, Mangalagiri and Tenali; EE, Irrigation, Tenali; EE, Rural Water Supply, Podili and EE, R&B, Ongole

[31] Bobbili (LS): Rs 0.27 crore; Eluru (LS): Rs 0.31 crore; Narsapuram (LS): Rs 1.32 crore

(v) Though specifically prescribed in the guidelines, the CPOs in all the six districts had not obtained the undertakings from the user agencies for operation, upkeep and maintenance of the proposed asset, which was required to be obtained before execution of the works.

(vi) As per guidelines, the State Government is required to make arrangements for training of district officers concerned who are dealing with implementation of the scheme. It was noticed that, in all the six districts, no training was imparted to the district officers dealing with implementation of the scheme with adverse implications on the implementation of the scheme.

Poor Monitoring

Guidelines stipulated that the district authority shall visit and inspect at least 10 *per cent* of works under implementation every year. The CPOs of Vizianagaram and Medak have reported that the district authorities had not conducted the inspection of the works. Although the CPOs of West Godavari, Krishna, Guntur and Prakasam had conducted inspections during the period 2003-04 to 2008-09 no records were however maintained. Thus, monitoring by CPOs was poor in all the six districts and consequently there is no assurance that the works are properly executed. The irregularities/lapses discussed above show that there is no proper accounting and monitoring system for effective implementation and to watch the progress of the scheme.

Thus, the monetary value of various irregularities/deficiencies in the implementation of MPLAD Scheme meant for benefitting people at large worked out to Rs 70.29 crore.

The CPOs concerned while accepting the audit points promised to take immediate remedial action on the audit observations. Governments' reply had not been received (August 2009).

REVENUE DEPARTMENT

2.4.3 Unauthorised utilisation of Government receipts in violation of codal provisions

District Collector, Visakhapatnam, besides keeping the deposit amount received from land indenting agencies outside the Government account, unauthorisedly spent the interest amount of Rs 1.76 crore accrued thereon for office expenditure, expenditure on VIP visits, etc.

Financial Rules [32] stipulate that all moneys received by or tendered to Government servants in their official capacity should be paid in full into the treasury without undue delay. Further, such moneys should not be appropriated to meet departmental expenditure or otherwise kept apart from the Government account. AP Land Acquisition rules as also the AP Financial Code stipulated

[32] Rule 7(1) of AP Treasury Code (Vol.I)

that all amounts rendered by the requisitioning department should be deposited in treasury under '8443 Civil Deposits'. Payment to awardees has to be made by way of bills presented to Treasury.

Audit scrutiny revealed (June 2008) that the District Collector, Visakhapatnam (DC), contrary to Financial Rules/Codal provisions, invested the deposit amounts which were received from the land indenting agencies towards compensation for land acquisition, in Fixed Deposit Receipts (FDRs) in various banks. The interest earned on these FDRs was also deposited in Savings Bank Accounts[33]. The DC also appropriated (September 2006 to May 2008) the interest amount to the extent of Rs 1.76 crore to meet various departmental expenditure as detailed in the following table:

(Rs in lakh)

Renovation, repairs to the office buildings/structure; provision of infrastructure facilities in the office	39.95
Expenditure on account of VIP visits	36.27
Arrangement of Medical & Health Exhibition	30.00
Office expenditure including electrical and telephone bills, hire charges on rented vehicles, etc.	20.09
Payment to 'Apathbandhu'	20.00
Improvement of facilities to IAS Officers Association	10.00
Payment to 'Red Cross'	10.00
Office furniture, etc.	5.30
Miscellaneous expenditure	4.21
Total expenditure	**175.82**

The expenditure on the above items was to be met from the regular budget under the respective heads of account.

Thus, neither the receipts nor the expenditure were accounted for in the Government account by the DC and the expenditure was also completely without any legislative sanction. Thus, the action of the DC was a clear violation of codal provisions.

The matter was reported to Government in March 2009 (also reminded in April 2009); reply had not been received (August 2009).

[33] Union Bank of India, Gitam Branch and Siripuram Branch respectively

CHAPTER III

INTEGRATED AUDIT

FINANCE DEPARTMENT

3.1 Integrated Audit of Finance Department

Highlights

Finance Department is mainly responsible for the overall management of the State finances which includes mobilisation of resources and collection of revenues and other financial resources, budgeting and allocation of funds to meet the demands of expenditure, spending of resources on specified objectives and monitor funds utilisation. Integrated Audit of Finance Department revealed that weaknesses and system lapses existed in the Department, in the areas of preparation of budget, release of funds, compliance with Public Finance Accountability norms and asset and contract management. Functioning of all the Directorates of the Finance Department including their district offices test checked was deficient. Internal audit in the department including the directorates was inadequate.

Budget Estimates (BEs) were unrealistic in all the years 2006-07 to 2008-09. There was either huge overestimation or underestimation.

[Paragraph 3.1.6.1]

Timely release of funds to user departments was not ensured adversely affecting the implementation of schemes/programmes. About 33 to 49 *per cent* of the anticipated savings were not surrendered by spending departments during 2006-07 and 2007-08. Supplementary grants of Rs 2,591 crore were unnecessary during the years 2006-07 and 2007-08 and expenditure of Rs 276 crore was incurred without the budget provision.

[Paragraphs 3.1.6.3, 3.1.6.4, 3.1.6.5 and 3.1.6.6]

The tax recovery mechanism was not effective and the State Government resorted to sale of lands for revenue mobilisation. Arrears of revenue accumulated to Rs 2,413 crore as of March 2008; of this, Rs 862 crore (36 *per cent*) was outstanding for more than five years. Further, as against the value of Audit observations of Rs 472.30 crore with regard to under-assessment, etc. a meagre 2.59 *per cent* (Rs 12.23 crore) was recovered. The cost of collection of tax was higher as compared to all India average.

[Paragraphs 3.1.7.1, 3.1.7.3, 3.1.7.4 and 3.1.7.5]

Accountability obligations such as timely adjustment of abstract contingent (AC) bills, reconciliation of receipts and expenditure figures, submission of utilisation certificates by Local Bodies and others and Accounts by autonomous bodies, etc. were largely violated by various departments indicating lack of effective controls with the Finance Department. Adequate controls did not also exist with the Finance

Department to ensure obtaining of financial concurrence by all departments before issue of orders involving financial commitments.

[Paragraphs 3.1.7.8 and 3.1.8.1]

Functioning of all the Directorates of the Finance Department was deficient. Audit noticed lapses such as, accumulation of stamps with Director of Treasuries and Accounts, irregular transfer to Civil deposits, non-renewal of bank guarantees in Director of Works Accounts, poor recovery of surcharge amounts, huge arrears of cost of realisable audit fee, non/delayed submission of Audit Reports to Legislature by Director of State Audit, etc. Asset and Contract management was also poor in all the directorates. Scrutiny of records of the district offices also revealed the weak internal controls.

[Paragraphs 3.1.7.10, 3.1.9 and 3.1.10.5]

The return on investments made by the Government in various Commercial Enterprises was poor. There were chronic arrears in preparation of Proforma Accounts by Departmentally Managed Government Undertakings. Andhra Pradesh Government Life Insurance under the control of Finance Department compiled Proforma Accounts up to 2001-02 only.

[Paragraphs 3.1.7.7 and 3.1.8.3]

Excess expenditure of Rs 13,254.20 crore incurred in the years 1997-98 to 2007-08 remains to be regularised.

[Paragraph 3.1.6.9]

Monitoring by Finance Department was poor with regard to submission of Explanatory Notes to Audit Paras, Action Taken Reports to Public Accounts Committee recommendations, settlement of Accountant General's inspection report (IR) Paras, etc. by the administrative departments.

[Paragraph 3.1.10.3]

Utilisation of funds provided for training was poor in almost all the Directorates under the Finance Department. Training courses with outdated modules were continued. There were huge vacancies in key areas in the Directorates of Treasuries and Accounts and Pay and Accounts Office, Hyderabad, adversely affecting the pre-audit functions.

[Paragraphs 3.1.11 and 3.1.11.2]

In the absence of internal audit, there was no assurance to the management that the departmental rules, regulations and procedures were being complied with.

[Paragraph 3.1.10.1]

3.1.1 Introduction

Finance Department is responsible for the overall management of the State finances which includes mobilisation of resources and collection of revenues and other financial resources, budgeting and allocation of funds to meet the demands of expenditure, spending of resources on specified objectives and monitor funds utilisation.

3.1.2 Organisational set-up

Principal Secretary to Government is the head of the Finance Department. He is assisted by four Secretaries and six heads (Directors) of departments. The Secretaries look after Fiscal Policy, Institutional Finance, Works and Projects and Resource Mobilisation.

At the Directorate level, Director of Treasuries and Accounts (DTA), Pay and Accounts Officer, Hyderabad (PAO-H), Director of Insurance (DOI), Commissioner of Small Savings and State Lotteries (CSS) and Director of State Audit (DSA) report to the Secretary (Fiscal Policy). Director of Works Accounts (DWA) reports to Secretary (Works and Projects). All these Directors have separate and specific functions assigned to them. Organisational Chart of the Department is given in ***Appendix-3.1***.

3.1.3 Audit objectives

The Performance Audit had the following objectives:

- Whether formulation of the budget was as per the provisions of A.P. Budget Manual;
- Whether budgeting and expenditure controls were adequate and effective and whether adherence to AP Treasury Code, AP Finance Code and other manuals is ensured;
- Whether mobilisation of resources was sufficient to implement various schemes and whether Government succeeded in tapping all possible avenues;
- Whether all accountability obligations were fulfilled; and
- Whether functioning of internal control mechanism in the department including internal audit was effective.

3.1.4 Audit criteria

The following criteria were adopted for the Performance Audit:

- AP Budget Manual, Document on Budgetary Procedures, Budget Release Orders, Treasury Control Orders;
- AP Secretariat Office Manual;
- AP Treasury Code, AP Financial Code;
- AP Fiscal Responsibility and Budget Management (APFRBM)Act, 2005;

- Recommendations of Twelfth Finance Commission (TFC);
- Orders of Finance Department for release of funds to ascertain whether funds were being released in time and other executive instructions issued to all departments from time to time; and
- Website of the Finance Department (www.apfinance.gov.in) and AP Government Portal (www.aponline.gov.in).

3.1.5 Scope and methodology of audit

Integrated audit of the Finance Department was conducted during February to June 2009 by test-check of records in the Finance Department in Secretariat, all the six Directorates located in Hyderabad and district offices in six[1] out of 23 districts. The selection of districts was done on Simple Random Sampling without Replacement method. The results of the Performance audit are discussed in the succeeding paragraphs.

Audit findings

3.1.6 Financial Management

Financial Management with regard to budgetary practices, expenditure controls and mobilisation of resources was deficient as discussed in the succeeding paragraphs.

3.1.6.1 Budgetary process

In all the three years there was overestimation of funds (saving) by more than 15 *per cent*

Funds are provided to Finance Department under Grant No. IX: Fiscal Administration, Planning, Surveys and Statistics for meeting expenditure under Fiscal Services, Pensions and Other Retirement Benefits, Debt Servicing and Loans and Advances besides meeting establishment expenditure. Budget allotment vis-à-vis the expenditure during 2006-09 was as given in Table-1. Major Head-wise details are given in *Appendix-3.2*.

Table-1 (Rupees in crore)

Year	Budget allotment	Expenditure	Extent of overestimation (saving)
2006-07	19496.37	16278.57	3217.80
2007-08	23130.33	19408.64	3721.69
2008-09	23525.75	19242.99	4282.76

It is seen from the above table that in all the three years there was overestimation of funds by more than 15 *per cent.*

[1]Adilabad, Anantapur, East Godavari, Guntur, Nellore and Nizamabad districts

Persistent savings were noticed under '2049 Interest Payments (Charged)' indicating overestimation. These savings registered a high of Rs 1,039.91 crore during 2007-08 but reduced marginally to Rs 927.84 crore during 2008-09. Similarly, there was overestimation of requirements to the extent of 40 to 49 *per cent* under the head '6003 - Internal Debt of the State Government'. Under the head 'Pension and other retirement benefits' while there was under-estimation to the extent of Rs 211 crore and Rs 168 crore in the years 2006-07 and 2007-08 respectively, there was overestimation of Rs 100 crore in the year 2008-09 (Para 3.1.6.8 refers).

Government attributed saving to non-availment of Ways and Means advances, receipt of fewer amounts of loans than anticipated and less accumulation of funds under General Provident Fund. The reasons given by the Government are not acceptable. The expenditure under above three heads is a committed expenditure. But these have been consistently showing huge variation. This indicates bad financial management.

3.1.6.2 Delayed submission of Budget Estimates

Audit observed that within the Finance Department, except the Directorate of Insurance, none of the Directorates submitted the budget proposals by scheduled dates and the delays ranged from 18 to as high as 83 days during the years 2006-07 to 2008-09. The Directorate-wise and year-wise details are given in *Appendix-3.3*. It was also seen that Control Registers to watch receipt of proposals from the unit/district offices were also not maintained in any of the Directorates.

Finance Department did not furnish the information with regard to dates of submission of BEs to it by the other administrative departments.

3.1.6.3 Timeliness in release of funds to user departments

Timeliness in release of funds to user departments was not ensured

For effective implementation of the schemes/programmes, the Finance Department is required to ensure timely release of funds through the quarterly budget release orders. This facilitates smooth progress of expenditure throughout the year. Audit noticed the following:

- In the years 2006-07 and 2007-08, 40 and 45 *per cent* of the total expenditure was incurred by the spending departments in the months of March 2007 (Rs 20,480.85 crore) and March 2008 (Rs 29,900.39 crore) respectively.
- For the year 2008-09, Audit reviewed the releases made by the Finance Department during the last week of March. It was observed that significant portion of the funds of second quarter/instalment of the year 2008-09 was released in the last week of March 2009 thus causing inconvenience to user departments in meeting the annual targets besides adversely affecting the implementation of several Plan and Non-plan schemes as shown in the Table-2.

Table-2 (Rupees in crore)

Name of the Scheme (Plan/Non-plan)	Total Provision	Released in the last week of March	Release pertains to quarter/instalment
APMIP– RIDF (Plan)	50.00	25.00	Second
Welfare of SC/ST/OBCs-cost of ration/diet charges (Plan)	38.00	19.00	Second
Centralised purchase of drugs and Medicines (Non-plan)	171.94	85.97	Second
Government Hostels	20.00	10.00	Second
Per capita and Seigniorage grant to ZPs and MPs	129.09	36.18	Third

Note: The above list is only illustrative and not exhaustive

3.1.6.4 Surrender of savings

About 33 to 49 *per cent* of the anticipated savings were not surrendered by spending departments

According to Para 20.1 of AP Budget Manual, spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department, as and when the savings are anticipated. Saving of Rs 6,980.45 crore (2006-07: Rs 3,172.69 crore and 2007-08: Rs 3,807.76 crore) equivalent to 33 *per cent* and 49 *per cent* of the anticipated savings in 36 grants and appropriations[2] including that of Finance Department was not surrendered by the spending departments as shown in the Table-3.

Table-3 (Rupees in crore)

Year	Anticipated savings	Amount of saving not surrendered (Percentage)
2006-07	9736.35	3172.69 (33)
2007-08	7820.72	3807.76 (49)
Total	**17557.07**	**6980.45 (40)**

Further, surrender of savings on the last day of the financial year increased from 67 *per cent* (Rs 7,455 crore) in the year 2006-07 to 73 *per cent* (Rs 9,692.30 crore) in the year 2007-08.

The deficiencies pointed out in Paras 3.1.6.3 and 3.1.6.4 have adverse implications on the overall State economy and fiscal position. A few departments kept the unutilised funds with themselves depriving the other needy departments.

[2] **2006-07:** I, II, III, IV, V, IX, X, XI, XII, XIII, XV, XVI, XVII, XVIII, XIX, XX, XXI, XXII, XXIII, XXIV, XXV, XXVI, XXVII, XXVIII, XXIX, XXX, XXXI, XXXII, XXXIII, XXXIV, XXXV, XXXVI, XXXVII, XXXVIII, XXXIX and XL
2007-08: I, II, III, IV, V, VI, IX, X, XI, XII, XIII, XIV, XV, XVI, XVII, XVIII, XIX, XX, XXI, XXII, XXIII, XXIV, XXV, XXVI, XXVII, XXVIII, XXIX, XXX, XXXI, XXXIII, XXXIV, XXXV, XXXVI, XXXVII, XXXVIII and XL

This indicates a need to introduce an effective mechanism such as having an independent representative of Finance Department in each department to ensure financial discipline.

3.1.6.5 Unnecessary supplementary grants and injudicious re-appropriations

Item/requirement	Audit observation
Budgetary discipline in obtaining supplementary grants	In 24 grants/appropriations, supplementary grant of Rs 1,584.79 crore was unnecessary during the year 2006-07 as the expenditure did not exceed even the original provision. Similarly, during 2007-08, supplementary grant of Rs 1,006.30 crore in respect of 32 grants/appropriations was provided although the expenditure did not exceed even the original provision.
Injudicious re-appropriations	Re-appropriation of funds was injudicious as it was either excessive or resulted in savings, by over Rs 5 crore in each case, in respect of 56 heads of account in the year 2006-07 and 52 heads in 2007-08. Further, in respect of 230 heads of account re-appropriations amounting to Rs 1,021.43 crore were made during 2007-08 without original and supplementary provisions.

3.1.6.6 Expenditure without provision

Expenditure of Rs 276 crore was incurred without the Budget provision

As per the provisions of Para 20.3.1 of AP Budget Manual, expenditure should not be incurred on a scheme or service without provision of funds therefor. Audit noticed that expenditure of Rs 276.06 crore was incurred under 18 heads of account (10 grants) without provision of funds during 2006-07 (Rs 125.19 crore) and 2007-08 (Rs 150.87 crore).

3.1.6.7 Provision of funds for vacant posts

As per the provisions of Para 16.14 of AP Budget Manual, estimates should be framed on the basis of the expenditure likely to be incurred in the coming year on officers and subordinates likely to be on duty and the actual salary likely to be drawn by them, irrespective of the sanctioned strength. Audit noticed that in the year 2007-08 the entire provision of Rs 22.44 crore made for vacant posts was surrendered during March 2008.

3.1.6.8 Actuarial valuation of pension liabilities

Andhra Pradesh Fiscal Responsibility and Budget Management (APFRBM) Act, 2005 provides for preparation of Medium Term Fiscal Policy Statement which *inter alia* includes the estimated yearly pension liabilities worked out on actuarial basis for the next ten years.

Audit noticed that the State Government did not work out the yearly pension liabilities on actuarial basis. There was underestimation of requirement in 2006-07 and 2007-08 and overestimation in the year 2008-09 as shown in Table-4.

Table-4 (Rupees in crore)

Year	Budget Estimate	Supplementary grant	Total grant	Actual expenditure	Variation Excess (+) Saving (-)
2006-07	3934.03	8.00	3942.03	4152.81	210.78
2007-08	4524.13	400.03	4924.16	5092.13	167.97
2008-09	5202.75	416.22	5618.97	5518.46	(-) 100.51

Thus, there is a need to work out pension liabilities on actuarial basis in compliance with the provisions of APFRBM Act.

3.1.6.9 Non-regularisation of excess over grant/appropriation

Excess expenditure of Rs 13,254.20 crore incurred in the years 1997-98 to 2007-08 remains to be regularised

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 13,254.20 crore for the years 1997-98 to 2007-08 remains to be regularised. Year-wise details are given in *Appendix-3.4*.

3.1.7 Mobilisation of resources and collection of revenue

3.1.7.1 Dependence on sale of lands for revenue mobilisation

State Government resorted to sale of lands for revenue mobilisation

During 2006-09, Government targeted to muster funds aggregating Rs 24,450 crore. Against this estimate, it could raise Rs 10,578 crore (44 *per cent*) leaving a gap of Rs 13,872 crore. Of this, revenue realised during 2008-09 was Rs 2,131 crore (18 *per cent* of the estimate). The percentage of actuals to Budget Estimates under Capital Account decelerated to 65.51 from 99.48 and 98.51 during 2007-08 and 2006-07 respectively. Simultaneously, Revenue Expenditure registered a growth from Rs 39,648.83 crore (2006-07) to Rs 58,624.76 crore (2007-08). The year-wise details are given in the Table-5.

Table-5 (Rupees in crore)

Year	Budget Estimate	Actual revenue realised	Shortfall (Percentage)
2006-07	3050.00	1889.32	1160.68 (38)
2007-08	9400.00	6557.71	2842.29 (30)
2008-09	12000.00	2131.00	9869.00 (82)
Total	**24450.00**	**10578.03**	**13871.97 (56)**

Such a dependence on sale of land would have been appropriate in extraordinary circumstances and that too after exhausting other avenues such as collection of tax arrears and tightening leakage of revenue. Since the revenue from lands is highly dependent on market conditions, budget itself is vulnerable to the external conditions.

3.1.7.2 Grants-in-aid from GOI

Absorption of Twelfth Finance Commission grants was poor which resulted in non-release of further grants by GOI. Monitoring by Finance Department was ineffective

TFC recommended *inter alia* Grants-in-aid of Rs 1,828.00 crore during the period 2005-10 to local bodies. Monitoring by Finance Department with regard to utilisation of TFC grants was ineffective resulting in non-release of further grants by GOI as discussed below:

- It was observed that due to non-submission of UCs for the grant of Rs 43.75 crore received under State specific needs[3] for 2006-07, subsequent instalments of grants for the years 2007-08 and 2008-09 were not released by GOI as of November 2008.
- Youth Advancement, Tourism and Culture Department did not utilise the entire release of Rs 20 crore intended for Heritage Conservation activities.
- Rural Local Bodies (RLBs) utilised Rs 653.74 crore during 2005-09 (November 2008) against the receipt of Rs 795.90 crore and Urban Local Bodies (ULBs) spent Rs 150.18 crore against the release of Rs 187.57 crore. In all, Rs 179.55 crore was awaiting utilisation in local bodies. Further, five instalments of grants (two for RLBs and three for ULBs) were awaiting release due to non-submission of UCs.

3.1.7.3 Arrears of revenue

Audit noticed that there were arrears of revenue amounting to Rs 2,412.71 crore realisable by Government as of March 2008. Of this, Rs 861.78 crore (36 *per cent*) was outstanding for more than five years. These arrears mainly persisted in the areas of Taxes on vehicles, receipts under sugarcane and taxes and duties on electricity. Government did not furnish to Audit the position of arrears of revenue as at March 2008 in respect of Commercial Taxes, State Excise, Registration and other departments despite constant pursuance.

3.1.7.4 Short collection of tax

Tax recovery of a meagre 2.59 *per cent* of value of accepted audit observations on short recovery indicated lackadaisical approach of the Government

Finance Department being the custodian of the State finances, is required to formulate measures/procedures to ensure proper collection of revenue. Mention was made in the C&AG's Audit Reports (Revenue Receipts) for the years 2005-08 pointing out the underassessment/non/short levy of taxes/loss of revenue, failure to raise demands, etc. involving money value of Rs 472.30 crore, during 2005-06 to 2007-08. Although the audit observations were accepted by the Government, a meagre 2.59 *per cent* (Rs 12.23 crore) was recovered as of October 2008. Details are given in Table-6.

[3] (1)Drinking water supply to fluoride affected areas and (2) Improving Socio-economic condition of people living in remote areas

Table -6 (Rupees in crore)

Year of Audit Report	Total money value	Accepted by the Government (money value)	Recovery made (percentage)
2005-06	189.69	49.60	4.45 (0.89)
2006-07	401.59	245.39	3.42 (1.39)
2007-08	443.46	177.31	4.36 (2.46)
Total	**1034.74**	**472.30**	**12.23 (2.59)**

Poor recovery indicated lackadaisical approach of the Government towards its commitment made to Audit to recover the taxes, etc. aggregating Rs 460.07 crore during 2005-08.

The cost of collection of tax was higher as compared to all India average

3.1.7.5 High Cost of tax collection

The percentage of cost of collection of Sales Tax, State Excise and Taxes on Vehicles during 2005-07 was higher as compared to the All India average as shown in the Table-7.

Table -7

Revenue Head	Year	Gross collection	Expenditure on collection of revenue	Percentage of cost of collection to gross collection	All India average percentage
		(Rupees in crore)			
Sales Tax	2005-06	12,541.61	145.86	1.16	0.91
	2006-07	15,461.08	166.07	1.07	0.82
	2007-08	19,026.49	175.73	0.92	NA
State Excise	2005-06	2,684.57	138.75	5.17	3.40
	2006-07	3,436.63	165.78	4.82	3.30
	2007-08	4,040.69	162.24	4.02	NA
Taxes on vehicles	2005-06	1,355.74	48.30	3.56	2.67
	2006-07	1,364.74	55.43	4.06	2.47
	2007-08	1,603.80	62.46	3.89	NA

NA: Not Available

3.1.7.6 Lack of effective follow-up action with regard to evasion of VAT

There was lack of effective follow-up action on Vigilance and Enforcement reports on tax evasion

During the period 2005 to 2008 Vigilance and Enforcement (V&E) Directorate detected cases of tax evasion (VAT) aggregating Rs 19 crore in the raids conducted in Hyderabad and at other places in the State. The V&E Directorate reportedly brought this matter to the notice of the Government and recommended adoption of scientific measures for collection of tax to be paid by builders and others and take stringent measures against the defaulters.

Steps taken on the reported findings of V&E Directorate were not furnished by the Finance Department. It is also pertinent to point out that periodical review meetings held in Finance Department with regard to monitoring the collection of revenues and mobilisation of resources did not take cognisance of this vital aspect.

3.1.7.7 Return on investments in Commercial Enterprises

There was very poor return from investments in Commercial Enterprises

The earnings on investments in Commercial Enterprises are characterised by poor returns. There was a drop in earnings during 2007-08 to the extent of Rs 35.45 crore as compared to the year 2006-07. Government Companies accounted for Rs 34.67 crore (98 *per cent*) as detailed in Table-8.

Table-8 (Rupees in crore)

Nature of concern (Number)	2006-07		2007-08		Fall in earnings
	Investment	Dividend/interest received	Investment	Dividend/interest received	
Statutory Corporations (4)	984.86	1.52	984.86	0.76[4]	0.76
Government Companies (51)	3613.02	45.77	3651.32	11.10[5]	34.67
Joint Stock Companies (37)	34.07	-	44.09	-	-
Co-operative Banks and Societies[6] (80)	1144.22	0.11	1251.14	0.09	0.02
Total (172)	**5776.17**	**47.40**	**5931.41**	**11.95**	**35.45**

Finance Department needs to take effective measures with regard to the investments in such Commercial concerns which do not give considerable returns so as to protect the Government interest.

3.1.7.8 Absence of financial concurrence to remission of stamp duty

Orders for remission of Stamp Duty were issued by Revenue Department without obtaining the mandatory concurrence of Finance Department. This indicated lack of adequate controls with the Finance Department

Rule 11 of the Andhra Pradesh Government Business Rules and Secretariat Instructions specifies that no department should, without previous consultation of the Finance Department, authorise any order which would affect the finances of the State and involve relinquishment of revenue. In violation of the rules, the Revenue Department, without the concurrence of the Finance Department, issued orders in January 2009[7] for remission of Stamp Duty payable under the Indian Stamp Act 1899 on flats/apartments by 5 *per cent*[8] and the remission was applicable for two years i.e. from 1 January 2009 to 31 December 2010. Although the order evidently has financial implication in the form of reduced revenue, the Revenue department did not obtain mandatory concurrence of the Finance Department. While accepting the audit observation, the Finance Department did not, indicate any measures/steps taken/proposed to be taken to avoid non-compliance of the instructions of the Finance Department by other departments in future.

---

[4] Declared by Andhra Pradesh State Warehousing Corporation Ltd

[5] Singareni Colleries Company Limited declared dividend of Rs 10.63 crore and Andhra Pradesh State Seeds Development Corporation Rs 0.47 crore

[6] An amount of Rs 78.79 crore was invested in Cooperative Sugar Factories during 2007-08

[7] G.O.Ms.No.01 Revenue (Registration-I) Department, dated 1 January 2009

[8] to flats/apartments measuring up to 1,200 Sft or below including common area excluding parking area

3.1.7.9 Off-budget borrowings

Government continued to resort to off budget borrowings

State Government continued to resort to off-budget borrowings which were raised upon the security of the Consolidated Fund of the State during 2006-09 as indicated in the Table-9.

Table-9 (Rupees in crore)

Year	Source through which borrowed	Amount borrowed
2006-07	APWRDC[9]	600.00
	AP TRANSCO	500.00
	AP TRANSCO(PFC)	299.00
2007-08	AP TRANSCO	125.00
2008-09	AP TRANSCO	350.00
	Total	**1874.00**

Government has been encouraging public utilities like APTRANSCO to raise funds to meet its promises/obligations made to public which turned out to be a committed liability to the Government as the Government only has been repaying the loans, etc. raised in the form of Off-budget borrowings. This also indicates lack of concern for legislative approval.

During the three year period 2006-09, Government paid interest of Rs 1,019.15 crore on these borrowings.

3.1.7.10 Non-recovery of cost of audit

Unrealised Audit fee accumulated to Rs 21.72 crore

Section 4 of the A.P State Audit Act, 1989 enables the Director of State Audit to conduct audit in respect of any local authority or any other authority specified therein and to recover the cost of audit in respect of such authorities as may be specified by the Government by order subject to such rules as may be made in this behalf.

The un-realised audit fee accumulated to Rs 21.72 crore as of July 2009. Details of major defaulting institutions are furnished in the Table-10.

Table-10 (Rupees in crore)

Name of the Organisation	Realisable Audit fee
Tirumala Tirupati Devasthanams	6.08
Hindu Religious and Charitable Endowment Institutions	8.03
Agricultural Market Committees	1.69
Universities	2.35
Andhra Pradesh Housing Board	1.81
Andhra Pradesh Residential Educational Institutions Society	1.48

[9] Andhra Pradesh Water Resource Development Corporation

It was also observed that the procedure for calculation of cost of audit was prescribed in May 1969 and no further instructions were issued thereafter despite several changes in the composition of audit teams with the induction of Audit Officers and Asst. Audit Officers (AAOs) which was not anticipated earlier while issuing the G.O. *ibid.*

3.1.8 Accountability obligations

3.1.8.1 Compliance to the instructions issued in GO No. 507

Compliance of Finance Department's instructions of April 2002 by all departments was not watched

Government prescribed norms for Public Finance Accountability before release and drawal of funds through the Government (in Finance Department) orders[10] of April 2002. As per these norms, drawal of further funds is admissible by the Treasury/PAO only when the DDO/Head of the Department (HOD) furnishes compliance in the form of certificate regarding (i) detailed contingent bills for the amounts drawn on Abstract Contingent bills, (ii) reconciliation of accounts between the DDOs and Treasury Officers, (iii) submission of Statement of Expenditure and Utilisation Certificates for earlier drawals, (iv) recovery of loans, advances, taxes, etc due to be paid back to Government, (v) clearance of pendency relating to finalisation of annual accounts of local bodies and statutory audit and (vi) replies to pending audit paras. Further instructions of the Finance Department issued in October 2003 also stressed the need for maintenance of registers in respect of expenditure control, re-appropriations and supplementary estimates and reconciliation.

Audit however, observed that these exhaustive orders/instructions issued by Government were largely ignored by DDOs/HODs, as discussed below:

Subject/Requirement	Audit findings
Huge number of Abstract Contingent Bills awaiting adjustment Monies are drawn on Abstract Contingent (AC) bills, where monies are required in advance and yet the exact amount required for the purpose cannot be specifically calculated.	As of March 2009, 1.23 lakh AC bills aggregating Rs 806.06 crore[11] were awaiting adjustment in respect of all departments. Test-check of records revealed that AC bills for an aggregate[12] value of Rs 449.65 crore were awaiting adjustment with Director of Treasuries and Accounts[13], Director of Works Accounts[14] and PAO (H) as of March 2009. Further, district treasury officers and others did not maintain the control registers to watch adjustment.

[10] vide GO Ms. No. 507 dated 10 April 2002
[11] Up to 2002-03: 82,226 bills – Rs 222.44 crore; 2003-04 to 2008-09: 41,173 bills – Rs 583.62 crore
[12] DTA – Rs 164.46 crore, DWA – Rs 7.00 crore and PAO (H) – Rs 278.19 crore
[13] DTA: Adilabad – Rs 18.62 crore; Anantapur – Rs 17.85 crore; East Godavari – Rs 38.36 crore; Guntur – Rs 35.74 crore; Nellore – Rs 37.28 crore and Nizamabad – Rs 16.61 crore
[14] PAO (W): Anantapur – Rs 21.10 lakh; Guntur – Rs 675.00 lakh and Nellore – Rs 4.15 lakh

AC bills are required to be adjusted within one month from the date of drawal by submission of Detailed Contingent (DC) bills, to account for the funds utilised. AC bills are charged as expenditure.

Thus, to the extent that these AC bills have not been adjusted by the submission of DC bills confirming actual expenditure, expenditure is over-stated or unaccounted for in the accounts. Government ordered (April 2002) for simplification of the process which provided that the maximum number of pending AC bills could never exceed two.

The above items included the following:

(i) AP Public Service Commission has 430 bills (Rs 5.08 crore) pending with it.

(ii) In Social Welfare Department, DC bills for value of Rs 201.97 crore were still pending in respect of 70 AC bills.

Further, District Treasury, Adilabad drew an amount of Rs 28 lakh on AC bills in the month of June 2009 after completion of the event (General Elections 2009).

Those officials who have drawn money on AC bills should have no hesitation in submitting details of bills for expenditure if these were legitimate items of expenditure. Non-submission of details within the stipulated period raises a strong suspicion about the bonafides of the expenditure incurred. The appropriate course of action would therefore, be to proceed against officials treating the non-submission of DC bills as a case of unauthorised expenditure.

Lack of concern for reconciliation of expenditure figures

Government ordered (October 2003) that all the DDOs should reconcile figures of expenditure with those booked in Treasury/ PAO on or before 20th of each month for the expenditure in previous month.

As of June 2008 expenditure of Rs 55,159.98 crore incurred by 29 departments remained un-reconciled. Of this, the expenditure of Rs 16,710.25 crore pertained to Finance and Planning Departments during the year 2007-08 which also remained un-reconciled.

As against 591 reconciliation certificates due, from Finance Department (Secretariat) and Directorates under its control, during 2003-04 to 2008-09 (December 2008), only 47 certificates were received by AG leaving 544 certificates covering several periods. Non-reconciliation accounted for 92 *per cent.* Details are given in Table-11. HOD-wise and year-wise details of non-reconciliation are given in Appendix-3.5.

Table-11

	Number of Reconciliation Certificates		
	Due	**Received**	**Outstanding *(Per cent)***
Secretariat Department	420	12	408 (97)
Directorates	171	35	136 (80)
Total	**591**	**47**	**544 (92)**

DSA did not maintain the control register to watch reconciliation.

Finance Department while agreeing that they did not have details of outstanding reconciliations from HODs, stated (July 2009) that all Secretariat Departments were being addressed to ensure early completion of reconciliation by HODs.

Adjustment of Personal Deposit Accounts As per the extant instructions, balances available in personal deposit (PD) accounts are to be lapsed at the end of the year or after completion of the applicable period.	Results of study[15] of 24 PD accounts conducted by the DSA revealed the status of the balances available in PD accounts and those lapsable as at the end of March 2006, 2007 and 2008 as given in the Table-12. (Table-12 follows below.) Lapses such as drawal of funds and their investment in fixed deposits, arrears in reconciliation with bank/treasury, operation of several bank accounts, absence of internal audit and unspent balances in schemes continued to persist as disclosed in the study.
Non-submission of UCs/Accounts by local bodies/ autonomous bodies	State Government disbursed an amount of Rs 39,110 crore as grants and loans to local bodies and other institutions during 2005-08. Of the 2,989 utilisation certificates (UCs) due in respect of grants aggregating Rs 600.35 crore paid up to 30 September 2006, 2,944 UCs for an amount of Rs 560.72 crore were outstanding as of 31 August 2008 from eight departments[16].
	There were arrears in submission of accounts for audit (by the Accountant General) from 392 Autonomous Bodies to the extent of 1,296 accounts (June 2009).

Table-12 (Rupees in crore)

	Balance	Lapsable amount continued to be retained
As on 31.03.2006	210.43	92.80
As on 31.03.2007	257.90	56.70
As on 31.03.2008	481.61	143.99*

Note: List of 24 PD Accounts is given in *Appendix-3.6*

*Of this, Rs 100.25 crore pertained to AP Health, Medical, Housing and Infrastructure Development Corporation Limited

The above deficiencies indicated failure of reporting mechanism and non-fulfilment of accountability obligations of the Government.

3.1.8.2 Overpayment of Pension/Family Pension

DTOs/STOs made excess payment of pension aggregating Rs 1.60 crore indicating the need to prevent such overpayment

Audit noticed from the test-check of records that 13 District Treasuries[17], 296 Sub-Treasuries[18] and six Pension Payment Offices[19] under the control of DTA made an aggregate overpayment of Pension/Family pension of Rs 1.60 crore (2006-07: Rs 0.41 crore, 2007-08: Rs 0.57 crore and 2008-09: Rs 0.62 crore) indicating the need to prevent such overpayment. Details of overpayments are given in *Appendix-3.7*.

[15] as per the orders of the Finance Department

[16] School Education; Revenue, Registration and Relief; Tribal Welfare; Social Welfare; Panchayat Raj; Rural Development; Municipal Administration and Urban Development and Animal Husbandry

[17] 2006-07: Guntur, Khammam, Karimnagar, Nizamabad and Prakasam
2007-08: Krishna and Medak
2008-09: Adilabad, Khammam, Kurnool, Rangareddy, Srikakulam and Visakhapatnam

[18] 95 in 2006-07, 128 in 2007-08 and 73 in 2008-09

[19] 2006-07: Tarnaka, Motigally,Punjagutta and Chandrayangutta
2007-08: Motigally, Punjagutta, Narayanguda, Malakpet and Chandrayangutta

3.1.8.3 Submission of accounts by Government Undertakings

The Departmentally Managed Government Undertakings (DMGUs) that were set up with activities of quasi-commercial nature are required to prepare and submit the annual accounts in the prescribed format (Proforma Accounts) showing the results of the financial operations so as to enable the Government to make an assessment of their functioning.

- DMGUs have not been preparing Proforma Accounts annually and there were chronic arrears as shown in *Appendix-3.8*.
- Andhra Pradesh Government Life Insurance (APGLI) run by the Director of Insurance a DMGU under the administrative control of the Finance Department prepared its accounts only up to the year 2001-02. This causes delay in declaration of bonus to its subscribers.

3.1.9 Directorate specific observations

Functioning of Directorates was deficient. Various lapses were noticed by Audit

Audit noticed lapses in functioning of all the Directorates as discussed below Directorate-wise:

3.1.9.1 Director of State Audit (DSA)

The primary function of the DSA is to conduct audit of accounts of rural and urban local bodies and other institutions in the State and submit consolidated audit report to the State Legislature in accordance with the provisions of State Audit Act, 1989.

Subject	Audit observation
Poor recovery of surcharge[20] amounts	Although equipped with the authority to issue surcharge proceedings, DSA unnecessarily referred (September 2006 to October 2008) 21 cases of serious irregularities (Rs 13.78 crore) to the State Government in respect of various municipalities. Belatedly, the Finance Department directed only in December 2008 to initiate further action as per the State Audit Rules. Thus, in the process, since valuable time was lost, currency of the objections was lost and serving of the surcharge notices also became difficult and the whole process resulted in non-recovery of surcharged amounts of Rs 13.78 crore (January 2009).
Non-receipt of annual accounts from local bodies	As of August 2008, 464 annual audits were pending due to non-furnishing of the annual accounts by the Municipal Corporations and Municipal Councils. Rural Local Bodies have not been furnishing annual accounts by due dates. As a result, audit by the DSA was held up.
Format of accounts of Universities not prescribed	Universities have been compiling only Receipts and Payments Accounts and Balance Sheets were not prepared. As a result, comprehensive financial position is not known. DSA did not prescribe the uniform format of accounts for the Universities.

[20]Recovery from a person liable for the loss, waste, misappropriation or other property belonging to local authority

Arrears in collection of Pension Contributions and Leave Salary Contributions	As of January 2009, about 170 employees of DSA were continued to be on deputation on Foreign Service terms with various employers. The foreign employers were to remit pension contribution (PC) and leave salary contribution (LSC) in respect of the employees who have been working with them. As of March 2008, an aggregate amount of Rs 50.57 lakh (PC: Rs 32.44 lakh and LSC: Rs 18.13 lakh) was due from foreign employers, earliest period being 1987.
Un-invested amounts under Charitable Endowment Fund	As per the provisions of the Functionary Manual of the Department, DSA is the ex-officio Treasurer of Charitable Endowments in the State. The cash balance as per cash book was Rs 80 lakh as of January 2009. Despite having huge cash balances it was not invested in deposits. The DSA did not also approach the Government seeking instructions for investment in fresh Government securities/bonds, issued for investing the idle cash balance. DSA admitted the lapse.
Improper Contract Management	Anantapur, Guntur and Nellore District Audit Officers made payment of rent of office buildings without the support of the valid and subsisting lease deeds. Car hire charges were being paid without conclusion of agreements, non-submission of trip sheets, etc. Income Tax at applicable rates was not being deducted from the payments made to the supplier of vehicles.
Delayed submission of Audit Reports	State Audit Reports for the years 1989-90 to 1997-98 were presented to the State Legislature in March 2008 and those for the years 1998-99 to 2004-05 were presented in December 2008 with delays up to as high as 17 years. Preparation of Audit Reports does not serve the desired purpose unless they are submitted to the Legislature in time.

3.1.9.2 Director of Treasuries and Accounts (DTA)

DTA is entrusted with the task of conducting financial transactions of the Government, payment of pensions, exercising treasury control and conducting pre-audit.

Subject	Audit observation
Accumulation of stamps	Stamps valuing Rs 166.43 crore[21] (Share transfer, Special adhesive, Court Fee papers, Court Fee labels, A.P.A.W.F. and Insurance), which had no demand since May 1996 have been lying idle with DTOs awaiting instructions of DTA.
Non-disposal of spoiled stamps	Stamps worth Rs 10.82 lakh were lying for over three years in the district treasuries of Anantapur (Rs 10.12 lakh) and Nellore (Rs 0.70 lakh) for want of orders of destruction from DTA.
GPF of Class IV Employees	Value of unposted Credits (Rs 4.56 crore) and Debits (Rs 74.19 lakh) in relevant accounts has been increasing. Due to non-posting of debits the accounts balances were inflated. Annual account slips were issued without the details of missing credits.

[21]Anantapur : Rs 4.68 crore; Guntur: Rs 157.03 crore and Nellore: Rs 4.72 crore

Non-reimbursement of Railway pension	Railway Pensions aggregating Rs 81.70 lakh disbursed up to the year 2005 and claimed for reimbursement by three[22] district treasuries were pending for want of reimbursement as of May 2009.
Non-submission of vouchers	Audit noticed[23] that 271 vouchers for an amount of Rs 5.08 crore up to March 2008 were still not received by AG from Treasuries despite regular correspondence with Deputy Directors (DD) concerned (Earliest period of voucher pertained to the year 1989-90 from Warangal District).

3.1.9.3 Director of Works Accounts

Secretary, Finance (WP) is responsible for overall administration of PAO (Works) organisation. PAOs are mainly responsible for cent *per cent* pre-audit of works and other bills, scrutiny of estimates and agreements, disbursement of payments and compilation and accounting of transactions conducted by them.

Subject	Audit observation
Transfer of funds to Civil Deposits to avoid lapse of Grant	As per the provisions of Para 20.2.2 of AP Budget Manual, savings should not be utilised to cover the expenditure of ensuing years. However, the department resorted to transfer of funds amounting to Rs 1369.73 crore in respect of land acquisition payments towards the close of the years 2006-07 to 2008-09 to Public Account head 8342/8443-Deposits to meet the expenditure of subsequent years. Audit noticed that these amounts were transferred to Deposits to avoid lapse of balance funds available under the grant violating prescribed financial procedures. The PAOs stated (March 2009) that transfer of funds were made as per the orders of Government. Of the amounts so transferred, Rs 543.21 crore[24] still remained unspent as of March 2009 for periods ranging between 12 to 24 months.
Outstanding balances under Suspense heads of account	Suspense heads of account (MPWA, Purchase, Stock, Workshop Suspense and CSS) are transitory heads. As per Paras 7.10.1 to 7.10.19 of PAO Manual, the balances pending under various suspense heads of account require proper and immediate adjustment to the final head of account by the PAO. Audit scrutiny revealed that outstanding balances amounting to Rs 31.04 crore[25] under various suspense heads of account in respect of engineering divisions under the payment control of test checked PAOs were awaiting clearance (March 2009). The department replied (March 2009) that the matter would be pursued with concerned divisions for early clearance of balances.

[22] Anantapur (Rs 23.01 lakh), East Godavari (Rs 53.45 lakh) and Nellore (Rs 5.24 lakh)
[23] during compilation of accounts by AG
[24] JDWA Dowlaiswaram: Rs 110.29 crore, PAO Anantapur: Rs 9.07 crore, APAO Dowlaiswaram: Rs 213.58 crore, PAO Guntur: Rs 29.74 crore, PAO SP Nellore: Rs 25.00 crore, PAO Nirmal: Rs 128.53 crore and PAO Nizamabad: Rs 27.00 crore
[25] MPWA: Rs 12.22 crore; Purchase: Rs 10.57 crore; Stock: Rs 3.90 crore; Workshop suspense: Rs 4.32 crore and CSS: Rs 0.03 crore

Outstanding balances under Schedule of Settlement with Treasury (SST)	As per Paras 11.14.1 and 11.17.3 of PAO Manual, the PAOs should periodically reconcile the outstanding balances under SST with treasuries and divisions concerned. The PAOs should bestow personal attention on this aspect for early clearance and settlement of existing balances under both remittance and payments. It was observed that balances were outstanding (May 2009) under both remittances and cheques for SST amounting to Rs 248.37 crore in six[26] PAOs. The PAOs assured to carry out reconciliation and settle the said balances.
Non-renewal of Bank Guarantees	PAOs are responsible for safe custody and monitoring the validity of Bank Guarantees (BGs) obtained in lieu of EMD, Performance security and security against Mobilisation advances etc. These BGs are to be got revalidated/renewed before their expiry till due performance of the contract. Audit observed that lapsed BGs worth Rs 12.93 crore were yet to be revalidated by three[27] PAOs (March 2009).
Non-realisation of forfeited amount	Executive Engineer, Godavari Head Works Division, Dowlaiswaram forwarded (July 2006) three pay orders for Rs 44.01 lakh towards EMD in respect of bidders who did not participate in the auction for "collection of toll tax on SAC Barrage" to APAO, Dowlaiswaram for forfeiture and crediting the amount to Government account. The value of the above pay orders had not been realised even as of May 2009 as these were found (August 2006) fraudulent and a police case was stated to be lodged. The matter was under police investigation (May 2009).
Pre-audit	Audit noticed that an amount of Rs 11.94 crore towards IT, VAT, Cess, etc. was not recovered/short recovered from work bills of engineering departments under the payment control of six[28] PAOs/APAOs. This shows that the pre-audit by the PAOs/ APAOs was ineffective.

3.1.9.4 Commissioner of Small Savings and State Lotteries

The main objective of the Small Savings Department is to create awareness among the people and encourage citizens to invest in small savings schemes for their own benefit and for the benefit of the State.

Subject	Audit observation
Delays in release of incentives to NSS Agents	CSS disbursed Rs 379.01 crore as subsidy to NSS Agents during 2004-05 to 2008-09, leaving a balance of Rs 40.65 crore as of February 2009. As per the extant instructions in force, NSS agents are to submit their incentive claims within six months from the date of receipt of commission. Audit however, noticed that of the amount of Rs 49.49 crore disbursed during the year 2008-09, Rs 7.99 crore pertained to the year 2008-09 and the balance Rs 41.50 crore related to the incentive amount of earlier years. There was non-achievement of net targets[29] during the years 2007-08 and 2008-09.

[26] Anantapur: Rs 32.86 crore; Dowlaiswaram: Rs 83.71 crore; Guntur: Rs 94.62 crore; Nellore: Rs 13.89 crore: Nirmal: Rs 10.04 crore and Nizamabad: Rs 13.25 crore

[27] Guntur :Rs 0.38 crore; Nirmal : Rs 5.58 crore and Nizamabad : Rs 6.97 crore

[28] Anantapur: Rs 4.36 crore; Dowlaiswaram: Rs 3.35 crore; Guntur: Rs 20.00 lakh; Nellore: Rs 87.00 lakh; Nizamabad: Rs 1.27 crore and Nirmal: Rs 1.89 crore

[29] Net Target is difference between total funds mobilised *minus* payments made during the year

Incorrect utilisation of district incentive funds	Against the release of Rs 135.00 crore, CSS received UCs only for Rs 80.55 lakh from district offices. Collectors of Anantapur, East Godavari, Nellore and Nizamabad Districts diverted funds of Rs 1.97 crore for ineligible purposes. Thus, objectives set by Government for utilisation of district incentive funds for mobilisation of resources were not fully achieved.
Inadequate action against delinquent NSS agents	Central Government provided Extension Agencies for giving satisfactory service to the investing public and also with a view to provide service at the doorstep of the investors. Mandal Revenue Officer/Mandal Development Officer is the appointing authority of Agents. The Agents so appointed have to furnish prescribed security in the form of cash or bank guarantee or a fidelity guarantee policy with Life Insurance Corporation of India or personal securities for appointment as Agent. Departmental Manual of the Small Savings and State Lotteries provided that the appointing authority should take *suo moto* prompt action in cases of misappropriation of investor's money by the Agents and take steps to recover the losses from them or their sureties besides initiating criminal action. There were fraudulent drawals of moneys deposited by public amounting to Rs 55.73 lakh by NSS agents in the districts of Adilabad (Rs 13.00 lakh), Anantapur (Rs 30.78 lakh) and Nellore (Rs 11.95 lakh). Action was yet to be taken against delinquent agents.
Inspection of district offices	CSS did not visit any of the unit offices in districts despite complaints of alleged fraudulent drawal of investors' funds by the Small Savings Agents in Adilabad, Anantapur, Nellore, etc.

3.1.9.5 Director of Insurance (DOI)

The main function of DOI is administration of Andhra Pradesh Government Life Insurance (APGLI). The main objective of APGLI is to ensure protection to the families of deceased Government employees and to augment the resources at the time of retirement. APGLI has been issuing endowment policies which mature on the date of superannuation of the policy holders concerned. As of March 2008, fund balance was Rs 1539.22 crore. This fund is incorporated in Part-III Public Account under '8011 Insurance and Pension Funds'. There were deficiencies in maintenance of accounts.

Subject	Audit observation
Amounts lying in suspense	Audit noticed that part of the premium paid by subscribers against their policies remains un-credited to respective accounts due to quoting incorrect policy numbers, etc. Such un-credited amounts up to the year 2008-09 aggregated to Rs 249 crore. Earliest period of the suspense amount dated back to 1975-76.
Belated issue of Account slips	APGLI Manual prescribes that account slips to the subscribers of APGLI should be issued by 30th September of the succeeding year. Audit noticed that account slips for the year 2006-07 only were issued as of March 2009. Further, slips were sent by post and no acknowledgments were on record about the receipt/issue of slips in the District Insurance Offices.

Overstatement of Insurance Fund and minus balances	As of March 2009, the balance under Group Insurance Scheme stood at Rs 449 crore. Audit noticed that most of the district treasuries were clubbing schedules of Insurance Fund and Savings Fund and as a result balance under Insurance Fund got overstated. In respect of Group Insurance Scheme of Panchayat Raj employees, minus balances continued to persist during the three year period. No amount was credited towards interest and the closing balance as of March 2009 stood at Rs (-) 38.20 crore. Similarly, in respect of Family Benefit Fund, minus balances aggregated to Rs 111.16 crore as of March 2009.
Declaration of bonus	Bonus for the triennium ended March 1999 was declared only in June 2006 after a delay of six years. Bonus for the triennium ended March 2002 was yet to be declared (March 2009).
Improper Asset Management	There were arrears in collection of rent from tenant departments aggregating Rs 1.48 crore as of March 2009. Instances of loss of currency of lease deeds, non-conclusion of lease deeds were noticed in Anantapur and Nellore District Offices.

3.1.10 Internal Control Mechanism

3.1.10.1 Internal Audit

In the absence of internal audit there was no assurance to the management that the departmental rules, regulations and procedures were being complied with

Government constituted (November 2003) State Level Internal Audit Committee and Internal Audit Wing at Secretariat level in Finance Department with one Joint Secretary/Deputy Secretary, three Deputy Directors/Asst. Directors from Treasuries/PAO(PW)/State Audit. The Internal Audit Wing at Secretariat comprises a section consisting of one Section Officer, two Assistant Section Officers (ASO), and four Data Processing Officers. A Chartered Accountant was also appointed by CGG[30] on tenure basis for strengthening the Internal Audit as a mechanism for monitoring and evaluation of internal controls. Secretary (FP) is the Head of Internal Audit Wing. Government ordered (July 2004) for renaming the Central Checking Cells functioning in District Treasuries as Internal Audit Cells.

Except the checking of pay fixation in the Revised Pay Scales, 2005, the Internal Audit wing of the Finance Department did not conduct the internal audit of either any wing within the Finance Department or any Directorate of the Finance Department. In the Directorates also Internal Audit wings were not existing.

The following further observations are made:

- While noting that Internal Audit was not effective, Government ordered (June 2005 and July 2007), to start the conduct of Internal Audit in Collegiate Education and School Education Department through DSA. Although, DSA conducted the audit and issued reports, compliance has not been watched.

[30]Centre for Good Governance

- Government received grant of Rs 1.72 crore (equivalent to USD 430,000) in September 2006 *inter alia* for establishing the Internal Audit Wing in Finance Department. Audit noticed that the expenditure up to August 2008 was a meagre Rs 20.79 lakh constituting 12 *per cent* of the project cost indicating tardy implementation of the World Bank Project.

In the absence of internal audit, there was no assurance to the management that the departmental rules, regulations and procedures were being complied with.

Government while agreeing that the internal audit was not effective attributed (April 2009) it to shortage of manpower.

3.1.10.2 High Power Committee (Shakdher Committee) recommendations

Government of Andhra Pradesh accepted the recommendations of the High Powered Committee known as Shakdher Committee, set up to improve the responsiveness to audit observations. The details of recommendations made and accepted by the Government are given in *Appendix-3.9*. Government did not however, furnish the action plan drawn for implementation of the accepted recommendations (June 2009).

3.1.10.3 Explanatory notes to C&AG audit Paras and Action Taken Notes on PAC recommendations

Monitoring by Finance Department with regard to submission of ENs to Audit Paras, ATNs to PAC recommendations, settlement of AG's IR Paras was poor

The Finance Department is the nodal agency to coordinate/ensure submission of explanatory notes (ENs) on audit paragraphs and reviews included in the C&AG Audit Reports within three months and Action Taken Notes (ATNs) on the PAC recommendations within six months. The Finance Department is also the nodal agency to ensure prompt response to the Inspection Reports issued by the Accountant General (AG) to ensure remedial action in compliance with the prescribed rules and procedures and accountability of the deficiencies and lapses noticed during inspection and proper functioning of Audit Committees.

Subject	Audit observation
ENs and ATNs	The following is the status of non-receipt of ENs and ATNs as of July 2009: • 22 departments had not submitted explanatory notes in respect of 152 paragraphs/ reviews which featured in the Audit Reports for the years 1996-97 to 2007-08. These included two ENs in respect of Para Nos. 4.1.1 and 4.2.2 titled 'Failure of Treasury Officers in exercising checks while admitting Bills' (Treasuries) and 'Payment of excess/inadmissible claims on foreign travel' (PAO, AP, Hyderabad) included in the Audit Report 2006-07 against Finance Department. • ATNs for 424 recommendations were also due. Of these, 222 ATNs were due from Irrigation and Command Area Development Department alone. • The Department-wise and Audit Report-wise details are given in *Appendix-3.10*.

<table>
<tr><td>IRs/Paragraphs</td><td>The status of pendency of IRs/Paragraphs as at the end of June 2007, June 2008 and June 2009 is detailed below:
Table-13
<table>
<tr><th rowspan="2"></th><th colspan="3">Pending as at the end of</th></tr>
<tr><th>June 2007</th><th>June 2008</th><th>June 2009</th></tr>
<tr><td>Number of IRs</td><td>12647</td><td>13669</td><td>11600</td></tr>
<tr><td>Number of Paragraphs</td><td>43482</td><td>47345</td><td>43267</td></tr>
</table>
The year-wise and department-wise break-up of these IRs and paragraphs is indicated in Appendix-3.11. Lack of action on audit IRs and Paras has adverse implication of continuation of financial irregularities and loss to Government.</td></tr>
<tr><td>Audit Committee meetings</td><td>The status of audit committee meetings held during 2006-07, 2007-08 and 2008-09 is discussed below:
• The Apex level State Audit and Accounts Committee met only once during each year 2006-07, 2007-08 and 2008-09 against the two meetings stipulated.
• As against 31 departments, State Level Departmental Audit Committee meetings were conducted in 23 departments during 2006-07, in 8 departments[31] during 2007-08 and only in 4 departments[32] during 2008-09.
• No State Level Departmental Audit and Accounts Committee meeting was held since reconstitution of the Committees in June 2004 in respect of 20 Departments.</td></tr>
<tr><td>Action on reports of ACB, Vigilance cases, etc.</td><td>Action on 371 cases (January 2009) pertaining to Anti Corruption Bureau (ACB) (28), Court cases (110), AP Administrative Tribunal (190) and disciplinary cases (43) in the Directorate of Treasuries and Accounts was inadequate.</td></tr>
</table>

3.1.10.4 Non-authentication of Manuals

Dr. Marri Channa Reddy Human Resource Development Institute of Andhra Pradesh compiled Departmental and Functionary manuals for all the Directorates of Finance Department. Audit found these manuals do not have official authority and hence lack sanctity. This has been the status for over five years.

DSA while accepting the audit point did not give reasons for not obtaining the Government's approval for these manuals.

---

[31]Environment, Forests, Science & Technology, Finance (three), Irrigation & Command Area Development, Tribal Welfare, Information Technology & Communication; Labour, Employment & Training; Municipal Administration & Urban Development, and Panchayat Raj & Rural Development Departments

[32]Finance, Labour, Employment & Training, Municipal Administration and Urban Development and Tribal Welfare Departments

3.1.10.5 Internal Controls in District Offices

Deficiencies noticed in the internal controls in District Offices of the Directorates of Treasuries and Accounts, Works Accounts, Insurance and State Audit are detailed below:

Office	Audit observation
District offices of Directorate of State Audit (DSA)	• Non-maintenance of Treasury Bill Register, non-preparation of Bank Reconciliation Statements, non-reconciliation of expenditure figures with District Treasury, incomplete maintenance of cash book and absence of closings, not obtaining attestation of entries in Service books from the employees, non-maintenance of Budget Control Register, etc were noticed. • Guard files of important instructions were not maintained by district audit offices. • DSA conducted inspection of District Offices and others and issued 868 observations during 2007-09. All the 868 observations raised by DSA remained un-settled as of January 2009. • Poor progress in issue of Special Letters was noticed. • There were arrears in receipt of Audit fee. • Registers including Audit fee and Comprehensive Demand Register were not maintained. • Irregularities were noticed in processing of pension cases of Class-IV employees. • There was no follow up action on the huge pendency of Audit Report Paras. The due dates in issue of Audit Reports were also not adhered to in all the district offices.
District offices of Director of Treasuries and Accounts	• Audit noticed that Watch registers for Certificates of Acceptance of Balances (CABs) and reconciliation with DDOs (Drawing and Disbursing Officers) were not maintained in district treasuries test-checked. • Records that were ripe for destruction were not identified and consequently no record was destroyed in all the treasuries test-checked.
District offices of Director of Works Accounts	• No statutory inspections were conducted since inception of the Directorate. • Audit noticed that PAO Objection Book, Calendar of Returns, PW Deposits Registers, and Cadre Strength Register were not maintained in all the PAOs test-checked.
District offices of Director of Insurance	• In all the district insurance offices test-checked, Audit noticed non-posting of schedule amounts to respective accounts and huge balances under suspense account, non-receipt of schedules from district treasury and non-conducting periodical review of cases. • District Insurance Offices are maintaining database of all the subscribers utilising software, namely 'Automatic Insurance Management System (AIMS)' that was supplied and controlled by the Directorate. Audit noticed that (i) no user/ Functionary manual of the software was provided to the District offices and that

	there was no provision for 'DDO code' and the month of premium. Further, there was no provision in AIMS to generate report on 'financial year-wise new business achieved', (ii) District insurance offices were unaware of the security policy of the department, (iii) there is no mechanism available in District Insurance Offices to have back-up of the data as every thing is controlled centrally, (iv) there is no mechanism in place to work off-line in case of emergency and at times of break-down of net work and connectivity problems associated with the Servers set up in district Collectorates and (v) no shelf life was fixed for the files kept in district insurance offices. • Periodicity of preservation of records was not prescribed.

3.1.11 Manpower management

Finance Department has the sanctioned strength of 6372 posts. Of these, ASOs (134), Shroffs (319), STOs (595), Senior Accountants/Senior Auditors (1990), Junior Accountants/Junior Auditors (826), Auditors (335), Divisional Accounts Officers (327), Senior Assistants (416) and Junior Assistants (182) represent the bulk of the manpower.

3.1.11.1 Vacancies in key areas

Finance Department has a critical role in all aspects relating to Government's finances. Any shortage of personnel has a deleterious effect on safeguarding the finances. But there were vacancies in key areas as detailed below:

- In Finance Department in Secretariat, there were 70 vacancies in the cadre of ASO due to non-availability of feeder cadre.
- In DTA, there existed 505 vacancies in the cadre of Senior/Junior Accountant although this cadre is the backbone for the functioning of Treasuries and Accounts Department.
- Similarly, in PAO (Hyderabad), there were 147 vacancies in the cadre of Auditor. Vacancies in key areas adversely affect the pre-audit function of the PAO.

3.1.11.2 Training

Utilisation of funds provided for training was poor in almost all the Directorates under the Finance Department

Audit noticed that DTA did not utilise the entire allotment for training during 2005-06, 2006-07 and 2008-09; expenditure in 2007-08 was a meagre Rs 49.89 lakh (8 *per cent*) as against the allotment of Rs 5.84 crore. Position of utilisation in other Directorates also remained the same as shown in Table-14.

Table-14 (Rupees in lakh)

Directorate	Budget allotment	Expenditure	Un-utilised balance
DTA	583.84	49.89	533.95
DOI	7.05	0.87	6.18
PAO (H)	1.23	0.23	1.00

Further, Finance Department did not formulate any training policy, although their staff carry out technical and non-routine functions.

Audit also noticed that newly recruited AAOs in the Directorate of State Audit were being trained as per the training plan approved as far back as in 1989.

The above points indicate lack of importance given to training by the Finance Department.

3.1.11.3 Payments to outsourcing agencies

Proper mechanism was not in place in Finance Department for conclusion of agreements with outsourcing agencies, etc.

Government issued (December 2006) specific guidelines for implementation of functions under outsourcing. Proper mechanism was not in place for ensuring remittance of service tax collected by the firms, accounting of ESI, EPF recoveries and employer's share to the departments concerned in respect of the outsourced staff as discussed below:

- DOI engaged three outsourcing agencies[33] for supply of 88 Data Entry Operators (DEOs), 12 Attenders and 23 Sweeper-cum-Night Watchmen during the period 2006-09 and incurred an aggregate expenditure of Rs 2.00 crore. The firms had executed agreements for one year from September 2006 to August 2007 and the same were extended up to July 2008. Their engagement was continued without subsisting contracts due to absence of instructions from Government.
- Audit also observed that Contract/Agency firms have been charging commission/agency charges at varying rates of the bill amount. Agency firms have not been submitting details of remittances made to the concerned Government departments (EPF and ESI) while preferring claims for the subsequent months despite the stipulation to that extent.
- Payments to outsourced agencies were made up to November 2007 by DTA and thereafter this function was delegated to Deputy Directors (DDs) of District Treasuries. There was thus no scope for verification of remittance particulars of EPF, ESI, etc as the agreements were not available with the district treasuries but with the DTA.
- Service Tax Registration numbers of the agencies were also not verified by the DDs beforehand and no such numbers were indicated on the invoices although it is mandatory as per Rule 4A of Service Tax Rules, 1994.

3.1.12 Government Website

3.1.12.1 Non-hosting of quarterly reports on the Web

Government has been preparing quarterly reports on the compliance made by the Government to the APFRBM Act, 2005. Audit observed that the quarterly reports were not being posted on the website in the recent past and latest/last report available in the web pertained to the quarter ended June 2007.

[33] M/s Srinivasa Outsourcing Services Pvt. Ltd, Hyderabad, M/s Sri Sai Infotech, Hyderabad and M/s Jyothi Computers Services, Hyderabad

3.1.12.2 Uploading incomplete Government Orders on the website

On perusal of Government Orders (GOs) posted on AP Government Website "www.ap.gov.in/goir" during March 2009, it was observed that some GOs were incomplete and did not contain data such as the name of the issuing authority, number, date, unit of measurement, etc. Details are given in the *Appendix-3.12*.

3.1.13 Constraints and achievements

Audit has not been able to ascertain the constraints faced by the Finance Department as no reply was received for the audit observations. The following were the achievements of the Finance Department:

- The Finance Department piloted the APFRBM Act, 2005 to ensure prudence in fiscal management and to maintain fiscal stability in the State.
- The Finance Department prepared Fiscal Correction Path for the Government indicating the milestones of outcome indicators with target dates of implementation keeping in view the fiscal targets laid down in the APFRBM Act and Rules made thereunder.
- The Finance Department accorded priority to asset formation in annual budgets with emphasis on capital outlay. The major beneficiary sectors are Irrigation and Flood Control and Transport. The increasing trends in capital expenditure as reflected by its increasing ratio with reference to total expenditure and GSDP as well as a significant proportion of Non-salary component of Revenue expenditure (net of subsidies) indicates an improvement in quality of expenditure during the period 2006-08.
- The State finances have shown Revenue surplus for the second consecutive year although it declined from Rs 2807 crore in 2006-07 to Rs 159 crore in the year 2007-08.
- Due to good fiscal performance State Government received debt relief of Rs 1,186.31 crore and Rs 703.08 crore during 2006-07 and 2007-08 respectively from Central Government under Debt Consolidation and Relief Facility (a scheme formulated by Central Government in pursuance of the recommendations of the TFC for fiscal consolidation and elimination of revenue deficit of the States).
- The Finance Department did not resort to Ways and Means Advances for the successive fourth year (during 2007-08) due to better management of cash balances.
- Despite a steep fall in revenue surplus and a sharp increase in fiscal deficit during the year 2007-08, an increase of two *per cent* in Balance from Current Revenue (BCR) (Rs 8,503 crore) over that of 2006-07 indicates that funds were available with the State Government for creation of assets and to meet other development needs of the State.
- The existing manual accounting procedures have been computerised and the daily accounts from sub-Treasury to the District Treasury are computerised. As a result, monitoring of State finances has become possible on a day-to-day basis.

3.1.14 Conclusions

The objective of the Finance Department is overall management of the State's finances including mobilisation of resources and collection of revenues and other financial resources. The financial management was deficient. Audit noticed huge variations in BEs and the actual expenditure, unnecessary supplementary grants, non-surrender of anticipated savings, expenditure without provision, etc. Accountability obligations were largely ignored by DDOs/HODs. Adequate internal controls did not exist with the Finance Department in areas of watching compliance of instructions by other administrative departments. The return on investments in Commercial Enterprises was poor. There were chronic arrears in preparation of Proforma Accounts by Departmentally Managed Government Undertakings. Monitoring by Finance Department was also ineffective with regard to submission of Explanatory Notes to Audit Paras, Action Taken Reports to PAC recommendations, settlement of AG's IR Paras by other administrative departments. Functioning of all the Directorates under the control of Finance Department was deficient. Audit noticed lapses such as, accumulation of stamps with DTA; irregular transfer to Civil deposits, non-renewal of bank guarantees in DWA; huge arrears of cost of realisable audit fee, non/delayed submission of Audit Reports to Legislature by DSA, etc. Audit also noticed weak internal controls in their district offices. Tax recovery mechanism was not effective and the Government resorted to sale of lands for revenue mobilisation. In the absence of effective internal audit, there was no assurance to the management on the adequacy of the internal controls in the Department.

3.1.15 Recommendations

- Government should put in place an effective mechanism such as having an independent representative of Finance Department in each Department to ensure financial discipline and to prepare realistic budget and avoid unnecessary supplementary grants, non-surrender of anticipated savings. Timely release of funds at prescribed intervals to user departments should be ensured for smooth flow of expenditure.
- Finance Department should ensure strict compliance of its own instructions in GO Ms. No. 507 dated 10 April 2002 to honour Public Finance Accountability norms viz. timely adjustment of abstract contingent bills, reconciliation of receipts and expenditure figures by all departments, submission of accounts by autonomous bodies, etc.
- Government should gear up its machinery to ensure realisation of tax revenue which was in arrears. Immediate steps should also be taken to effect recovery of tax pointed out by Audit and accepted by Government.
- Finance Department should ensure expeditious submission by all departments of Explanatory Notes to Audit paras and Action Taken Notes on PAC recommendations and timely and proper response to the Inspection Reports of AG. Finance Department should also ensure conducting of Audit Committee Meetings in all the departments regularly

for speedy settlement of pending IRs and paras and effect recoveries pointed out in the IRs promptly.

- Finance Department should take effective steps for expeditious furnishing of Explanatory Notes and Action Taken Notes to PAG for vetting for regularisation of excess expenditure in the years 2004-05 to 2007-08.
- Finance Department should ensure proper internal controls in all the Directorates and the district offices as well. Director of Insurance needs to take early steps to clear the balance lying in suspense account. Director of State Audit is to expedite the submission of Audit Reports to Legislature without delay to serve the desired purpose.
- Finance Department should bring out ways to minimise avoidable expenditure in significant expenditure items of budgets and streamline revenue collection mechanism in areas which form part of sizeable budget.
- Internal Audit in Finance Department including all the directorates is to be strengthened to derive the benefit of this important tool for financial management.

The above audit observations were reported to the Government in August 2009; their reply has not been received.

(G. N. SUNDER RAJA)
Hyderabad **Principal Accountant General (Civil Audit)**
The **Andhra Pradesh**

Countersigned

(VINOD RAI)
New Delhi **Comptroller and Auditor General of India**
The

Appendix-1.1
(Reference to paragraph 1.1.5 page 5)

List of Districts, CHCs, PHCs and Sub-Centres selected for Test Check

District	CHC/Block	PHC	Sub-centre
Vizianagaram	Saluru Bobbili S.Kota	Marupalli	Logisa
			Madhupada
		Kothavalasa	K.dabalu
			Denduru
		Pakki	Pakki
			Sivadavalasa
		Peddamajjipalem	Psr puram
			Vasadi
		Vepada	Nkr puram
			C. Dungada
		Viyyampeta	Viyyampeta
			Thummakapalli
Krishna	Mylavaram Nandigama Vuyyuru	Kondapalli	Kondapalli-II
			Guntupalli-III
		Unguturu	Unguturu
			Telaprolu-II
		Kruthivennu	Kruthivennu
			Matlam
		Koduru	Puligadda
			Koduru-II
		Veeravalli	Sirivada
			Bandarugudem
		Lakshmipuram	Chinnagollapalem
			Nidamarru
Nellore	Atmakur Rapur Sullurpeta	Guttikonda Varipalli	Kalavalapudi
			Venkatagiri-I
		Mallam	Mallam-I
			Mallam-II
		Manubolu	Cherlapalli
			Kommalapudi
		Mypadu	Korutla
			Somarajupally
		Seetharamapuram	Ayyavaripally
			Gundupally
		Yellayapalem	Chowkicherla
			Mudivarthi
Kurnool	Atmakur Dhone Pattikonda	Bethamcherla	Cementnagar-I
			Cementnagar-II
		Kolimigundla	Petnikota
			Bellum
		Kothapalli	Chakarajuvemula
			W.kothapalli
		Krishnagiri	Amakathadu
			Yerukulacheruvu
		Perisomula	Akumalla
			Kavala
		Puchakayalamada	Devanabanda
			Dudekonda

District	CHC/Block	PHC	Sub-centre
Adilabad	Chennur Luxetipet Sirpur	Ada	Ada
			Ankusapur
		Lakshmanachanda	Parapally
			Vellamal
		Lonevally	Chintakunta
			Dabba
		Vemanapally	Gillada
			Vemanapally
		Wankidi	Gambiraopet
			Pangidimadra
		Pittabongaram	Kondapur
			Walagonda
Khammam	Penuballi Sattupalli Yellandu	Pinapaka	Uppaka
			Thoggudem
		Jeediguppa	Kolluru
			Pocharam
		Kamepally	Utukuru
			Mucherla
		Kutur	Karmankonda
			Marrigudem
		Chandrugonda	Ravikampadu
			Ayyanapalem
		Chintakani	Kudumuru
			Prodduturu
Karimnagar	Pedapally Jammikunta Sultanabad	Kothapalli	Kothapalli-1
			Asifnagar
		Bejjanki	Kallepalli
			Begampet
		Kesavapatnam	Molungur
			Metpally
		Saidapur	Vennampally
			Bommakal
		Yellareddypet	Thimmapur
			Venkatapur
		Velgatur	Chegyam
			Pathagudur
Kadapa	Kamalapuram Proddutur Siddavatam	Chilmakur	Malepadu
			Chirrajupally
		Vallur	Ambavaram
			Peddaputha
		CK Dinne	Kolumalapally
			Bodeddulapalli
		Thottigaripally	TV Puram
			Badvel-III
		Khajipet	B. Kothapalli
			Ravulapally
		Gopavaram	Brahmanapally
			Sastrinagar

Appendix-1.2
(Reference to paragraph 1.1.6.2 page 6)

Variation between SHS and DHS figures (NRHM) in respect of test checked districts

(Rupees in lakh)

District	Year	Funds released to DHS by SHS	Funds received by DHS	Difference
Vizianagaram	2005-06	263.95	226.95	(-) 37.00
	2006-07	843.66	858.48	14.82
	2007-08	1008.68	1019.83	11.15
	2008-09	784.87	811.74	26.87
Krishna	2005-06	282.68	221.60	(-) 61.08
	2006-07	894.65	879.01	(-) 15.64
	2007-08	954.64	876.55	(-) 78.09
	2008-09	957.88	961.13	3.25
Nellore	2005-06	223.39	173.92	(-) 49.47
	2006-07	819.43	579.27	(-) 240.16
	2007-08	743.53	765.69	22.16
	2008-09	666.45	712.05	45.60
Kurnool	2005-06	282.40	233.72	(-) 48.68
	2006-07	1046.27	898.19	(-) 148.08
	2007-08	1032.12	1058.86	26.74
	2008-09	1131.13	951.75	(-) 179.38
Adilabad	2005-06	246.91	197.54	(-) 49.37
	2006-07	782.59	762.31	(-) 20.28
	2007-08	920.69	1071.94	151.25
	2008-09	669.11	691.89	22.78
Khammam	2005-06	248.24	210.93	(-) 37.31
	2006-07	849.18	833.79	(-) 15.39
	2007-08	985.53	1000.10	14.57
	2008-09	707.26	714.84	7.58
Kadapa	2005-06	247.92	217.45	(-) 30.47
	2006-07	901.39	875.63	(-) 25.76
	2007-08	952.48	736.05	(-) 216.43
	2008-09	854.92	900.20	45.28
Karimnagar	2005-06	261.56	NIL	(-) 261.56
	2006-07	905.82	789.04	(-) 116.78
	2007-08	1031.35	834.39	(-) 196.96
	2008-09	731.31	1017.78	286.47
Total		**23231.99**	**22082.62**	**(-) 1149.37**

Appendix -1.3
(Reference to paragraph 1.1.8.4 page 13)

Sanctioned strength of Medical and Health Department as of September 2008

Sl. No	Cadre	Sanctioned strength				Existing	Vacancy	
		Permanent	Temporary	Super-numorary	Total		Regular	Out-sourcing
1	Civil Asst Surgeon	60	13	-	73	69	4	-
2	Civil Surgeon Specialist	10	166	-	176	130	46	-
3	Deputy Civil Surgeon	157	126	-	283	163	120	-
4	Civil Asst. Surgeon	1530	1886	200	3616	2337	1279	182
5	Dental Asst Surgeon	18	172	-	190	165	25	1
6	Sr. Entomologist	22	5	-	27	13	14	-
7.	Statistical officer	68	-	-	68	63	5	-
8.	Dy. Statistical officer	50	20	-	70	49	21	-
9.	Statistician	78	40	-	118	90	28	-
10	Biologist	7	2	-	9	9	-	-
11.	Physiotherapist	51	52	-	103	92	11	-
12	Paramedical officer	23	-	-	23	20	3	-
13.	Dy P.M.O/Non medical supervisor	285	181	-	466	362	104	-
14.	Pharmacy Supervisor	22	-	-	22	16	6	-
15.	Head Nurse	10	144	-	154	123	31	-
16	Ophthalmic Asst	131	183	-	314	278	36	16
17	A.P.M.O/N.M.A	1480	680	-	2160	1500	660	-
18	M.P.H.E.O	1112	396	-	1508	1096	412	-
19	Staff Nurse	1437	1075	-	2512	1647	865	150
20	H.E.O	23	-	-	23	21	2	-
21	Health Educator	150	-	-	150	109	41	-
22	MPHS(M)	1973	772	-	2745	2120	625	-
23	PH Nurse	22	7	-	29	20	9	-
24	Pharmacist Gr II	1211	580	-	1791	1494	297	336
25	MPHA (M)	3902	3553	-	7455	5797	1658	2943
26	ANM	-	-	-	-	11572	-	-
27	MPHA (F)	774	1251	-	2025	1814	211	75
28	Radiographer	75	124	-	199	107	92	-
29	Lab technician Gr II	1550	289	-	1839	1418	421	278
30	C.H.O	337	169	-	506	305	201	-
31	Refractionist	-	1	-	1	1	-	-
32	Dark room Asst	54	125	-	179	84	95	-
33	Lab-Attendant	35	10	-	45	39	6	-

Appendix-1.4
(Reference to paragraph 1.1.9.3 page 17)

Number of sterilizations conducted during 2005-06 to 2008-09

Year	Target	Achievement	Percentage	Break-up of operations		
				Vasectomy	Tubectomy	Laparoscopy
2005-06	800000	745117	93.14	26542	630664	87911
2006-07	800000	769253	96.16	27221	630955	111077
2007-08	800000	711748	89.00	27285	573718	110745
2008-09	790000	700273	88.64	29763	556811	113699

Appendix-1.5
(Reference to paragraph 1.2.6.1 page 29)

Statement showing the receipts and expenditure of the University during the period 2004-09

(Rupees in crore)

Year	Receipts					Expenditure			
	Block grant	Internal Sources	UGC Grant	Non-UGC Grants	Total	University Funds	UGC	Non-UGC	Total
2004-05	67.32	21.09	7.73	6.35	102.49	88.71	6.23	5.64	100.58
2005-06	71.70	24.76	6.45	5.32	108.23	96.45	6.99	6.26	109.70
2006-07	93.20	21.86	19.49	5.40	139.95	115.06	19.79	4.34	139.19
2007-08	93.25	33.38	22.57	8.43	157.63	126.63	21.38	9.78	157.79
2008-09*	98.44	31.18	11.60	4.84	146.06	138.07	11.59	6.43	156.09
Total	**423.91**	**132.27**	**67.84**	**30.34**	**654.36**	**564.92**	**65.98**	**32.45**	**663.35**

*Estimated figures (Accounts yet to be prepared)

Appendix-1.6
(Reference to paragraph 1.2.10 page 45)

Incorrect preparation of estimates

Name of the work	Standard Schedule of Rates (SSR) per Cum (Rs)	Rates adopted per Cum (Rs)	Difference of rates per Cum (Rs)	Quantity of work done (in Cum)	Excess expenditure (Rs)
Construction of Girls hostel building for Engineering and Technology Students at University campus					
Filling of basement with carted earth	134.32	208.52	74.20	978.96	72,639
Refilling of foundation with excavated earth	10.11	28.54	18.43	1,546.19	28,496
Coursed rubble stone masonry	1,858.60	1,936.27	77.67	559.53	43,459
				Total excess expenditure	**1,44,594**
Construction of a Building for Central Facilities Complex					
Filling with carted gravel in trenches	155	189.85	34.85	11,993.61	4,17,977
Filling foundation with excavated earth	9.24	26.33	17.09	928.68	15,871
Coursed rubble stone masonry	1,632.49	1,670.25	37.76	1,112	41,989
				Total excess expenditure	**4,75,837**

Appendix-1.7
(Reference to paragraph 1.3.2.2 page 52)

TPQC works entrusted to firms other than empanelled

TPQC Package No.	Name of the firm	Value of TPQC agreement (Rs in crore)	No. of EPC packages/ agreements	EPC Package Numbers	Value of EPC agreements (Rs in crore)
20	Engineering Staff College of India	3.338	3	ISRMC 5,6,7	673.36
23	Engineering Staff College of India	2.858	5	Pushkara & Venkatanagram	415.65
AVR HNSS	M/s VAS Consultants, Hyderabad	4.415	14	52 to 65	807.12
10	M/s NCPE, Hyderabad	1.416	2	Civil & Hydro	268
3	M/s NCPE, Hyderabad	1.967	6	77 to 81	235.63
37	M/s NCPE, Hyderabad	4.076	8	7 to 12, 19 to 20	716.69
	supplemental	1.226			
12	M/s NCPE, Hyderabad	2.57	7	52 to 58	427.35
36	Indian Register of Shipping, Hyderabad	3.186	1	Bhima Lift 1 & 2	774.902
		25.052	**46**		**4318.702**

Appendix-1.8
(Reference to paragraphs 1.3.5, 1.3.12 and 1.3.18 pages 53, 58 and 62)

Amount included towards analysis of designs in original agreement, extra expenditure for analysis of design, testing of input materials etc in supplemental agreements pertaining to extension of time

(In Rupees)

TPQC Package No.	Amount for Design Analysis as per Original Agreement	Amount for Design Analysis as per Supplementary Agreement	Testing of input materials and analysis	Insitu tests and analysis	Tests of finished product and analysis	Amount for central laboratory building
1	459847					8641168
2	465304					
3	320000					
4	1110000					
5	1110000	254320	614200	668880	561070	
8	393567					
9	432922					591680
10	244000					
11	846000	741922	824330	3469527	998399	
12	460000					
15	575000					
16	1200000					
17	1200000					
18	476200	376998	4581052	9363048	286102	
19	476200	376998	4581052	9363048	286102	
20	1050000					5705000
21	113289					11750592
22	437083					1200000
23	1000000	486090	2330967	2141355	2418460	5369364
24	553300	753093	5372093	4017093	3655093	0

25	305125					
26	330862					
27	453197					
28	444734					
32	1170000					
33	1050000					
34	1340791					
35	3193336					
36	240000	0	2023498	1425000	1282500	
37	264000	482400	6390263	4044780	3797102	
38	1095000	360000	1044000	7915900	7836000	
39	735000					12216304
40	295453					909325
41	770473					2600000
42	150000					2700000
43	0					
44	100000					
49	1490000					8160000
TPQC-1	108921					11719868
GLIP	515000	191460	8822004	456825	2781528	
AVR HNSS	523000					5037501
	27497604	**4023281**	**36583459**	**42865456**	**23902356**	**76600802**

Appendix-1.9
(Reference to paragraph 1.3.16 page 61)

Financial commitment due to extension of time

TPQC Package No.	Date of Original Agreement	No. of months	Supplemental Agreement No & Date	No. of months for which EOT is accorded	Value of Supplementary Agreement	EPC Package No.	Agreement Concluding authority	Original EPC agreement valid up to	Original TPQC agreement valid up to
21	02.12.2005	24	7/07-08, 25.01.08	3	3249534	ISLMC 1,2,3	SE, ISLMC, Tuni	19.03.2007, 16.03.2007, 18.03.2007	01.12.2007
			10/07-08,29.03.08	3	3358817	ISLMC 1,2,3	SE, ISLMC, Tuni		
			19/08-09, 14.11.08	9	9713134	ISLMC 1,2,3	SE, ISLMC, Tuni		
20	28.04.2006	24	3/08-09, 28.05.08	2	2864658	ISLMC 5,6,7	SE, ISLMC, Tuni	22.10.2006, 19.10.2006, 24.10.2006	27.04.2008
			7/08-09, 10.10.08	4	5194292	ISLMC 5,6,7	SE, ISLMC, Tuni		
18	13.11.2005	24	1/07-08, 3.11.07	4	5091704	ISRMC 1,2,3	SE, ISRMC, Eluru	20.10.2006, 19.10.2006, 22.10.2006	12.11.2007
			1/07-08, 05.02.08	3	3818778	ISRMC 1,2,3	SE, ISRMC, Eluru		
			5/08-09, 14.08.08	4	5091704	ISRMC 1,2,3	SE, ISRMC, Eluru		
22	10.12.2005	24	6/07-08, 25.01.08	3	4742162	ISLMC 4,5,6,7	SE, ISLMC, Tuni	22.03.2007, 22.03.2007, 22.03.2007, 22.03.2007	09.12.2007
			3/08-09,15.04.08	3	4876994	ISLMC 4,5,6,7	SE, ISLMC, Tuni		
			16/08-09, 23.10.08	12	19481568	ISLMC 4,5,6,7	SE, ISLMC, Tuni		

24	27.10.2005	24	3/07-08, 13.02.08	6	14918961	TGP 9,10,11, 39,40 & Somasila 94, 95, 96	SE, TGP, SKHT	20.09.2007, 21.08.2008, 30.09.2007, 27.09.2007, 06.09.2007, 22.03.2007, 24.03.2007	26.10.2007
			3/08-09, 21.8.08	12	26864265	TGP 9,10,11, 39,40 & Somasila 94, 95, 96	SE, TGP, SKHT		
4	24.10.2005	24	56/07-08	14	14660627	JLIS 98 to 109	SE, PJP, Gadwal		23.10.2007
5	17.10.2005	24	5/07-08,22.02.08	5	6289720	RLIS 13 to 22	SE, RBLISP, Pebbair		16.10.2007
			2/08-09, 17.07.08	9	7724200	RLIS 13 to 22	SE, RBLISP, Pebbair		
33	06.03.2006	24	01/08-09, 14.07.08	6	8064000	MGLIS 28, 29, 30	SE, MG&JLIS, MBNR		
37	10.03.2006	18	23/07-08, 19.02.08	6	12266160	7, 8, 20 of KMM and 10, 11, 12, 18, 19 of ADB	SE, Med, Bellampally		16.10.2007
			30/07-08, 29.03.08	5	9613662	7, 8, 20 of KMM and 10, 11, 12, 18, 19 of ADB	SE, Med, Bellampally		
			14/08-09, 25.10.08	8	16381327	7, 8, 20 of KMM and 10, 11, 12, 18, 19 of ADB	SE, Med, Bellampally		
25	17.01.2006	18	1/07-08, 31.12.07	6	2932596	Alisagar & Guthpa Civil & Mech	SE, NSLI, NZB		16.07.2007
			2/07-08, 09.05.07	3	1466298	Alisagar & Guthpa Civil & Mech	SE, NSLI, NZB		
GLIP	06.01.2006	30	07/2008-09	12	16639797	GLIS Civil & Mech	SE, GLIS, WGL		05.07.2008
36	03.05.2006	24	4/2008-09	11	12682039	RLIS Lift I & II	SE, RLIS, Pebbair		02.05.2008
					217986997				

Appendix-1.10
(Reference to paragraph 1.4.1 page 64)

Central Assistance for the 30 Major and Medium Projects taken up under AIBP up to March 2009

Sl. No.	Name of the Project/Scheme	(Rs in crore)
1	Sriram Sagar (Stage-I)	327.17
2	Cheyyeru (Annamayya)	25.33
3	Jurala	245.19
4	Somasila	164.53
5	Nagarjunasagar	77.14
6	Madduvalasa	66.80
7	Gundlavagu	4.01
8	Maddigedda	3.79
9	Kanpur Canal	1.92

10	Yerrakaluva	28.46
11	Vamsadhara Ph.I	37.12
12	Flood Flow Canal of SRSP	308.40
13	Sriram Sagar Project –II	74.27
14	Tadipudi LIS	48.22
15	Pushkara LIS	47.08
16	Ralivagu	6.71
17	Gollavagu	60.47
18	Mathadivagu	28.35
19	Peddavagu	50.63
20	Gundlakamma Reservoir	99.35
21	Veligallu Reservoir	62.34
22	Ali Sagar LIS	16.37
23	J.Chokkarao LIS	703.13
24	A.R.Guthpa LIS	17.50
25	Nilwai	18.40
26	Khomaram Bhim	110.25
27	Thotapalli Barrage	75.09
28	Tarakarama Thirtha Sagaram Project	33.00
29	Swarnamukhi Medium Irrigation Project	11.86
30	Palemvagu	9.54
	Total	**2762.42**

Appendix-1.11
(Reference to paragraph 1.4.1 page 64)

Central Assistance for the 67 MI Schemes taken up under AIBP up to March 2009

Sl. No.	Name of the Project/Scheme	(Rs in lakh)
1	Formation of new tank across Kankilavorre near Marrigudem(V) Mancherial(M) Adilabad District	168.30
2	Formation of new tank across Local Stream near Nandulapalli (V), Nannel(M), Adilabad District	131.40
3	Formation of new tank across branch of Bokkalavagu near Nandulapalli(V) Nannel(M) Adilabad District	172.80
4	Formation of new tank across Medaramvagu near Medaram (V), Mandamarri(M) Adilabad District	171.90
5	Formation of new tank across Chalamala vagu near Konampet (V), Nannel(M) Adilabad District	532.80
6	Formation of new tank across local stream near Pardhi (V) Kowthala(M) Adilabad District	177.30
7	Formation of new tank across Tekumatla vagu near Tekumatla(V), Jaipur (M), Adilabad District	478.80
8	Formation of new tank across Peddavagu near Kazipally(V), Jaipur(M) Adilabad District	342.00

9	Formation of new tank across Local stream near Aregudem(V), Kagaznagar(M) Adilabad District	229.50
10	Formation of Reservoir across Gangapur vagu, near Nambala (V), Rebbena(M), Adilabad District	297.27
11	Formation of new tank across local stream, near Doddigudem(V), Kasipet(M), Adilabad District	108.90
12	Formation of new tank across local stream near Mamidigudem(V) Kasipet(M), Adilabad District	126.00
13	Formation of new tank across local stream near Pollampally(V), Jaipur(M), Adilabad District	98.10
14	Formation of new tank across Palamaduguvagu near Kusnapally(V), Nannel(M), Adilabad District	165.24
15	Formation of new tank across local stream, near Alugaon(V), Kotapally(M), Adilabad District	125.10
16	Formation of new tank across local stream near Balapalli(V), Kotapally(M), Adilabad District	265.50
17	Formation of new tank across local stream near Korishalagudem(V), Kasipet(M), Adilabad District	288.00
18	Formation of new tank across local stream near Varipet(V), Kasipet(M), Adilabad District	352.80
19	Formation of new tank across local stream near Buggagudem(V), Kasipet(M), Adilabad District	208.80
20	Formation of new tank across local stream near Kushanapally(V), Nannel(M), Adilabad District	133.64
21	Formation of new tank across local stream near Rampur(V), Kotapally(M), Adilabad District	383.04
22	Formation of new tank across local stream near Pulimadugu(V), Utnoor (M), Adilabad District	197.73
23	Formation of new tank across local stream near Pendaruguda(V), Utnoor(M), Adilabad District	267.30
24	Formation of new tank across local stream near Wadoni(V), Utnoor(M), Adilabad District	200.97
25	Formation of new tank across local stream near Rajulaguda(V), Utnoor(M), Adilabad District	133.34
26	Formation of new tank across local stream near Puskaloddivagu near Laxmipur(V), Indravelly(M), Adilabad District	122.22
27	Formation of new tank across local stream near Babejeri(V), Narnoor (M), Adilabad District	111.06
28	Formation of new tank across local stream near Mahagaon(V), Narnoor(M), Adilabad District	109.62
29	Formation of new tank across local stream near Banargondi(V), Adilabad District	106.02
30	Formation of new tank across local stream near Seethagondi(V), Gundihatnoor(M), Adilabad District	355.50
31	Formation of new tank across local stream near Shambuguda(V), Gundihatnoor(M), Adilabad District	210.15
32	Formation of Kajjeria Reservoir in Kajjeria(V), Talamadugu(M), Adilabad District	405.00

33	Formation of new tank across Therinala near Yapalguda(V), Adilabad District	234.00
34	Formation of new tank across Pangri vagu near Pangri(V), Bhainsa (M), Adilabad District	237.60
35	Formation of MI Tank (Pathacheruvu) at Gulmadugu(V), Kuntala(M), Adilabad District	133.65
36	Formation of new tank across local stream near Burkapalli(V), Tamsi(M), Adilabad District	87.03
37	Formation of new tank across local stream near Guda Rampur(V), Jainath(M), Adilabad District	91.35
38	Formation of new tank across Chouti Vorrey near Kajjarla(V), Thalamadugu(M), Adilabad District	171.90
39	Formation of new tank across local stream near Buthi(V), Bazaratnoor(M), Adilabad District	621.00
40	Formation of new tank across local stream near Pippaladari(V), Boath(M), Adilabad District	109.80
41	Formation of new tank across local stream near Wadegaon(V), Thamsi(M) Adilabad District	85.86
42	Formation of new tank across local stream near Palsi(V), Thalamadugu(M), Adilabad District	200.70
43	Formation of new tank across local stream near Lalgadh(V), Thalamadugu(M), Adilabad District	90.27
44	Formation of new tank across local stream near Bondidi(V), Neeredigonda(M), Adilabad District	171.63
45	Formation of new tank across local stream near Masala(V), Bela(M), Adilabad District	218.79
46	Formation of Reservoir across Bikkivagu near Karjibheempur(V), Bheemini(M), Adilabad District	553.50
47	Formation of new tank across Mongalivorrey near Nambala(V), Rebenna(M), Adilabad District	72.90
48	Formation of new tank across Rechini Regadi Vorrey near Thugeda(V), Rebenna(M), Adilabad District	100.17
49	Formation of Reservoir across local stream near Movad(V), Asifabad (M), Adilabad District	360.00
50	Formation of Reservoir across Isukagedda near Buchavvapalem, Devarapally(M), Visakhapatnam District	252.00
51	Formation of new tank across local vanka near Vayalpadu(V), Chittoor District	342.00
52	Formation of new tank across Maddileru vagu near Ghani (V), Gadivemula(M) Kurnool District	276.30
53	Formation of new MI tank across Chandravanka near Chinnabodhanam(V), Chagalamarri(M), Kurnool District	247.50
54	Formation of MI tank across local stream near Jakkanalapally(V), Midjill(M), Mahaboobnagar District	94.50
55	Raising of FRL of Thipparthy vagu project near Gangannapalem, Thipparthy (M), Nalgonda District	120.68
56	Extension of FC from Guniyadiganni cheruvu to feed oora cheruvu, Voligonda(V), Atmakur Mandal, Nalgonda District	829.80

57	Extension of FC from Guniyadiganni cheruvu, Phahilwampur in Voligonda(V), Mothkur (M), Nalgonda District	470.70
58	Construction of pickup anicut across Musi River near Muppavaram(V), Kondepi (M), Prakasam District	123.93
59	Construction of Multipurpose checkdam across Musi River near Ananthavaram (V), Tangutur (M), Prakasam District	661.50
60	Construction of anicut cum road across Manneru river at Baddipudi donka near Machevagu, Kandukur(M), Prakasam District	275.78
61	Raising FPL and improvements to Valluru tank of Valluru (V), Tangutur(M), Prakasam District	774.00
62	Restoration Regulgandi vagu project near Kunavaram H/o Samithisingaram(V), Manuguru(M), Khammam District	109.57
63	Formation of new tank across Pothulavagu near Asupaka (V), Aswaraopet(M), Khammam District	145.80
64	Formation of new tank across posampally vagu near Pagideru(V), Manuguru (M), Khammam District	275.22
65	Formation of new tank across Pullathogub near Regalla (V), Pinapaka(M), Khammam District	217.23
66	Pogonda Reservoir across Byneru river near Chintalagudem (V), Buttavagudem(M), West Godavari District	2169.00
67	Construction of pick up anicut across Gundlakamma river near Velamavaripalem(V), Ballikurava(M), Prakasam District Excavation of feeder channel to Bhavanasi tank of Gopalapuram (V) of Addanki (M) and raising FTL of Bhavanasi tank for creating additional irrigation potential	2195.90
	Total	**20297.66**

(Actually received = Rs 161.46 crore)

Appendix-1.12
(Reference to paragraph 1.4.3 page 65)

Details of Projects/Schemes selected in audit

Sl. No.	Name of the Project	Grant released up to 2008-09 (Rs in crore)
Sample-A (Projects taken up during 2003-04 to 2008-09)		
1	Veligallu Reservoir Project, Kadapa (Medium)	62.33
2	Thotapalli Barrage Project, Vizianagaram (Medium)	75.09
3	Alisagar Lift Irrigation Scheme, Nizamabad (Major)	16.37
4	Khomaram Bhim Project, Adilabad (Medium)	110.25
5	Ralivagu Project, Adilabad (Medium)	6.70
6	Pushkara Lift Irrigation Scheme, East Godavari (Major)	47.08
7	Gundlakamma Reservoir Project, Prakasam (Major)	99.33

Sample-B (Projects taken up during 1996-97 to 2002-03)		
8	Yerrakaluva Project, West Godavari (Medium)	28.46
9	Sriram Sagar Project Stage-I, Karimnagar (Major)	327.17
10	Somasila Project, Nellore (Major)	164.52
	Total	**937.30**
Sample-C (MI schemes taken up in 2006-07)		**(Rs in lakh)**
1	Formation of new tank across Mongalivorrey near Nambala, Adilabad District	72.90
2	Formation of new tank Rechini Ragadi near Rebbana (V) Adilabad District	100.17
3	Formation of new tank across Kankilavorre near Marrigudem (V) Adilabad District	168.30
4	Formation of new tank across local stream near Nandulapalli (V) Adilabad District	131.40
5	Formation of new tank across branch of Bokkalavagu near Nandulapalli (V) Adilabad District	172.80
6	Formation of new tank across Mearamvagu near Medaram (V) Adilabad District	171.90
7	Construction of pick up anicut across Musi river near Muppavaram (V) Prakasam District	123.93
8	Construction of multipurpose checkdam across Musi river near Ananthavaram (V) Prakasam District	661.50
9	Construction of anicut cum road across Maneru River near Machavaram (V) Prakasam District	275.78
10	Raising FTL & improvements to Valleru Tank near Valeru (V) Prakasam District	774.00
11	Formation of Reservoir across Isukagedda (V), Visakhapatnam District	252.00
12	Formation of New Tank across Local vanka near vayalpad, Chittoor District	342.00
13	Formation of new tank across maddileru vagu, Gani(V), Kurnool District	276.30
14	Formation of new tank across Chandravanka near Chinnabodanam(V), Kurnool District	247.50
	Total	**3770.48**

Appendix-1.13
(Reference to paragraph 1.4.3 page 66)

Year-wise details of the Budget provision vis-à-vis the expenditure on major and medium projects during the period from 2004-05 to 2008-09 (AIBP)

(Rs in crore)

Name of the Project	Budget Provision Expenditure				
	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Gundlakamma Reservoir Project	22.50 25.63	30.00 69.45	225.00 210.67	200.00 132.85	120.00 NA
Komaram Bhim Project	1.50 11.00	58.00 61.41	126.00 39.70	105.00 101.53	67.80 NA
Pushkara Lift Irrigation Scheme	49.00 48.07	200.00 137.83	100.00 90.51	160.00 95.31	90.00 NA
Ralivagu Project	0.50 1.40	5.00 8.42	35.00 31.13	20.00 2.52	5.10 NA
Somasila Project	106.01 61.75	48.64 30.26	150.00 112.32	140.59 126.56	190.00 NA
Thotapally Barriage Project	88.91 112.01	85.59 40.22	165.00 31.38	145.00 122.52	85.00 NA
Veligallu Reservoir Project	30.00 27.27	75.37 84.09	55.00 34.22	15.00 8.69	19.00 NA
Yerrakaluva Reservoir Project	21.00 13.93	18.00 10.00	2.00 4.57	9.78 7.73	5.00 NA

NA: Not available

Appendix-1.14
(Reference to paragraph 1.4.4.2 page 67)

Projects which were completed (AIBP)

Name of the Project	Year of sanction under AIBP	Date of completion	Time taken	Delay
Cheyyeru (Annamayya)	1996-97	2002-03	6 years	2 years
Madduvalasa	1998-99	2003-04	5 years	1 year
NSP	1998-99	2005-06	7 years	3 years
Priya Darsini Jurala Project	1997-98	2005-06	8 years	4 years
SRSP Stage-I	1996-97	2005-06	9 years	5 years
Vamsadhara Phase-I of stage-II	2002-03	2007-08	5 years	1 year

Appendix-1.15
(Reference to paragraph 1.4.4.2 page 67)

Details of AIBP Assistance released for 19 projects taken up after 2004-05

Sl. No.	Name of the Project	Grant released up to 2008-09 (Rs in crore)
1	Flood Flow Canal of SRSP	308.40
2	Sriramsagar Project-II	74.26
3	Tadipudi LIS	48.22
4	Pushkara LIS	47.08
5	Ralivagu	6.70
6	Gollavagu	60.47
7	Mathadivagu	28.35
8	Peddavagu	50.62
9	Gundlakamma Reservoir	99.33
10	Veligallu Reservoir	62.33
11	Alisagar LIS	16.37
12	J.Chokkarao LIS	703.13
13	A.R.Guthpa LIS	17.50
14	Nilwai	18.40
15	Khomaram Bhim	110.25
16	Thotapalli Barrage	75.09
17	Tarakarama Thirtha Sagaram Project	33.06
18	Swarnamukhi Project	11.86
19	Palemvagu	9.53

Appendix-1.16
(Reference to paragraph 1.4.4.3 pages 69 and 70)

Economic Rate of Return in respect of irrigation projects and Conceptual framework used in audit analysis

(I) Economic Rate of Return in respect of irrigation projects

There are two approaches for execution of projects.

Approach (A):- Award of work along with components of uncertain duration. The adverse effect is that the time gap between the investments and the accrual of benefits is very large leading to lower growth rate of economy. This is the common mistake committed.

Approach (B):- Complete components of uncertain duration in advance and then only award the work. The time gap between investments and the accrual of benefits will be short leading to speedy growth rate of economy.

- In irrigation projects, it is not the commercial rate of return but the Economic Rate of Return (ERR) which is used as the criterion for measuring the benefits accruing from the projects. Consider two projects A, B where the ERR is 10% in both the projects and project cost of each is Rs1,500 crore with period of completion of three years excluding the time required for land acquisition/obtaining statutory clearances. On completion the ERR would be Rs 150 crore per year.

Project-A			Project-B		
Year	Investment (Rs in crore)	Return (Rs in crore)	Year	Investment (Rs in crore)	Return (Rs in crore)
1	500	--	1	500	--
2	500	--	2	500	--
3	--	--	3	500	--
4	--	--	4	--	150
5	--	--	5	--	150
6	--	--	6	--	150
7	--	--	7	--	150
8	--	--	8	--	150
9	--	--	9	--	150
10	--	--	10	--	150
11	500	--	11	--	150
12	--	150	12	--	150

- In Project 'A' Programme Evaluation and Review Technique (PERT) Chart has not been used as an effective tool for decision making (please see Section-II below) leading to award of work without prior completion of the activities of uncertain duration such as land acquisition, obtaining of environmental clearances, etc. Consequently Project 'A' gets stalled after year 2 for want of forest clearance/non-acquisition of land. The return from this project only accrues from year 12.

- In Project 'B' PERT Chart has been effectively used as a decision making tool not to incur any expenditure prior to completion of activities of uncertain duration like land acquisition, obtaining of environmental clearances, etc. The return from this projects accrues from year 4 leading to speedy growth rate of economy due to multiplier effect.

In the above illustration the cost escalation for the balance works in year 11 for the Project 'A' has not been considered. But in practice starting a project without prior acquisition of land may lead to escalation in payments to the contractors due to extended period of execution.

For faster growth rate of economy, the allocation of funds or investments should be only for projects of category 'B' where we have a clean PERT Chart.

There are basically two adverse effects from award of work without executing components of uncertain duration:

(i) The contractor gets benefit by way of retaining mobilisation advance for longer periods by having to pay only on simple interest basis and further benefit by waival of even this interest in some cases.

(ii) The time gap between investments and the accrual of benefits becomes very long leading to lower growth rate of economy.

(II) Conceptual framework used in audit analysis

(i) A PERT chart involves determination of the duration of the whole project based on time taken for each component of the project.

(ii) If the project consists of any component of uncertain duration like acquisition of land or obtaining of Forest clearance, the duration assigned for that task would be 'X'. Consequently the duration of the project would be 'T' or 'X' where 'T' is the time required to execute the component of projects excluding the uncertain component.

(iii) Such an exercise would reveal that the project duration also becomes uncertain.

(iv) The remedy lies in executing tasks of uncertain duration prior to award of work.

Thus PERT chart is a decision making tool to decide which components of work (of uncertain duration) should be executed prior to award of work.

Illustration:

Consider a project consists of five activities including land acquisition/forest clearance (activity five).

Activity	Duration
1	3 years
2	< 3 years
3	< 3 years
4	< 3 years
5	X years

Duration of the Project

Activity one has the target period of three years, activities two to four have duration less than three years, activity five has duration of 'X' years. The **duration of the project would be three years or 'X' years whichever is longer** indicating unclear **PERT** chart. The duration of the project is thus uncertain.

Remedy: To clean up the **PERT** Chart so as to have a definite time frame for completion of the project the remedy lies in removing the component with duration 'X'. This would lead to the decision that activities of uncertain duration 'X' like obtaining forest clearance, land acquisition etc., should be taken up before award of work to avoid risk of huge funds being blocked in incomplete projects as the PPRs and DPRs, based on which the Ministry of Water Resources gives clearances, do not mention such duration.

Appendix-2.1
(Reference to paragraph 2.2.4 page 95)

Statements showing the short collection of lease rentals from KSPL, Kakinada

Table 1: The lands on which concession on lease rent was applicable

(Rupees in lakh)

Sl. No.	Period	Lease rent applicable (Rupees per yard/per annum)	No. of days	Lease rent to be raised	Demand raised and collected	Short Collection
For 114.39 acres or 553648 square yards (Reclaimed lands handed over on 01 August 2002)						
1	13-12-05 to 15-04-07	9.4325$	489	69.96	27.32	42.64
2	16-04-07 to 31-03-09	18.865#	715	204.60	76.54	128.06
			Total	**274.56**	**103.86**	**170.70**

Table 2: The lands on which full rate of lease rent was applicable

For 43.45 acres or 210298 square yards (Handed over on 31 January 2004)						
1	13-12-05 to 02-01-06	37.73	21	4.56	1.60	2.96
2	03-01-06 to 02-01-09	37.73	1095	238.04	95.97	142.07
			Total	**242.60**	**97.57**	**145.03**
For 8.98 acres or 43463.2 square yards (Handed over on 03 February 2005)						
1	13-12-05 to 02-02-06	37.73	51	2.29	0.80	1.49
2	03-02-06 to 02-02-09	37.73	1095	49.19	19.88	29.31
			Total	**51.48**	**20.68**	**30.80**
For 1.62 acres or 7839.24 square yards (Handed over on 03 February 2005)						
1	13-12-05 to 02-02-06	37.73	51	0.41	0.15	0.26
2	03-02-06 to 02-02-09	37.73	1095	8.87	3.59	5.28
			Total	**9.28**	**3.72**	**5.56**
					Grand Total (Table 1 + Table 2)	**352.09**

$ At 25 *per cent* of Rs 37.73 as per Row 2 of Table 1 above being the rent to be revised as per new registration value of Rs 1520 as on 13.12.2005

At 50 *per cent* of Rs 37.73 Row 3 of Table 1 above being the rent to be revised as per new registration value of Rs 1520 as on 13.12.2005

Appendix-2.2
(Reference to paragraph 2.2.4 pages 95 and 96)

Table 1: Statement showing the Minimum Guaranteed Amounts to be received from the Company as per original agreement (as per Table of 7.1 of the agreement)

Period	Minimum Guaranteed share amounts (Rupees in crore)	Percentage of income to be paid to Government as share by the Company
(1)	(2)	(3)
1999-2000	11	20 per cent
2000-01	16	20 per cent
2001-02	20	20 per cent
2002-03	20	20 per cent
2003-04	20	20 per cent
2004-05	25	22 per cent
2005-06	25	22 per cent
2006-07	25	22 per cent
2007-08 to 2018-19	25	22 per cent

Table 2: Statement showing the Minimum Guaranteed Amounts to be received from the Company as per revised agreement (as per Table 7.1 of supplemental agreement)

Period	Minimum Guaranteed share amounts (Rupees in crore)	Percentage of income to be paid to Government as share by the Company
(1)	(2)	(3)
1999-2000	11	20 per cent
2000-01	16	20 per cent
2001-02	4.50	20 per cent
2002-03	7.75	20 per cent
2003-04	14.29	20 per cent
2004-05	16.22	22 per cent
2005-06	17.90	22 per cent
2006-07	22.12	22 per cent
2007-08	28.93	22 per cent
2008-09	29.49	22 per cent
2009-10	31.72	22 per cent
2010-11	41.87	22 per cent
2011-12	42.19	22 per cent
2012-13	42.19	22 per cent
2013-14	42.18	22 per cent
2014-15	42.54	22 per cent
2015-16	42.54	22 per cent
2016-17	41.37	22 per cent
2017-18	41.46	22 per cent
2018-19	41.46	22 per cent

Appendix-2.3
(Reference to paragraph 2.4.1 page 104)

Year-wise details of pending Action Taken Reports on the Vigilance & Enforcement Reports as on 31 January 2009

Department	1997		1998		1999		2000		2001		2002		2003		2004		2005		2006		2007		2008		2009		Total		G.Total
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	
Municipal Administration & Urban Development	3		5		3		9	3	31	1	33	4	39	1	56	4	94	4	61	4	45	25	22	46		3	**401**	**95**	**496**
Revenue						3			2		1	1	27	5	58	5	102	2	57	1	65	17	47	52		10	**359**	**96**	**455**
Panchayat Raj & Rural Development			2		1				11	1	20	5	33	5	36	3	51	12	35	23	29	20	10	22		2	**228**	**93**	**321**
Irrigation & Command Area Development					1		2		6	2	5	2	27	7	27	5	34	2	60	2	31	11	33	18			**226**	**49**	**275**
Agriculture & Cooperation					1				2		3	1	1	1	26	4	47	5	22	4	2	25	21	19		1	**125**	**60**	**185**
Industries & Commerce					4				5	1	8		14	1	26	7	20	4	31	5	14	15	5	14			**127**	**47**	**174**
Roads & Buildings	1				2		3		14	2	11	1	17	1	13	4	21	2	16	3	12	3	14	5			**124**	**21**	**145**
FCS & CA												1	5		23		22		14	1	10	5	4	36		2	**78**	**45**	**123**
EFS & T							1		2		11		10		12	2	14		15		15	2	11	7		1	**91**	**12**	**103**
Secondary Education										1	2	1		1	11		19		11		12	8	3	11			**58**	**22**	**80**
Social Welfare	1				2		1			1	1	1	4	1	11	1	25		4	3	3	9	4	7			**56**	**23**	**79**
Health, Medical & Family Welfare									2	3	2		2	4	6	5	19	1	8	1	1	6	4	4			**44**	**24**	**68**
Tribal Welfare					1		3	1	7		5		3		8		6		4	1	4	4	5	5		1	**46**	**12**	**58**
Home										3		1			1	3	6	6	3	1	6	4	2	12			**18**	**30**	**48**
Housing									2		2		1		7		7		4		8	6	5	4			**36**	**10**	**46**
Energy									1		1	1	3	2	4		7	2	6	1	7	3	2	2			**31**	**11**	**42**
CCT											1	1			1	3	11	8	3	2				2			**16**	**16**	**32**
Women Devt, D Welfare & Child Welfare							1	1			2	1	3		4	2	8		2	2	1	2	2	4			**23**	**12**	**35**
Higher Education							1		1	1				1	3		7		2	2	5	5		2			**19**	**11**	**30**
Transport												1			3		7	3	2		2	1	1	4			**15**	**9**	**24**
AHDD & F									1				2		1		9	1	4			3		2		1	**17**	**7**	**24**
GAD							1					1	2	1	2		2	2	1	2		4	1	4			**9**	**14**	**23**
Finance											1	1		1	1		2	2	4	4		4		1			**8**	**13**	**21**
YA & TC									1				1		1		5		3	3		3	1	4			**12**	**10**	**22**
BC Welfare					1			1		1			1		1		6		2				4				**15**	**2**	**17**
Minorities															4		8		2			1					**14**	**1**	**15**
LET & F																1	2		3		3	3	2				**10**	**4**	**14**
Finance & Planning																1		1	1	2							**1**	**4**	**5**
Information Technology & Communication																			1			2					**1**	**2**	**3**
Technical Edcation																								1			**0**	**1**	**1**
Irrigation & Projects																				1							**0**	**1**	**1**
Rural Water Supply																							1				**1**	**0**	**1**
TOTAL	**5**	**0**	**7**	**0**	**16**	**3**	**22**	**6**	**88**	**17**	**109**	**24**	**195**	**32**	**346**	**50**	**561**	**57**	**381**	**68**	**275**	**191**	**204**	**288**	**0**	**21**	**2209**	**757**	**2966**

A: Number of ATRs on which action has been initiated by the department but not completed

B: Number of ATRs on which no action has been initiated by the department or information regarding action initiated by the department is not available with V&E Department

Appendix-2.4
(Reference to paragraph 2.4.2 page 105)

Statement showing district-wise, year-wise works sanctioned, works completed and works not completed under MPLAD Scheme

CPO	Year	Works sanctioned		Works completed		Works not completed	
		No of works	Estimated cost (Rs in lakh)	No of works	Estimated cost (Rs in lakh)	No of works	Estimated cost (Rs in lakh)
Vizianagaram	2003-04	428	344.88	345	268.44	83	76.44
	2004-05	146	223.08	128	190.38	18	32.70
	2005-06	218	212.50	135	138.37	83	74.14
	2006-07	173	250.50	59	32.56	114	217.94
West Godavari	2003-04	370	606.57	368	600.32	2	6.25
	2004-05	283	771.35	262	745.36	21	25.99
	2005-06	184	563.77	143	491.67	41	72.10
	2006-07	233	566.37	153	376.02	80	190.35
Krishna	2003-04	483	685.47	467	667.74	16	17.72
	2004-05	407	405.35	367	349.63	40	55.71
	2005-06	346	642.66	288	530.58	58	112.10
	2006-07	226	407.39	181	343.52	45	63.86
Guntur	2003-04	659	1080.99	438	719.64	221	361.35
	2004-05	560	993.90	312	561.81	248	432.09
	2005-06	449	974.74	169	350.45	280	624.29
	2006-07	473	1042.89	182	380.35	291	662.54
Prakasam	2003-04	227	398.45	169	276.47	58	121.98
	2004-05	232	273.22	218	259.70	14	13.52
	2005-06	420	625.15	287	380.70	133	244.45
	2006-07	225	412.90	140	240.77	85	172.13
Medak	2003-04	361	727.49	185	404.16	176	323.32
	2004-05	327	770.21	133	292.55	194	477.67
	2005-06	232	592.16	63	144.75	169	447.41
	2006-07	278	691.39	91	210.85	187	480.54
Total		**7940**	**14263.39**	**5283**	**8956.79**	**2657**	**5306.59**

Appendix-2.5
(Reference to paragraph 2.4.2 page 105)

Statement showing district-wise, year-wise works in progress, expenditure incurred thereon and works not commenced, amounts released for them under MPLAD Scheme

CPO	Year	Works sanctioned but not completed					
		Works-in-progress			Not commenced		
		No of works	Estimated cost (Rs in lakh)	Expenditure incurred (Rs in lakh)	No of works	Estimated cost (Rs in lakh)	Amount released (Rs in lakh)
Vizianagaram	2003-04	71	68.10	2.41	12	8.34	1.60
	2004-05	18	32.70	12.02	NIL	NIL	NIL
	2005-06	82	73.79	26.88	1	0.35	NIL
	2006-07	107	213.34	75.97	7	4.56	NIL
West Godavari	2003-04	2	6.25	NIL	NIL	NIL	NIL
	2004-05	7	9.29	2.78	14	16.69	4.97
	2005-06	17	34.80	4.44	24	37.30	15.92
	2006-07	31	113.90	32.43	49	76.45	35.48
Krishna	2003-04	9	11.55	2.95	7	6.18	0.79
	2004-05	15	25.83	17.46	25	29.89	15.36
	2005-06	5	10.82	2.35	53	101.28	36.54
	2006-07	1	1.80	NIL	44	62.06	17.45
Guntur	2003-04	4	15.45	0.30	217	345.90	173.02
	2004-05	55	139.67	21.66	193	292.42	269.63
	2005-06	55	203.00	37.67	225	421.29	374.21
	2006-07	86	221.37	50.02	205	441.17	341.50
Prakasam	2003-04	20	35.82	1.86	38	86.16	NA
	2004-05	3	6.50	3.17	11	7.02	NA
	2005-06	41	99.33	10.46	92	145.12	NA
	2006-07	10	33.08	11.69	75	139.05	NA
Medak	2003-04	108	208.01	8.85	68	115.31	NIL
	2004-05	194	477.67	135.38	NIL	NIL	NIL
	2005-06	169	447.41	53.10	NIL	NIL	NIL
	2006-07	187	480.54	57.62	NIL	NIL	NIL
	Total	**1297**	**2970.02**	**571.47**	**1360**	**2336.54**	**1286.47**

NA: Not available

Appendix-2.6
(Reference to paragraph 2.4.2 page 106)

Statement showing unauthorised retention of unspent balances (under MPLAD Scheme) of retired Rajya Sabha Members

S. No.	Name of Nodal district	Name of MP(RS)	Date/Year of retirement	Amount (Rupees in lakh)
1.	Vizianagaram	Sri V.Kishore Chandra S.Deo (1994-2000)	2000	5.08
2.	West Godavari	Sri Y.Narayanaswamy	02.4.2000	8.34
		P.Upendra	30.3.1996	8.23
		Sri A.S.Chowdary	02.4.1998	4.14
3.	Krishna	Sri N.R.Dasari	02.4.2004	36.52
		Sri K.Rammohan Rao	02.4.2006	4.69
4.	Guntur	Sri Y.Venkat Rao	02.4.2004	5.26
5.	Prakasam	Sri Pragada Kotaiah	09.4.1996	2.78
		Sri D.Venkateswara Rao	09.4.2002	0.71
			Total:	**75.75**

Appendix-2.7
(Reference to paragraph 2.4.2 page 106)

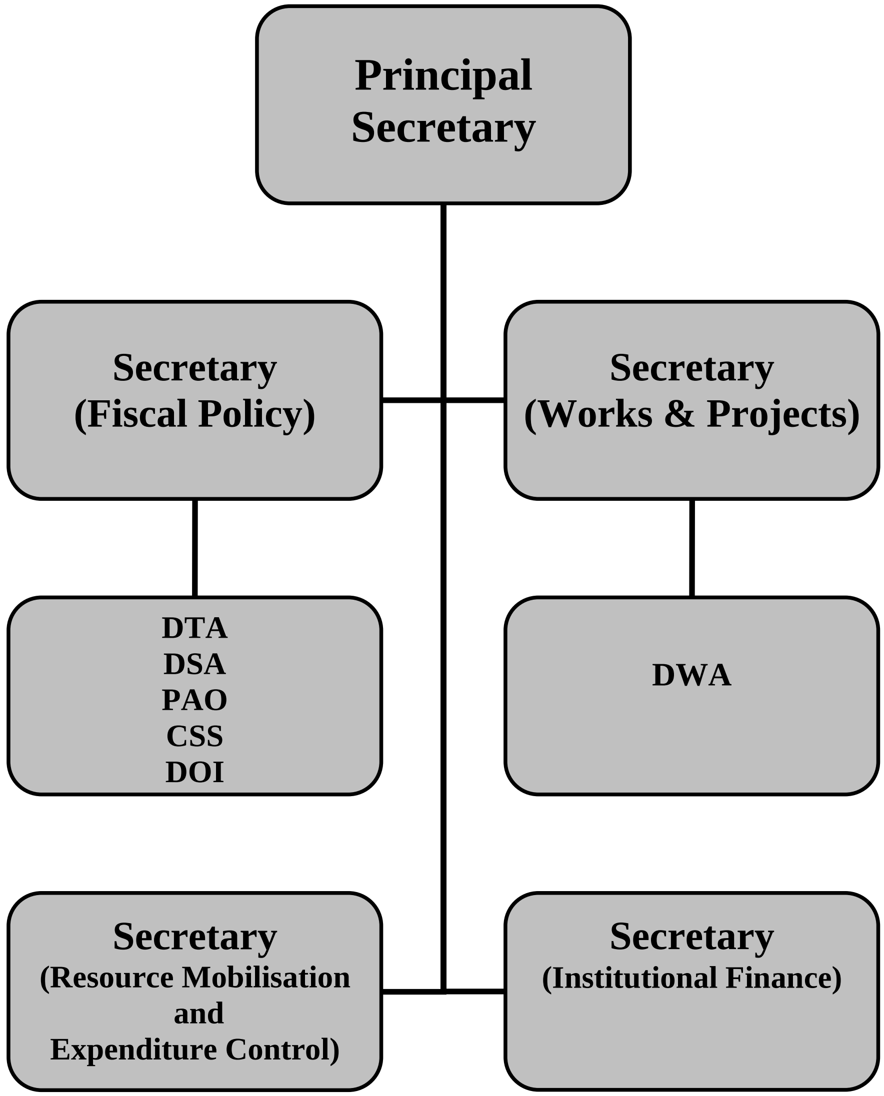
Statement showing non-furnishing of UCs by the executing agencies during the period from 2003-04 to 2008-09

(Rupees in lakh)

Name of the CPO	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Total
Vizianagaram	60.47	20.67	53.34	55.31	41.18	-	230.97
Guntur	57.41	24.84	13.76	5.88	5.88	-	107.77
Prakasam	-	5.21	28.85	-	12.49	-	46.55
Total	**117.88**	**50.72**	**95.95**	**61.19**	**59.55**	**-**	**385.29**

Appendix-3.1
(Reference to paragraph 3.1.2 page 113)

Organisational Chart of Finance Department



Appendix-3.2
(Reference to paragraph 3.1.6.1 page 114)

Funds utilised under Grant No. IX Fiscal Administration, Planning, Surveys and Statistics during the period 2006-07 to 2008-2009

(Rupees in crore)

Major Head	Year								
	2006-07			2007-08			2008-09		
	Budget	Expenditure	Variation	Budget	Expenditure	Variation	Budget	Expenditure	Variation
2047 Other Fiscal Services	96.65	89.17	(-) 7.48	96.96	63.09	(-) 33.87	55.06	54.49	(-) 0.57
2048 Appropriation for Reduction or Avoidance of Debt	213.49	213.49	0	277.11	377.11	100.00	419.50	419.50	0
2049 Interest Payments (Charged)	7983.18	7280.30	(-) 702.88	8628.63	7588.72	(-) 1039.91	8984.96	8057.12	(-) 927.84
2052 Secretariat General Services	32.93	36.72	3.79	999.13	981.17	(-) 17.96	507.43	21.00	(-) 486.43
2054 Treasury and Accounts Administration	145.77	124.51	(-) 21.26	153.66	143.14	(-) 10.52	163.32	143.76	(-) 19.56
2059 Public Works	0.088	0.004	(-) 0.084	7.09	0.54	(-) 6.55	1.09	0.53	(-) 0.56
2070 Other Administrative Services	127.00	27.00	(-)100.00	153.00	53.00	(-) 100.00	138.61	81.60	(-) 57.01
2071 Pension and Other Retirement Benefits	3942.03	4152.81	210.78	4924.16	5092.13	167.97	5618.97	5518.46	(-)100.51
2075 Miscellaneous General Services	0.17	0.19	0.02	0.23	0.21	(-) 0.02	0.15	0.15	0
2235 Social Security and Welfare	16.31	27.97	11.66	18.19	20.35	2.16	18.87	20.85	1.98
6003 Internal Debt of the State Government (Charged)	6002.98	3062.53	(-) 2940.45	6935.83	4041.07	(-) 2894.76	6695.83	4044.75	(-) 2651.08
6004 Loans and Advances from Central Government	824.18	1190.19	366.01	814.75	952.42	137.67	800.37	788.37	(-) 12.00
7610 Loans to Government Servants, etc.	111.59	73.69	(-) 37.90	121.59	95.69	(-) 25.90	121.59	92.41	(-) 29.18
Total	**19496.368**	**16278.574**	**(-) 3217.794**	**23130.33**	**19408.64**	**(-) 3721.69**	**23525.75**	**19242.99**	**4282.76**

Appendix-3.3
(Reference to paragraph 3.1.6.2 page 115)

Delays in submission of Budget Estimates to the Government by the Directorates of Finance Department

Year	Due date	DSA		DTA		DWA		CSS	
		Date of sub-mission	Delay (days)	Date of sub-mission	Delay (days)	Date of sub-mission	Delay (days)	Date of sub-mission	Delay (days)
2006-07	15-10-05	NA	NA	NA	NA	NA	NA	21-12-05	66
2007-08	15-10-06	NA	NA	NA	NA	23-11-06	38	29-12-06	74
2008-09	15-10-07	NA	NA	27-11-07	42	21-11-07	36	15-11-07	30
2009-10	15-10-08	NA	20	NA	NA	07-01-09	83	03-11-08	18

Note: Information was not furnished by the Director of State Audit (Control Registers were not maintained)

Appendix-3.4
(Reference to paragraph 3.1.6.9 page 118)

Year-wise details of excess expenditure requiring regularisation

Year	No. of grants/ appropriations	Amount (Rupees in crore)
1997-98	32	405.12
1998-99	35	310.63
1999-00	27	846.31
2000-01	21	414.29
2001-02	22	427.69
2002-03	15	546.25
2003-04	36	9303.24
2004-05	06	14.83
2005-06	13	585.82
2006-07	08	198.72
2007-08	10	201.30
Total	**225**	**13,254.20**

Appendix-3.5
(Reference to paragraph 3.1.8.1 page 124)

Non-reconciliation of expenditure figures during the years 2006-07 to 2008-09 in respect of Grant No. IX - Fiscal Administration, Planning, Surveys and Statistics (Major head-wise)

Name of the HOD	Major Head	Number of Reconciliation certificates (RCs) due	Number of RCs outstanding	Year-wise details	
				Year	Number of RCs pending
Small Savings	2047	33	33	2006-07	12
				2007-08	12
				2008-09	9
Finance	2049	69	69	2003-04	12
				2004-05	12
				2005-06	12
				2006-07	12
				2007-08	12
				2008-09	9
Project Wing Secretariat Department	2052	57	48	2004-05	12
				2005-06	3
				2006-07	12
				2007-08	12
				2008-09	9
Finance HOD	2052	57	57	2004-05	12
				2005-06	12
				2006-07	12
				2007-08	12
				2008-09	9
Finance, Secretariat Department	2052	57	57	2004-05	12
				2005-06	12
				2006-07	12
				2007-08	12
				2008-09	9
Director of Works Accounts	2054	45	45	2005-06	12
				2006-07	12
				2007-08	12
				2008-09	9
PAO, Hyderabad	2054	33	11	2005-06	4
				2006-07	1
				2008-09	6
State Audit	2054	21	8	2007-08	6
				2008-09	2

Treasuries and Accounts	2054	21	21	2007-08	12
				2008-09	9
Life Insurance Department	2059	9	9	2008-09	9
Treasuries & Accounts	2059	9	9	2008-09	9
Finance	2070	33	30	2005-06	9
				2006-07	12
				2008-09	9
Finance	2071	57	57	2004-05	12
				2005-06	12
				2006-07	12
				2007-08	12
				2008-09	9
Finance	2075	57	57	2004-05	12
				2005-06	12
				2006-07	12
				2007-08	12
				2008-09	9
Finance	2235	9	9	2008-09	9
Finance	6003	12	12	2005-06	12
Finance	6004	12	12	2005-06	12
	Total	**591**	**544**		

Appendix-3.6
(Reference to paragraph 3.1.8.1 page 125)

Personal Deposit Accounts (checked by the Directorate of State Audit) where lapsable amounts were reported

Name of the Department	PD A/c No. and Bank Name
Andhra Pradesh Industrial Infrastructure Corporation, Hyderabad	176 (old 5/308) SBH, Hyderabad / 8449-120-17
Andhra Pradesh State Financial Corporation, Hyderabad	GA-8, SBH, Hyderabad
AP Society for Training and Employment Promotion, Hyderabad	GA-42, SBH, Hyderabad / 8449-120-17
Commissioner of Industries	8/444 (GA 37) SBH, Hyderabad / 8449-120-101
Director of Medical Education	GA-238, SBH, Hyderabad
Andhra Pradesh Vaidya Vidhana Parishad	GA-36, SBH, Hyderabad
Andhra Pradesh Health Medical Housing & Infrastructure Development Corporation	GA-213, SBH, Hyderabad
Commissioner of Technical Education	275, SBH, Hyderabad
Director, MNJ Institute of Oncology, Hyderabad	GA-49, SBH, Hyderabad
Andhra Pradesh State Council of Higher Education, Hyderabad	219, SBH, Hyderabad

Andhra Pradesh Khadi & Village Industries Board, Hyderabad	6, (old 124) – SBH, Hyderabad
Director of Intermediate Education, Hyderabad	GA-206, SBH, Hyderabad / 8443-103-01
Andhra Pradesh Science Center, Office of the Principal Chief Conservator of Forests, Hyderabad	214 (old 9/35), SBH, Hyderabad / 8449-120-72
Nizam's Institute of Medical Sciences (NIMS), Hyderabad	286 - SBH, Hyderabad
Andhra Pradesh Toddy Tappers Co-operative Finance Corporation Ltd., Hyderabad	225 – SBH, Hyderabad / 8449-120-96
Water and Land Management Training and Research Institute, Hyderabad	GA-79, SBH, Hyderabad / 8449-120-95
Dravidian University, Kuppam	8448-110-41, Andhra Bank, Kuppam
Sri Krishnadevaraya University, Anantapur	8448, SBI, Anantapur
Acharya Nagarjuna University, Guntur	8448-110-20, SBI, Guntur
Sri Venkateswara University, Tirupati	8448-110-18 Andhra Bank, SVU, Tirupati
Andhra University, Visakhapatnam	9631, SBI, VSP
Sri Padmavathi Mahila Viswa Vidyalayam, Tirupati	8448-110-12, SBI, Tirupati
Kakatiya University, Warangal	169, SBH, Hanmakonda, Warangal
Commissioner & Director of Municipal Administration, Hyderabad	1/43 (GA No.5), SBH, Hyderabad / 8443-106

Appendix-3.7
(Reference to paragraph 3.1.8.2 page 125)

Cases of overpayment of pension/family pension

(Rupees in lakh)

Nature of objection	2006-07	2007-08	2008-09
Inadmissible dearness relief on pension to compassionate appointees	13.70	29.01	--
Irregular sanction of dearness relief	--	--	27.10
Enhanced family pension beyond time limit	10.74	13.26	11.26
Incorrect computation of Pension and Relief consequent on revision of pay scales of State Government employees during 1999 and 2005	4.95	3.63	5.73
Non-reduction/short reduction of Commuted value of pension	--	3.63	0.62
Incorrect restoration of commuted portion	--	--	0.26
Excess payment due to payment of interim relief	--	--	1.93
Excess payment due to non-recovery of anticipatory pension	--	1.20	--
Excess payment due to payment of full share	--	--	5.07
Irregular payment of financial assistance	--	--	5.97
Incorrect raising of political pension	--	--	2.91
Inadmissible payment of Service Pension to Family Pensioner	--	1.90	--

Family Pension to ineligible family members	--	3.71	1.59
Payment of pension arrears without recovery of the pension contributions already credited	2.98	0.57	--
Fraudulent drawal of pensionary benefits	6.15	--	--
Drawal of pension arrears twice	0.78	--	--
Payment of full family pension to more than one surviving widow	0.72	--	--
Payment of two service pensions to the same pensioner	0.55	--	--
Payment of pension due to irregular weightage	0.08	--	--
Total	**40.65**	**56.91**	**62.44**
Grand Total			**160.00**

Appendix-3.8
(Reference to paragraph 3.1.8.3 page 126)

Status of receipt of Proforma accounts by Government from Departmentally managed commercial and quasi-commercial undertakings up to 31 March 2009

Name of the Undertaking	Latest year of accounts finalised	Excess of expenditure over income (-)/ income over expenditure (+) (Rs)	Accumulated loss (Rs)	Total Government Capital (Rs)
Animal Husbandry and Fisheries				
Fishnet Making Plant, TB Dam	2004-05	(-) 22,42,686	409,88,183	2,69,63,980*
Ice cum Cold Storage Plant, TB Dam	2004-05	7,85,585	Nil	11,68,200[#]
Fish Seed Farm	Accounts are awaited since inception from 1963-64	---	---	---
Education				
AP Government Text Book Press, Hyderabad	Revised accounts from 1978-79 to 1985-86 and accounts from 1986-87 to 2000-01 were received on 11-08-2004 and the same were not certified and returned to Management on 28-07-05 due to non production of supporting Registers/ Records for verification of accounts	---	---	---
Finance				
AP Government Life Insurance, Hyderabad	2001-02	780,46,35,524	Nil	---
Home				
Government Central Press, Hyderabad	Accounts are awaited from 1969-70. Revised accounts are awaited from 1967-68	---	---	---

Government Regional Press, Kurnool	Accounts are awaited from 1971-72	---	---	---
Government Regional Press, Vijayawada	Accounts are awaited from 1983-84	---	---	---
Revenue				
Government Distillery, Narayanguda, Hyderabad	Revised accounts for 1992-93 & 1993-94 are awaited. (The Unit stopped production with effect from 1-10-1993).	---	---	---

*Fishnet making Plant, TB Dam and Ice cum Cold Storage, TB Dam are joint ventures between Government of Andhra Pradesh and Government of Karnataka

#Provisional comments for the years 2005-06 and 2006-07 were issued and the accounts were under revision

Appendix-3.9

(Reference to paragraph 3.1.10.2 page 132)

Accepted recommendations of High Power Committee

S. No.	Recommendation of the Committee	Reference and date of acceptance
1	**Para 5.1** Evaluation of the performance of Audit committees by the Government in consultation with Accountant General.	U.O. Note No.23810/206/PAC/93-1 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
2	**Para 5.11** Assignment of important role to Finance Department in monitoring Government's response to Audit and the PAC/COPU.	U.O. Note No.23810/206/PAC/93-1 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
3.	**Para 5.12** Appointment of a designated officer within each Government Department and organisation who will be responsible for monitoring the follow-up action in such contexts.	U.O. Note No.23810/206/PAC/93-1 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
4.	**Para 5.13** Constitution of a Monitoring Committee at the highest level in each department for regular review at the higher levels, consisting of the Secretary and Head of the Department and the Finance Secretary for the Government, an Apex Committee chaired by the Chief Secretary, with the Finance Secretary as a permanent member and selected number of officers heading Government Departments, Autonomous Bodies and Public Sector Undertakings as Members for specified term by rotation. These panels must be purely internal ones.	U.O. Note No.23810/206/PAC/93-1 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
5	**Para 5.14** The internal monitoring at the highest levels should not be merely in quantitative terms, but must also be considered with the quality of the action as envisaged.	U.O.Note No.23810/206/PAC/93-1 dated 03-11-1993 of Finance & Planning (FW.PAC) Department

6	**Para 5.2** All State Governments may review the question of timely response of Government to the draft Paras and draft reviews proposed for inclusion in the C&AG's Audit Reports.	U.O. Note No.23810-C/200/PAC/93-2 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
7	**Para 5.3:** There is a tradition at the Centre that important draft paragraphs and reviews are usually discussed by Government officers at senior levels with the respective Principal Audit Officers. Such a practice may be adopted in all States as an essential feature of Governments' response to audit.	U.O. Note No.23810-C/200/PAC/93-2 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
8	**Para 5.15** Certain High level Accounts Committees (with the Finance Secretary, Accountant General and the concerned Department Secretary) have been set up in most of the States since 1991, to monitor the prompt submission of initial accounts of the Government Departments and to ensure their timely reconciliation. The progress achieved so far would need to be stepped up further in several States.	U.O. Note No.23810-C/200/PAC/93-3 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
9	**Para 5.16** Strict enforcement of discipline is called for particularly in the matter of submission of initial Accounts by the Treasuries as well as public works and forest divisions.	U.O. Note No.23810-C/200/PAC/93-3 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
10	**Para 5.17** It is necessary to liquidate the heavy accumulated arrears in the accounts of the State Government autonomous bodies and public sector undertakings as well as in the appointment of Chartered Accountants as Auditors of the PSUs. All aspects of this question may be studied by an appropriate technical panel, to find pragmatic solutions to the related problems.	U.O. Note No.23810-C/200/PAC/93-3 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
11	**Para 5.18** Steps may be taken in all States to introduce efficient internal audit systems, or to strengthen the existing ones. The Finance Department (and the Bureau of Public Enterprises wherever it exists) may take the necessary initiatives in this regard, and the Accountant General may also be consulted.	U.O. Note No.23810-C/200/PAC/93-4 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
12	**Para 5.19** Substantial excess expenditure or savings vis-à-vis budget grants have become a nearly universal phenomenon in the States, indicating a continuing weakness of the financial management. The State Government may take adequate remedial steps to set right the deficiencies in the system.	U.O. Note No.23810-C/200/PAC/93-5 dated 03-11-1993 of Finance & Planning (FW.PAC) Department

13	**Para 5.21** In several States there are hand books or guard files which consolidate the procedures and related instructions issued by Government in regard to response to Audit. Such compilation may be made in all States and their contents may be updated from time to time.	U.O. Note No.23810-C/200/PAC/93-6 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
14	**Para 5.22** The existing regulations in regard to the response of Government to Audit and the PAC/COPU may be reviewed, to ensure that they are adequate. Such a review may be undertaken by the Governments in all States, in consultation with the respective Accountants General and particularly in the light of the recommendations contained in this report (4.70).	U.O. Note No.23810-C/200/PAC/93-6 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
15	**Para 5.36** Timely submission of initial accounts by Treasuries as well as Public Works and Forest divisions. This calls for determined effort not only on the part of Audit but on the part of State Governments in ensuing that the initial accounts are submitted in time and Departments respond promptly to audit queries and references and in printing the audit reports and Finance and Appropriation Accounts.	U.O. Note No.23810-C/200/PAC/93-7 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
16	**Para 5.45** A Status Report in regard to Governments response to Audit as well as the PAC/COPU may figure clearly and prominently and the performance budget of various departments prepared by the State Government for consideration by the respective Legislatures.	U.O. Note No.23810-C/200/PAC/93-8 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
17	**Para 5.46** Parliament has recently decided that subject committees may be appointed to discuss matters relating to ministries/ departments, particularly in the context of their annual budgets. Such committees, if and when they are constituted in the States, can be another useful forum in which relevant matters emerging from the Audit Reports can be raised meaningfully.	U.O. Note No.23810-C/200/PAC/93-8 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
18	**Para 5.48** The mutual response among the executive, legislature and audit will ultimately depend on a proper awareness and appreciation of the problem by all concerned. Occasional discussions on the related issues may be organised among officers of Government departments and organisations and audit officers at all levels as well as members of the Legislature.	U.O. Note No.23810-C/200/PAC/93-9 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
19	**Para 5.49** Symposia/Seminars on this subject may be organised occasionally whenever possible with a view to creating a wider and deeper awareness of the issues, problems and possible solutions.	U.O. Note No.23810-C/200/PAC/93-9 dated 03-11-1993 of Finance & Planning (FW.PAC) Department

20	**Para 5.50** Whenever Comptroller and Auditor General makes official visits to the States he may be invited to address appropriated forums.	U.O. Note No.23810-C/200/PAC/93-9 dated 03-11-1993 of Finance & Planning (FW.PAC) Department
21	**Para 5.7** The time frame prescribed for the State Governments submitting Action Taken Notes (ATNs) to the PAC/COPU in respect of their recommendations may be uniformly adopted as six months, as at the Centre.	U.O. Note No.1576-A/32/PAC/95, dated 17-05-1995 of Finance & Planning (FW.PAC) Department
22	**Para 5.8** Such ATNs may also be routed through the Finance Department and copies thereof may invariably be endorsed to the AG who may forward his comments, if any, to the Committee.	U.O. Note No.1576-A/32/PAC/95, dated 17-05-1995 of Finance & Planning (FW.PAC) Department
23	**Para 5.9** A vigilant monitoring mechanism may be introduced in the Legislature Secretariat in the States for watching the implementation of the above provisions.	U.O. Note No.1576-A/32/PAC/95, dated 17-05-1995 of Finance & Planning (FW.PAC) Department

Appendix-3.10
(Reference to paragraph 3.1.10.3 page 132)

Number of paragraphs in respect of which Explanatory Notes had not been received for specific paras from Government (as of August 2009)

A. Audit Reports for the years 1996-97 to 2000-01

Department	1996-97	1997-98	1998-99	1999-2000	2000-01	Total
Environment, Forests, Science and Technology	1	0	0	0	0	1
Labour, Employment, Training and Factories	0	0	0	1	0	1
Planning	0	0	0	1	0	1
Revenue	0	1	1	0	0	2
Total	**1**	**1**	**1**	**2**	**0**	**5**

B. Audit Reports for the years 2001-02 to 2007-08

Department	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total
Agriculture and Co-operation	0	3	0	0	0	1	2	**6**
Animal Husbandry & Fisheries	0	1	1	0	0	1	0	**3**
Environment, Forest, Science and Technology	0	1	1	0	1	0	3	**6**
Finance	0	0	0	0	0	2	0	**2**
General Administration	0	0	1	0	0	0	2	**3**
Health, Medical& Family Welfare	1	4	4	3	2	1	4	**19**
Higher Education	0	0	0	0	3	2	1	**6**
Home	0	0	1	0	1	1	0	**3**
Housing	0	0	0	0	0	0	1	**1**
Irrigation & Command Area Development	2	1	0	0	5	6	9	**23**
Labour, Employment, Training and Factories	0	0	0	1	0	0	0	**1**
Municipal Administration and Urban Development	0	0	1	2	3	3	2	**11**
Panchayati Raj	0	1	1	3	1	1	2	**9**
Planning	0	0	0	1	0	1	0	**2**
Revenue	2	3	0	1	2	1	1	**10**
Rural Development	0	0	1	1	0	0	0	**2**
School Education	3	1	2	1	2	1	2	**12**
Social Welfare	0	0	0	0	0	1	0	**1**
Transport, Roads and Buildings	0	0	2	0	0	4	7	**13**
Tribal welfare	0	2	0	0	0	3	2	**7**
Women Development, Child and Disabled Welfare	0	0	1	0	1	2	0	**4**
Youth Advancement, Tourism and Culture	0	0	0	0	1	2	0	**3**
Total	**8**	**17**	**16**	**13**	**22**	**33**	**38**	**147**

1996-97	Environment, Forests, Science and Technology: 1
1997-98	Revenue:1
1998-99	Revenue: 1
1999-2000	Labour, Employment, Training and Factories: 1
	Planning: 1
Total:	**147+5=152**

C. Status of ATNs not received

Department	ATNs Not Received
Agriculture	22
Animal Husbandry	4
EFST	2
Finance	3
GAD	13
HMFW	26
Higher Education	8
Home	2
Housing	0
Industries & Commerce	3
I&CAD	222
LETF	2
MAUD	4
Panchayati Raj	12
Planning	0
Revenue	40
Rural Development	6
School Education	35
Social Welfare	9
TRBD	4
Tribal Welfare	4
Women Development, CDW	1
Youth Advancement, TAC	2
Total	**424**

Appendix-3.11
(Reference to paragraph 3.1.10.3 page 133)

A. Year-wise break-up of outstanding Inspection Reports and Paragraphs (30 June 2009)

Year	Number of outstanding		Number for which even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
2004-05 and earlier years	4239	12013	8	94
2005-06	1430	4477	3	55
2006-07	1735	6396	16	80
2007-08	2266	10043	741	2886
2008-09	1930	10338	644	4536
Total	**11600**	**43267**	**1412**	**7651**

B. Department-wise details of outstanding Inspection Reports and Paragraphs as on 30 June 2009

Department	Number of Outstanding		Earliest year of the outstanding IRs	Number for which even first replies have not been received		Earliest year of the report for which first replies have not been received
	IRs	Paragraphs		IRs	Paragraphs	
Agriculture and Cooperation	473	1775	1999-00	85	495	2000-01
Animal Husbandry, Dairy Development and Fisheries	198	626	1999-00	61	232	2007-08
Backward Classes Welfare	90	334	2003-04	15	109	2004-05
Education (Higher Education)	1516	6301	1999-00	139	964	2008-09
Education (School Education)	417	2717	2000-01	49	709	2007-08
Energy	3	7	2007-08	2	6	2008-09
Environment, Forests, Science and Technology	270	747	1999-00	15	86	2004-05
Finance	1406	3454	1986-87	44	98	2007-08
Food, Civil Supplies and Consumer Affairs	124	335	2003-04	52	180	2007-08
General Administration	119	403	2003-04	43	184	2007-08
Health, Medical and Family Welfare	926	5442	1999-00	79	1034	2002-03
Home	258	1066	2003-04	20	163	2008-09
Housing	14	143	1999-00	3	7	2008-09
Industries and Commerce	166	582	2000-01	33	90	2006-07
Information Technology and Communications	5	27	2002-03	1	14	2008-09
I& C. A D. (Project Wing)	658	1696	1996-97	11	28	2007-08
I& C. A D. (Irrigation Wing)	963	2683	1996-97	23	97	2008-09
Labour, Employment, Training & Factories	341	859	1999-00	32	89	2007-08
Law	337	684	2003-04	17	35	2006-07
Legislature	3	21	2003-04	0	0	---
Minorities Welfare	17	51	2003-04	2	9	2007-08
Municipal Administration and Urban Development	213	976	1996-97	26	136	2008-09
Panchayat Raj	52	313	1999-00	2	162	2007-08
Rural Development	136	1670	1999-00	9	151	2008-09
Planning	46	180	2003-04	14	71	2008-09
Public Enterprises	4	6	2003-04	1	1	2008-09
Revenue	1335	3592	1999-00	516	1617	2007-08
Social Welfare	188	1686	1999-00	20	220	2003-04
Tribal Welfare	187	1346	1999-00	19	175	2001-02
Transport, Roads and Buildings	483	1253	1996-97	19	60	2008-09
Women Development, Child and Disabled Welfare	482	1601	1999-00	25	172	2006-07
Youth Advancement, Tourism and Culture	170	691	1999-00	35	257	2007-08
Total	**11600**	**43267**		**1412**	**7651**	

Appendix-3.12
(Reference to paragraph 3.1.12.2 page 137)

Incomplete Government Orders uploaded to the website

Government Order	Particulars
GOs without GO number	
Date 26-03-2009 (EXPR. MA & UD & EFS & T)	BRO for Rs 5.00 crore to the Commissioner and Director of Municipal Administration A.P., Hyderabad (Plan Schemes)
GOs without GO number and date	
(Expr. H.E.)	BRO for Rs 7.50 lakh to the Commissioner of Collegiate Education, AP, Hyderabad (Non-plan).
GOs without GO No. and Authority which issued GO	
Date 26-03-2009 (Expr. MA&UD & EFS&T)	BRO for Rs 11.26 lakh to the Principal Chief Conservator of Forests, AP, Hyderabad (Plan Schemes)
Date 27-12-2008 (Expr. MA&UD & EFS&T)	BRO for Rs 3.71 lakh to the Director of Town & Country Planning, Hyderabad (Plan Scheme)
Date 31-03-2009 (Expr. MA&UD & EFS&T)	BRO for Rs 44.82 lakh to the Member Secretary, APCOST, AP, Hyderabad (Non-plan)
Date 26-03-2009 (Exp. A&C)	BRO for Rs 3.54 lakh to the Commissioner of Horticulture, Andhra Pradesh, Hyderabad (Plan)
GOs without GO number, Date and Authority which issued GO	
(Expr. MA&UD & EFS&T)	BRO for Rs 35.00 lakh to the Member Secretary, APCOST, AP, Hyderabad (Plan Schemes)
(Expr. MA&UD & EFS&T)	BRO for Rs 625.63 lakh to the Engineer-in-Chief (Public Health), Hyderabad (Plan Schemes)
GO without unit of measurement	
GO Rt No.1906, dated 31-03-2009 (Expr. GAD-II)	BRO for 120.07 (89.07 and 31.00) to the Director of Culture, Hyderabad (Plan Schemes) – Unit of measurement was not mentioned in the GO

The above list is only illustrative and not exhaustive

Glossary

AB	:	Autonomous Body
AC Bill	:	Abstract Contingent Bill
ACB	:	Anti Corruption Bureau
AICTE	:	All India Council for Technical Education
AIDS	:	Acquired Immunodeficiency Syndrome
APAT	:	Andhra Pradesh Administrative Tribunal
APFRBM Act	:	Andhra Pradesh Fiscal Responsibility and Budget Management Act, 2005
APHMHIDC	:	Andhra Pradesh Health Medical and Housing Infrastructure Development Corporation
APSCHE	:	Andhra Pradesh State Council of Higher Education
APUGC Scales	:	Andhra Pradesh University Grants Commission Scales
ASC	:	Academic Staff College
ATN	:	Action Taken Note
AYUSH	:	Ayurvedic, Unani, Siddha and Homoeopathy
BRO	:	Budget Release Order
CAB	:	Certificate of Acceptance of Balances
CATOPS	:	Cataract Operations
CDC	:	College Development Council
CDE	:	Centre for Distance Education
CEMONC	:	Comprehensive Emergency Obstetric and Neonatal Care
CGG	:	Centre for Good Governance
CHC	:	Community Health Centre
CMD	:	Contracted Minimum Demand
CSIR	:	Council for Scientific and Industrial Research
CSS	:	Commissioner of Small Savings and State Lotteries
CWC	:	Central Water Commission
DC Bill	:	Detailed Contingent Bill
DD	:	Deputy Director
DDO	:	Drawing and Disbursing Officer
DDs	:	Demand Drafts
DEC	:	Distance Education Council
DEO	:	Data Entry Operator
DHS	:	District Health Society

DM&HO	:	District Medical and Health Officer
DMGU	:	Departmentally Managed Government Undertaking
DOI	:	Director of Insurance
DPR	:	Detailed Project Report
Dr. MCRHRD Institute	:	Dr. Marri Chenna Reddy Human Resource Development Institute
DRDA	:	District Rural Development Agency
DRDO	:	Defence Research and Development Organisation
DSA	:	Director of State Audit
DTA	:	Director of Treasuries and Accounts
DTO	:	District Treasury Office
DWA	:	Director of Works Accounts
EC	:	Executive Council
ECE	:	Electronics & Communication Engineering
EEE	:	Electrical & Electronics Engineering
EMD	:	Earnest Money Deposit
EN	:	Explanatory Note
EPF	:	Employees Provident Fund
ESI	:	Employees State Insurance
FWHIS	:	Family Welfare Health Information System
GOI	:	Government of India
GOs	:	Government Orders
HIV	:	Human Immunodeficiency Virus
HMWM	:	Hydromechanics & Water Management
HOD	:	Head of the Department
HT	:	High Tension
ICAR	:	Indian Council for Agricultural Research
IDD	:	Iodine Deficiency Disease
IDSP	:	Integrated Disease Surveillance Programme
IFA	:	Iron Folic Acid
IGNOU	:	Indira Gandhi National Open University
IMR	:	Infant Mortality Rate
IPHS	:	Indian Public Health Standards
IR	:	Inspection Report
ISRO	:	Indian Space Research Organisation
IT	:	Income Tax
JDWA	:	Joint Director of Works Accounts

JE	:	Japanese Encephalitis
JSY	:	Janani Suraksha Yojana
LIS	:	Lift Irrigation Scheme
M.Phil	:	Master of Philosophy
MBA	:	Master of Business Administration
ME	:	Mechanical Engineering
MMR	:	Maternal Mortality Rate
MMU	:	Mobile Medical Unit
MOH&FW	:	Ministry of Health and Family Welfare
MP	:	Mandal Parishad
MPHA(F)	:	Multi Purpose Health Assistant (Female)
MPWA	:	Miscellaneous Public Works Advance
MTP	:	Medical Termination of Pregnancy
NDCP	:	National Disease Control Programme
NGO	:	Non-Government Organisation
NIDCP	:	National Iodine Deficiency Control Programme
NLEP	:	National Leprosy Eradication Programme
NPCC	:	National Programme Coordination Committee
NPCB	:	National Programme for Control of Blindness
NRHM	:	National Rural Health Mission
NSS	:	National Service Scheme
NSS	:	National Saving Scheme
NVBDCP	:	National Vector Borne Disease Control Programme
OBC	:	Other Backward Class
PAC	:	Public Accounts Committee
PAO	:	Pay and Accounts Officer
PD A/cs	:	Personal Deposit Accounts
PDC	:	Pre Degree Course
Ph.D	:	Doctorate in Philosophy
PHC	:	Primary Health Centre
PIP	:	Project Implementation Plan
PMOA	:	Para Medical Ophthalmic Assistant
PPM	:	Public & Personnel Management
PPR	:	Preliminary Project Report
RCH	:	Reproductive Child Health
RKS	:	Rogi Kalyan Samithi
RLBs	:	Rural Local Bodies

RNTCP	:	Revised National Tuberculosis Control Programme
RTI	:	Respiratory Track Infection
SC	:	Sub-Centre/ Scheduled Caste
SHM	:	State Health Mission
SHS	:	State Health Society
SHSRC	:	State Health System Resource Centre
SIM	:	Self Instruction Mode
SPMSU	:	State Programme Management Support Unit
ST	:	Schedule Tribe
STD	:	Sexually Transmitted Disease
STI	:	Sexually Transmitted Infection
TB	:	Tuberculosis
TDS	:	Tax Deducted at Source
TFC	:	Twelfth Finance Commission
TFR	:	Total Fertility Rate
UC	:	Utilisation Certificate
UGC	:	University Grants Commission
ULBs	:	Urban Local Bodies
VAT	:	Value Added Tax
VC	:	Vice Chancellor
ZGS	:	Zilla Granthalaya Samstha
ZP	:	Zilla Parishad
ZSS	:	Zilla Saksharata Samithi