

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-authorized 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]