Preface

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

The Report consists of 13 chapters. Chapter-1 presents the profile of the audited entities, authority for audit, planning and conduct of audit and key audit findings. The 12 other chapters cover significant matters arising out of the compliance and performance audit of various departments including autonomous bodies.

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2010-11 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 2010-11 have also been included wherever necessary.

Chapter 1 - Introduction

1.1 Overview of this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from performance audit of selected programmes and departments of the Government of Andhra Pradesh, compliance audit of transactions of its various departments, Central and State plan schemes and audit of autonomous bodies of the State.

Performance audit, besides including compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically, efficiently and effectively. On the other hand, Compliance audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management of the organisations and contribute to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant achievements and deficiencies in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports.

1.2 Profile of Audited entities

Government of Andhra Pradesh comprises of 34 departments at the Secretariat level headed by Chief Secretary/Special Chief Secretaries/ Principal Secretaries/Secretaries, who are assisted by Deputy Secretaries/Commissioners/ Engineers-in-Chief/ Chief Engineer/Principal Chief Conservator of Forest/Chief Conservator of Forest and subordinate officers under them which are audited by the Office of the Accountant General (Civil Audit), Andhra Pradesh.

Andhra Pradesh Secretariat

1.3 Office of the Accountant General (Civil Audit), Andhra Pradesh

Under the directions of the CAG, the Office of the Accountant General (Civil Audit), Andhra Pradesh conducts the audit of civil and works departments of Government of Andhra Pradesh and autonomous bodies thereunder. It also conducts audit of civil offices and autonomous institutions of Central Government located in the State.

Offices of the Accountants General, Andhra Pradesh

1.4 Authority for audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Accountant General (Civil Audit) conducts audit of expenditure of the civil and works departments under Section 13[1] of the CAG's (DPC) Act and that of 17 Central autonomous bodies and 45 State autonomous bodies, under Sections 19[2] and 20[3] of that Act. In addition, there are 345 State autonomous bodies (SABs) which are substantially funded by the Government attracting audit under Section 14[4] of the CAG's (DPC) Act. For the conduct of superimposed audit under Section 14, the audited entities are required to submit their certified annual accounts to the Accountant General (Civil Audit).

During 2010-11, only 68 of the 345 SABs had submitted their certified accounts. Again, out of 68 autonomous bodies which had submitted their accounts, 13 autonomous bodies had not submitted the primary auditor’s reports and, hence, their audit could not be taken up by the Accountant General (Civil Audit). The audits were conducted in accordance with the principles and methodologies as prescribed in the Auditing Standards and Regulations on Audit and Accounts, 2007.

1.5 Planning and conduct of audit

The sectoral expenditure of the State Government during the current year (2010-11) and the previous year was as shown in the Chart 1.1.

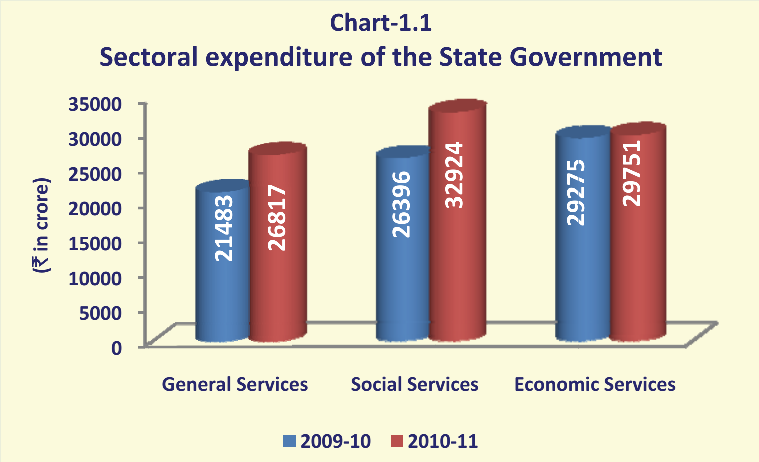
---

[1] Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Account and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts

[2] Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations

[3] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government

[4] Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ one crore



Audit process commences with the assessment of risk of the department/organisation/ autonomous body/scheme, etc. based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided and an annual audit plan is formulated to conduct audit on the basis of such risk assessment. During 2010-11, 14,814 party-days were utilised to audit 1,427 units falling under 23 departments[5]/organisations.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the head of the unit with a request to furnish replies within one month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in the Government, are processed for inclusion in the Audit Reports which are submitted to the Governor of Andhra Pradesh under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

1.6 Response of the departments to Audit findings

The Heads of offices and the next higher authorities are required to respond to the observations contained in the IRs and take appropriate corrective action. The audit observations communicated in the IRs are also discussed in the meetings at district level by the officers of the departments with the officers of the AG's office.

As of 30 June 2011, 5,432 IRs containing 29,689 paragraphs pertaining to the years 2007-08 to 2010-11 were pending settlement. Of these, first replies had not been received in respect of 447 IRs (4,096 paragraphs). The year-wise details are given in *Appendix-1.1*.

[5] Agriculture & Cooperation, Animal Husbandry, Dairy Development & Fisheries, Backward Classes Welfare, Consumer Affairs, Food and Civil Supplies, Finance, General Administration, Health, Medical and Family Welfare, Higher Education, Home, Industries and Commerce, Infrastructure and Investment, Irrigation and Command Area Development, Labour, Employment, Training & Factories, Law, Municipal Administration and Urban Development, Planning, Revenue, Roads and Buildings, School Education, Social Welfare, Tribal Welfare, Women Development, Child Welfare and Disabled Welfare and Youth Advancement Tourism and Culture

Lack of action on audit IRs and paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports, dilution of internal controls in the process of governance, inefficient and ineffective delivery of public goods, fraud, corruption and loss to public exchequer.

As per the instructions issued by the Finance and Planning Department in November 1993, the administrative departments are required to submit Explanatory Notes on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken.

However, as of November 2011, 16 departments had not submitted Explanatory Notes in respect of 36 paragraphs/reviews which featured in the Audit Reports for the years 2007-08 to 2009-10. The details are given in *Appendix-1.2*. This, again, reflects on the weakness of legislative financial control in the State.

As per the Finance Department's Handbook of Instructions and their U.O. dated 3 November 1993, all departments are required to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India, within six weeks of their receipt. During 2011-12, sixteen thematic/draft paragraphs and two draft performance audit reviews were forwarded to the Special Chief Secretaries/ Principal Secretaries/Secretaries of the departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. It was brought to their personal attention that in view of the likely inclusion of these paragraphs in the Audit Report of the Comptroller and Auditor General of India, which would be placed before the State Legislature, it would be desirable to include their comments/responses to the audit findings. Despite this, two departments[6] did not furnish replies to thematic/draft paragraphs. This was also brought (October 2011) to the notice of the Chief Secretary to the Government. The responses of the departments, where received, have been appropriately incorporated in the Report.

1.7 Significant Audit observations

This Report contains the findings of audit from a test-check of the accounts and transactions of 12 departments of the Government of Andhra Pradesh during 2010-11. Our focus during the year has been primarily on evaluating the implementation of specific Government programmes and initiatives in social sector so as to aid the Government in taking necessary corrective action to improve service delivery levels to the citizens. Towards this end, significant results of audit are summarised below.

Agriculture Department

The performance of Agriculture department with regard to interventions for increasing the productivity and income of farmers was not effective and did not achieve the envisaged objectives. Implementation of schemes was marked by inefficiencies in utilisation of funds, inadequate production of foundation and certified seed, failure in

[6] Health, Medical and Family Welfare and Consumer Affairs, Food and Civil Supplies

strengthening seed testing laboratories and inability to spend funds for improving seed farms. Lack of transparency in disbursement of relief assistance for the calamity-affected farmers and absence of adequate proof of disbursement to farmers underlined strong likelihood of vested interests indulging in corrupt practices in passing such benefits to the intended beneficiaries. Implementation of National Agricultural Insurance Scheme was characterised by poor coverage of non-loanee farmers, delayed disbursement of claims and their credit to loan accounts held by banks and Primary Agricultural Cooperative Societies, providing no relief to calamity stricken farmers. Abnormal delays were noticed in implementation of Pavalavaddi scheme as it reached only 8 per cent of the eligible farmers as of March 2011.

Extension services, which are a critical factor that impact the delivery of various schemes of the Government, received inadequate attention. Coverage of female farmers in Rythu Chaitanya Yatras (RCYs) remained stagnant at 16 - 17 per cent while the coverage of habitations declined from a maximum of 70 per cent in 2008-09 to 51 per cent in 2010-11. Impact assessment of the RCY was neither carried out nor guidelines were in place for their conduct. Adarsha Rythu scheme could not deliver the assigned tasks and failed to bridge the gap between the farmers and the Government. The objective of strengthening research and extension linkages was not achieved due to non-functional Rythu Mitra and other farmers groups and lack of control mechanism in formulating and implementing schemes of similar nature. Subsidy released by the Government for procurement of combine rice harvesters was captured by ineligible/dubious groups of farmers. Huge vacancies in the cadre of Agricultural Officer and Agricultural Extension Officer are adversely affecting the effective functioning of the Department of Agriculture (DoA) besides increasing the dependence of the farmers on input dealers and others for their information needs and procurement of inputs. Internal controls within the DoA were inadequate in most cases and where adequate, were not functioning as envisaged. The performance of the DoA in terms of achieving its Mission of 5 per cent growth rate as well as increasing returns on agricultural investment and developing farmers as seed entrepreneurs is far from satisfactory.

(Chapter 2)

Animal Husbandry and Fisheries Department

Animal vaccines were being produced in Veterinary Biological Research Institutes (VBRIs) at Hyderabad and Samalkot without valid licence and released for field distribution without complying with quality assurance (GMP & GLP) standards prescribed by the Central Drug Control Authority. Failure to comply with regulatory provisions by Government agencies, especially in the domain of pharmaceutical production, would set a poor example and pose serious risk to the livestock health.

(Chapter 3)

Consumer Affairs, Food and Civil Supplies Department

State Government issues kerosene to families below poverty line (BPL) at subsidised prices through fair price shops (FPSs). Audit of Deepam scheme in Ranga Reddy district revealed that failure in compliance with departmental instructions by District Supply Officer coupled with lack of due care within the Commissionerate of Civil Supplies in the allotment of kerosene to BPL card holders covered under the Deepam scheme, had resulted in extra financial burden of ₹ 23.93 crore on the State exchequer. Possibility of excess allotment of kerosene in similar fashion in other districts cannot be ruled out and in that eventuality the total loss to public exchequer over a prolonged period could work out to be enormous.

(Chapter 4)

Health, Medical and Family Welfare Department

During the year 2010-11, we have reviewed the functioning of (i) Blood banks and (ii) Trauma Care Centres. We have also brought out cases of (iii) Fraudulent drawal of pay and allowances and advances in a few Primary Health Centres and (iv) Utilisation of equipment in two Government Medical colleges.

(Paragraph 5.1)

Functioning of Blood banks

Blood banks are governed by Drugs and Cosmetics Act, 1940 (Act) and relevant rules made thereunder. Government of India formulated the National Blood Policy (NBP) in April 2002 to bring about a "comprehensive, efficient and a total quality management approach" throughout the country to ensure easy access to adequate and safe blood. Audit review revealed that the functioning of blood banks in the State is far from satisfactory. Although specific rules were framed for ensuring the safety of blood donors, a majority of the blood banks verified in Audit flouted these rules. Non-compliance with the rules and ineffective monitoring by the Drug Inspectors had resulted in several deficiencies, endangering the safety of both the donor and the needy patients.

(Paragraph 5.2)

Functioning of Trauma Care Centres

As part of its scheme for developing a network of Trauma Care Centres (TCCs) along the Golden Quadrilateral to provide emergency treatment to accident victims, Government of India (GoI) extended financial assistance for upgradation and strengthening of emergency facilities in State hospitals located on National Highways.

Our review of the status and functioning of the TCCs in Andhra Pradesh revealed that they have either not been set up or are yet to become fully operational as of August 2011, either due to the civil works not being completed, or where completed, due to delay in procurement of equipment and absence of requisite manpower. Thus, the objective of providing basic life support and emergency care in the golden hour i.e., first hour of

injury to accident victims in the Golden Quadrangle within the State remains unachieved even after the lapse of over two to five years of necessary sanctions having been accorded by GoI.

(Paragraph 5.3)

Functioning of equipment in Medical colleges

Lack of synchronization of all the three activities of construction of bunker, installation of the equipment and deployment of technical staff, coupled with failure of the Director of Medical Education (DME) to deploy Oncologist to man the equipment in Government Medical College, Anantapur led to the equipment procured way back in 2006 remaining idle even after the lapse of five years. Similarly, in the case of Siddhartha Medical college, Vijayawada, failure of DME in not taking up the matter for provision of funds with the Government immediately after receiving the requirement from the college, coupled with non-filling up of the vacancy of Medical Physicist resulted in the Radio Therapy Unit at Vijayawada lying idle for over one and half years, and thereby depriving the cancer patients of these areas of the benefit of advanced treatment.

(Paragraph 5.4)

Fraudulent drawal of pay and allowances and advances

Audit of two Primary Health Centres (PHCs) viz., Duppalapalem and Chavitidibbalu (East Godavari district) on a sample basis revealed fraudulent drawal of pay and allowances, house building, motor cycle and GPF advances aggregating ₹ 17.73 lakh in the name of transferred staff, in whose cases Last Pay Certificates (LPCs) have already been issued. Fraudulent drawals were rendered possible because before passing the claims, the Treasury Officer (STO, Addatheegala) had not exercised the prescribed checks viz., surrender of LPC, receipt of communication regarding issue of LPC and recording the fact of issue of LPC in the flyleaf of the employee maintained by the treasury.

(Paragraph 5.5)

Home Department

Six Marine Police Stations (MPSs) in the State, setting up of which at a cost of ₹32.67 crore had been approved by GoI under 'Coastal Security Scheme' in November 2005 and provided 100 per cent Central assistance, have remained virtually defunct for several reasons. Audit scrutiny revealed that adequate attention was not paid by either the State or Central Government in implementation of this important scheme concerning national security. Fulfillment of basic requirements like adequate arrangements for maintenance of boats, provision of jetties in the vicinity of the MPS, recruitment of adequate and skilled manpower and imparting appropriate training to them was not ensured. No evidence was available on the actual operation of monitoring mechanism to ensure foolproof coastal security in the State. The main objective of strengthening coastal security against infiltration, intrusion and other illegal activities had, thus, remained unachieved.

(Chapter 6)

Industries and Commerce (Handlooms and Textiles) Department

GoI introduced the Centrally sponsored Integrated Handloom Development Scheme (IHDS) during 2007-08 and sanctioned 52 clusters in five phases with a proposed outlay of ₹ 29.80 crore for coverage of 21,588 weaver beneficiaries and 262 Groups with a proposed outlay of ₹ 8.81 crore for coverage of 3,978 beneficiaries. Audit review revealed that although IHDS is at present the only major intervention by both Central and the State Governments in the handloom sector, its implementation in the State had been less than effective despite availability of Central assistance. Proposals for funding of the scheme were submitted to GoI without ensuring the availability of land for clusters or preparing the Detailed Project Reports. Tardy implementation coupled with non-furnishing of UCs to GoI resulted in freeze on release of further funds (₹ 16.13 crore) by the latter. Even the Common Facility Centres/Dye Houses, which are critical for the clusters have not been established fully, depriving the weavers of the benefit of having suitable workplace for pre and post loom weaving activities. Working capital needs of weavers were not met. The department also could not sort out with the banks the issues adversely impacting better credit linkages. As a result, none of the 35 clusters and 262 groups which were due for completion by 2010-11, were operational as of August 2011.

(Chapter 7)

Labour, Employment, Training and Factories Department

Rajiv Udyogasri Society (RUS) was set up by the State Government in July 2007 with the objective of generating 10 lakh jobs during 2008-10 through training in emerging sectors of economy. Audit review revealed that, although Rajiv Udyogasri Society was well conceived, it failed to achieve the envisaged objectives due to flaws in implementation. Funds were released without instructions relating to their utilisation and there were no internal controls with regard to release and accountal of funds. UCs were not obtained for funds released and in some cases, advances recouped were not accounted for in the cash book. The crucial aspect of survey of job-potential in rural sector was ignored completely. Selection of candidates lacked transparency as no criteria was fixed and industry partners/employers were not associated in the selection process. Data relating to number of applications received, processed and rejected was not maintained. The Society could not ensure placement of the trained candidates, as it had not instituted adequate linkages between training and placement. Thus, despite expending ₹ 112 crore, RUS failed to achieve the desired results in the State.

(Chapter 8)

Municipal Administration and Urban Development Department

Vijayawada, Guntur, Tenali and Mangalagiri Urban Development Authority (Authority) was constituted for planned development of the area under its jurisdiction and to improve the quality of life of its inhabitants. Performance Audit of functioning of the Authority during 2006-11 revealed that it could not achieve its objectives to a very large extent. Sectoral developments proposed in Master Plan/Zonal Development Plans were not

implemented, as the Authority did not prioritise its activities and coordinate effectively with the related departments/agencies (including local bodies) for their successful and timely completion. The Authority had utilised only a fraction of the funds already at its disposal. Consequently, none of the townships/ projects taken up by the Authority could be completed.

The Authority had not assessed its requirement of land for various infrastructure and other development related works nor drawn up any specific plan in this regard. There was no perspective plan with the Authority for acquiring land for development purposes and no land was acquired by it during the five year period 2006-11. Approvals for change of land use were given in violation of Master Plan/ZDPs, vitiating the sanctity of the approved plans. Contract management in the few projects taken up was ineffective and led to financial loss to the Authority. The Authority also did not pay adequate attention to provision of basic amenities in the already established townships. Financial management was poor and record maintenance was abysmal. Internal controls were inadequate and lax especially in cash book maintenance, collection of fees/development charges, disposal of applications for land regularisation and building penalisation schemes, accountal of demand drafts, etc.

(Chapter 9)

Planning Department

The State Government launched "Assembly Constituency Development Programme (ACDP)" in April 2005 to enable the Members of Legislative Assembly (MLAs) to initiate developmental works within their constituencies. The scheme was implemented in the State during 2005-08 and was revived in 2010-11 after a gap of two years, as "Constituency Development Programme (CDP)" extending it to Members of Legislative Council (MLCs) also. The annual allocation under the scheme was ₹ 50 lakh per constituency during 2005-06 which was enhanced to ₹ 1 crore per constituency with effect from 2006-07. The Chief Planning Officers (CPOs) had exercised no control over actual expenditure and were thereby not in a position to monitor actual utilisation of funds and ensure remittance of unspent balances by the executing agencies. This also led to financial misreporting. There was inordinate delay (up to 36 months) in sanction of works after recommendation by the MLAs. As against 75,474 works sanctioned under ACDP (2005-08) and CDP (2010-11), only 53,457 were completed and about 15 per cent of works under ACDP, which were due for completion within nine months of sanction, remained incomplete as of March 2011. Consequently, huge funds were locked up for long periods with the executing agencies. Sanction of inadmissible works and overlapping works under different schemes were also noticed. Asset registers were not being maintained and assets created were not being handed over to the user agencies. Inspection of works, which is crucial to assess compliance with rules and procedures and ensure quality, was neglected in three out of the four sampled districts. Several lacunae in the implementation of the scheme involving ₹118 crore thus denied the envisaged benefits to the public at large.

(Chapter 10)

School Education Department

The 'Information and Communication Technology' (ICT) policy of GoI aims to devise, catalyse, support and sustain ICT and ICT enabled activities and processes in order to improve access, quality and efficiency in the schooling system. The State Government initially implemented (June 2002 – June 2007) a project for computer education in '1000 schools' for imparting computer education to children of classes VI to X. In accordance with the ICT policy of GoI, the State Government also took up (June 2008 and November 2009) implementation of two Centrally sponsored projects viz., 'ICT-5000' (project period: 2008-13) and 'ICT-1300' (project period: 2009-14). Out of the total 10,331 high schools under its control, the State Government envisaged coverage of 7,300 schools as part of these three projects. While the initiatives taken by the State Government in the area of Computer Education to School children are laudable, implementation of the projects suffered due to poor planning, lack of compliance with tendering procedures, non- synchronization of implementation schedule with academic years, failure to ensure continued computer education after closure of the project, poor monitoring, etc. The envisaged objective of the ICT policy of GoI to bridge the digital divide in the country and to prepare the youth for greater participation in the socio-economic development and creation of a knowledge based society in the country by imparting computer training to students early on, remained largely unachieved.

(Chapter 11)

Tribal Welfare Department

State Government took up 45 road works in tribal areas at an outlay of ₹ 42 crore with NABARD assistance. Audit review of these roads revealed that commencement of road works by EEs, TW engineering divisions, without obtaining mandatory forest and other requisite clearances led to closure of the works midway and the works remained incomplete even after the lapse of over four years. This resulted in denial of the intended benefit of all weather road connectivity in the tribal areas. Further, the Government had to forego funding from NABARD due to delay in completion of these works.

(Chapter 12)

Youth Advancement, Tourism and Culture (Sports) Department

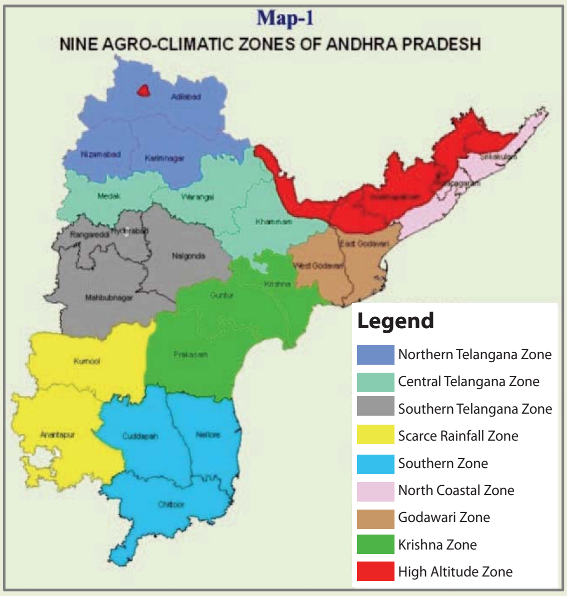
GoI entrusted the conduct of Military World Games 2007 to Andhra Pradesh and Sports Authority of Andhra Pradesh (SAAP) was tasked (June 2005) to provide the required infrastructure, especially sports hostel at Gachibowli. Considering that it was the first time that Military World Games were being held outside Europe and the State Government had consented to host the games in Hyderabad, the decision of the State Government not to fund the construction of the hostel and to leave SAAP in a situation where it had to obtain loan from Punjab National Bank on unfavourable terms, pushed SAAP into financial crisis saddled, as it is, with a debt burden of ₹ 58.14 crore (principal: ₹ 39.29 crore and interest: ₹ 18.85 crore) as of end of March 2011. The additional portion (six floors) of the building, which was scheduled for completion by January 2008, was not completed even after the lapse of four years. Inexplicably, even the built up space is lying unused thus, further accentuating the financial burden of SAAP.

(Chapter 13)

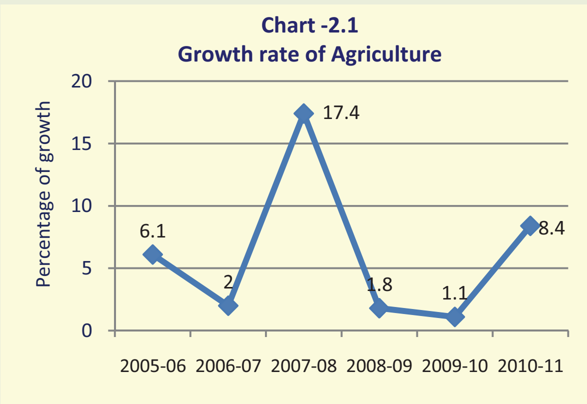
Chapter 2 - Agriculture Department

2.1 Introduction

Andhra Pradesh is an agrarian State with 72.7 *per cent* of its population residing in rural areas and dependent primarily on agriculture. The State is divided into nine agro-climatic zones based on temperature and rainfall. A Regional Agriculture Research Station was set up in each of these zones to facilitate better research and more focused planning for each zone. The details of these agro-climatic zones are depicted alongside.

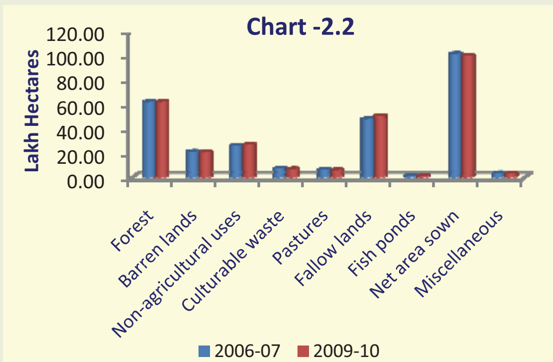


Agriculture contributes about 21.5 *per cent* of the GSDP[1] of Andhra Pradesh. The share of agriculture sector in the GSDP declined from 25.1 *per cent* in 2004-05 to 21.5 *per cent* in 2010-11 with inter-year fluctuations. The trend in the growth rates of agriculture to GSDP can be seen from the graph given alongside. The State witnessed an impressive growth in this sector during 2007-08, due mainly to an excellent monsoon, and a poor show during 2009-10, due again, to a poor monsoon. This underlines the continuing monsoon dependence of agricultural operations in the State.



2.1.1 Land utilisation

The total geographical area of the State of Andhra Pradesh is 275.04 lakh hectares (ha). The extent of land used for agricultural purposes out of this (net sown area), has been fluctuating over the years and declined during the last few years from 37 *per cent* in 2006-07 to 36 *per cent* in 2009-10, as can be seen from the category-wise utilisation of land during 2006-07 and 2009-10 given alongside. This can be attributed partly to rapid urbanisation taking place in the State.



[1] Gross State Domestic Product

2.1.2 Functioning of Agriculture Department

The Department of Agriculture (DoA) was created mainly to provide agricultural extension services to farmers involving transfer of the latest technical knowhow to the farming community, introduce high yielding varieties of seeds, ensure timely supply of seeds, fertilizers and pesticides, impart training and awareness to farmers to boost agricultural production and productivity, etc.

Mission of the Department

The Mission of the DoA is to attain 5 per cent growth rate and increase return on investment to farmers through,

-Improved technology

-Effective extension reach

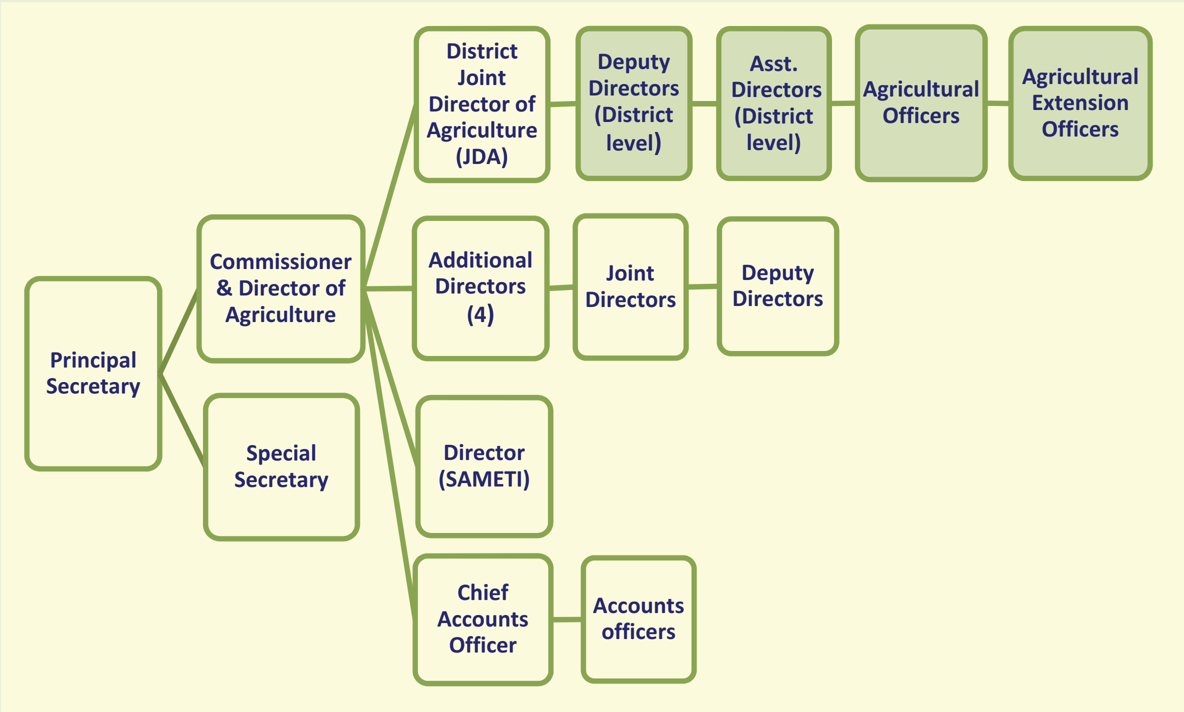
-Efficient input delivery; and

-Mechanisation, marketing tie up, adequate credit and crop insurance.

The main strategies adopted by the Government to fulfill the Mission set for itself are capacity building of farmers, re-engineering of extension approach, strengthening research and extension linkages and supply of timely and quality inputs.

2.1.3 Organisational set up

Principal Secretary to the Government is the administrative head of the Department. The Commissioner and Director of Agriculture (C&DA) is responsible for overall development of agriculture in the State, including planning, strategizing, implementing, monitoring and follow up activities. The organogram of the DoA is given below.



2.2 Audit Framework

2.2.1 Audit objectives

Functioning of the Agriculture Department was reviewed in audit with the objective of evaluating its performance with specific reference to the following:

- Effectiveness of agricultural extension services;
- Timely supply of seeds and other inputs;
- Economy, efficiency and effectiveness in implementation of schemes relating to improvement in production and productivity of agriculture sector in the State; and
- Quality of internal controls in various areas of the department and compliance thereto.

2.2.2 Scope and Methodology of Audit

Audit was carried out between February and May 2011 and covered the core activities of the Department during 2008-11. Audit methodology involved scrutiny of the relevant documents and analysis of data at the Secretariat, district and division level and the selected project sites. Discussions were held with the concerned officials at both Secretariat as well as at the field units chosen for detailed scrutiny. Joint inspection of the sampled sites was carried out with the Departmental officials and photographic evidence was taken to substantiate audit findings where required.

Audit objectives and methodology were discussed with the Special Secretary to the Government in an entry conference held in February 2011. Audit findings were discussed with the Principal Secretary to the Government and his team in an exit conference held in October 2011. The replies/responses of the Government have been incorporated in the report at appropriate places.

2.2.3 Audit sampling

Out of 19 schemes undertaken by the Department, eight were selected for detailed audit scrutiny on considerations of financial materiality and their importance in overall priority accorded by the Government to various initiatives. Implementation of the sampled schemes was reviewed through a test-check of records in six districts *viz*. Anantapur, East Godavari, Krishna, Medak, Nizamabad and Visakhapatnam covering 41[2] out of 402 field units chosen on simple random sampling without replacement method.

2.3 Programme Implementation

2.3.1 Major Government Interventions

As part of its efforts to achieve its mission of 5 *per cent* growth rate during the XI Plan period, the DoA has been implementing several programmes under State and Central schemes. The details of major schemes in this regard are as follows.

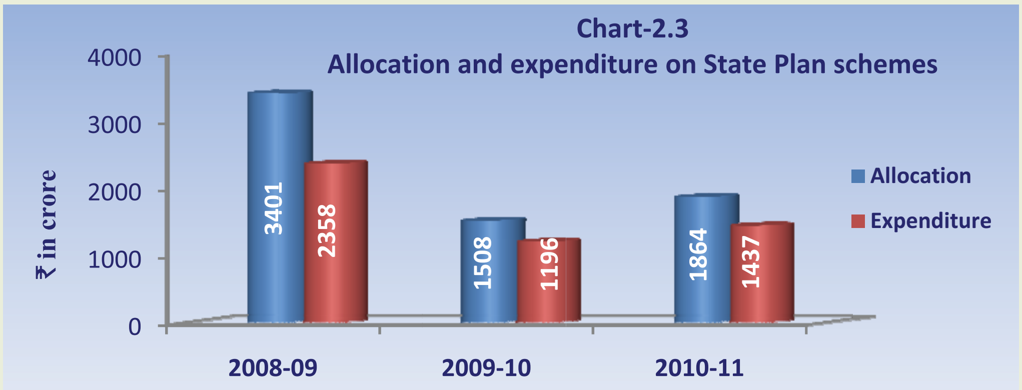
[2] 6 JDAs, 14 ADAs, 14 MAOs, 4 FTCs and 3 seed farms

Table-2.1

State Plan Schemes	Central Plan Schemes	Centrally sponsored schemes
Supply of Seeds	Seed Village Scheme	ISOPOM[3] – Pulses
Polambadi[4]	National Project of Organic Farming	ISOPOM – Oil Seeds
State Seed Farms		ISOPOM - Maize
Integrated Nutrient Management		MM-II Technology Mission on Cotton
Farm Mechanisation		Work Plan on Macro Management in Agriculture
Extension Programmes		Agriculture Technology Management Agency (ATMA)
National Agricultural Insurance Scheme		Jute Technology Mission
Rashtriya Krishi Vikas Yojana		
Crop loans to farmers (Pavala Vaddi)		
Buildings for Agriculture Department		
Relief assistance (Input subsidy)		

Source: Outcome budgets

Budget allocation and expenditure on State plan schemes during the last three years is given below.



Allocation and expenditure on Central Plan and Centrally sponsored schemes during 2008-11 is given below.

Chart-2.4

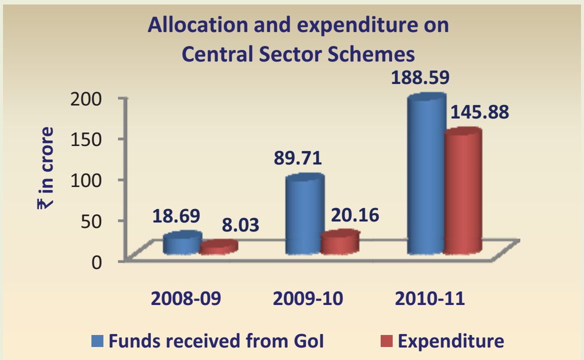
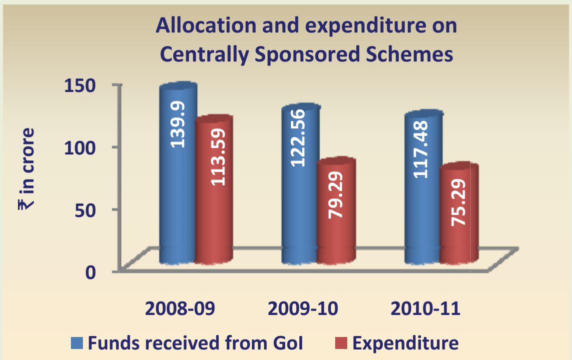


Chart-2.5



Source: C&DA

[3] Integrated Scheme of Oilseeds, Pulses, Oil palm and Maize
[4] Farmers' field school

As can be seen from the above details, the DoA has not been able to utilise the funds provided either for State Plan schemes or Central Plan/Centrally sponsored schemes and there have been substantial savings year after year. Saving in State Plan schemes was up to 30 *per cent* during 2008-09 and saving with regard to GoI schemes was up to 53 *per cent* during 2009-10. While the validity of some of these sanctions/releases has been extended, the State has been losing an opportunity to improve the agriculture sector at a rapid pace due to its inability to spend the funds, which in turn reduced the GoI allocation in some cases.

The State Government formulated several schemes for creating awareness among the farmers about technological advancements in farming sector, so as to improve the yield and productivity of this sector and to increase the return on investment to farmers. These initiatives fall broadly under two categories:

- Programmes for increasing productivity; and
- Agricultural extension programmes.

We selected eight[5] schemes (seven State Plan Schemes and one Central Sector Scheme) for detailed scrutiny to assess the success of both these initiatives of the State Government. Our findings are discussed below.

2.3.2 Programmes for increasing productivity

2.3.2.1 Supply of seeds

One of the important factors that determine the success or failure of crop is availability of quality seed. Government has been implementing the '**supply of seeds scheme'** under State Plan for distribution of seeds on subsidy to farmers. It has also been implementing '**Seed Village Scheme',** which is fully funded by GoI, for production of quality foundation seed (FS) in selected villages through the State Seed Farms.

DoA arrives at the total requirement of seeds for each crop season[6] at the State level, based on the village wise assessment made by the AO, which in turn is consolidated at Mandal, District and State levels. Government distributes limited quantity of subsidised seeds annually to farmers. The rates of subsidy vary depending on the variety of seeds and are notified at the beginning of the season. Expenditure on subsidy is met by the DoA from the budgetary support of the State Government. Non-subsidy seeds are supplied by private seed supply agencies at market rates.

Audit scrutiny of seed supply management indicated that during 2008-11, DoA supplied 57.68 lakh quintals of seeds by spending ₹ 874.94 crore[7] against the assessed and planned requirement of 77.74 lakh quintals leaving the balance to be met from private sources.

[5] Supply of seeds, Seed Village scheme, State Seed Farms, Relief assistance (Input subsidy), National Agricultural Insurance scheme, RKVY (Farm mechanization), Buildings for Agriculture Department, Extension programmes including Pavalavaddi

[6] percentage of Seed Replacement Rate varies from crop to crop and season to season

[7] Subsidy allowed per quintal: Paddy – ₹ 500; Groundnut – ₹ 1,600/₹ 1,650; Red gram – ₹ 2800; Black gram – ₹ 3,250; Green gram – ₹ 3,000, etc.

C&DA attributed the 26 *per cent* shortfall to non-availability of the requisite quantity of seeds in 2008-09 and 2010-11 and severe drought conditions in 2009-10.

Table-2.2

(Quantity in lakh quintals)

Crop	Total Seed requirement	Expected seed availability		Total
		Govt. sources	Private sources	
Paddy	14.38	5.69	**13.05**	18.74
Maize	0.90	**0.13**	2.20	2.33
Red gram	0.70	0.55	0.08	0.63
Green gram	0.52	0.21	0.04	0.25
Black gram	0.17	0.44	0.04	0.48
Groundnut	21.00	**10.88**	6.23	17.11
Soyabean	1.05	2.40	0.24	2.64
Cotton	0.39	0.00	**0.40**	0.40

Source: C&DA

However, the DoA had not made adequate arrangements for ensuring availability of required quantity of seeds to farmers even during 2011-12, as can be seen from the details about the requirement and availability of seeds relating to major crops during Kharif 2011 given in Table-2.2. During the 2011 Kharif season the expected availability of seeds from Government sources was far less than the requirement.

Audit scrutiny of Seed Action Plan of the DoA for the Kharif 2011 season revealed that only 40 *per cent* of paddy seed, 52 *per cent* of groundnut seed and 14 *per cent* of maize seed were proposed to be supplied through Government sources. Declaration of crop holiday during Kharif 2011 in some parts of the State by the farmers where paddy is predominantly grown need to be taken into cognizance by the DoA for drawing up appropriate action plan to supply seeds at subsidised rate. Short supply of subsidised seeds also forced the small and marginal farmers to buy seeds in the open market at higher rates, leading to increased financial burden. Crop failures in such cases invariably push the farmers to the door-step of private money lenders.

Similarly, cotton seed availability from Government was nil due to its complete inability to supply subsidised seeds to cotton growers. This compelled them to buy seeds from more expensive private sources.

Government stated in November 2011 that the shortfall in supply of seeds was due to less demand from the farmers, crop diversification and adverse seasonal conditions. During the exit conference (October 2011) however, the State Government had admitted that it was not equipped to supply the entire quantity of seeds required by farmers. Considering that the overall requirement of seeds is assessed every year on the basis of past pattern and the inputs from functionaries involved in extension activities, the DoA should have been able to plan supply of various types of seeds in required quantities. It is obvious that the Government neither met the seed requirements of the farmers on its own nor made any other contingency plans for the purpose. Its inability to make the farmers aware, in time, about its inability to arrange supply of seeds as per their requirement virtually pushed them into a situation where they would be completely at the mercy of private seed suppliers obliging them to buy seeds at expensive rates.

2.3.2.2 *Production and Certification of Seeds*

Production of foundation seed (FS) is the basis for subsequent production of certified seed (CS) as CS is the progeny of the FS. The Central sector **Seed Village Scheme** envisaged production of certified seed through the identified seed village plots of farmers, for distribution among themselves and develop them as seed entrepreneurs. Quality seed production and distribution to farmers at affordable cost are the objectives of this scheme. The scheme is being implemented from Rabi 2005-06 with 100 *per cent* funding from GoI.

The aim of this scheme is to

- identify the areas of better seed production;
- promote group activity with unit size of 10 ha;
- supply foundation/certified seed at 50 *per cent* cost to the identified farmers;
- preserve/store the produced seed till the next sowing season with the help of storage bins;
- impart three-day training on seed production and seed technology to farmers for the seed crops grown in the seed villages.

Our scrutiny of the relevant records and information obtained from APSSDCL[8] and APSSCA[9] revealed that the State has not been able to utilise the funds provided by the GoI for implementation of this scheme. The following table gives the details of the flow of funds for this scheme during 2008-11.

Table-2.3

(₹ in crore)

Year	Opening Balance	Receipts	Total	Expenditure	Unspent balance
2008-09	Nil	18.27	18.27	8.00	10.27
2009-10	10.27	78.81	89.08	19.96	69.12
2010-11	69.12	Nil	69.12	33.14	35.98

Source: C&DA

Government stated (November 2011) that only ₹ 33.14 crore of the revalidated amount of ₹69.12 crore could be spent and that GoI was requested to revalidate the balance funds. Clearly, the State was unable to utilise the funds released and revalidated by GoI as it was not adequately equipped to cope with the demand for seed requirement, despite availability of funds.

2.3.2.3 *Production of Foundation Seed*

There are three classes and sources of seed viz. Breeder Seed, Foundation Seed and Certified Seed. Breeder (pure) Seed is directly controlled by the originating plant breeder and this provides source for initial and recurring increase of foundation seed. Foundation

[8] Andhra Pradesh State Seed Development Corporation Limited
[9] Andhra Pradesh State Seed Certification Agency

Seed is the progeny of the Breeder Seed. Stage-I of the Foundation Seed[10] is used for further production of Foundation Seed whereas Stage-II[11] could be used only for production of the Certified Seed.

There was short production of 2.39 lakh quintals (46 *per cent*) of foundation seed during 2008-11. As a result, there was acute shortage of 11.82 lakh quintals (25 *per cent*) of certified seed and the value of the shortfall in production of both foundation and certified seeds was estimated at ₹ 298.75 crore by APSSDCL, the nodal agency. Details are given below.

Table-2.4

(Quantity in lakh quintals and value in crore of rupees)

Year	Foundation seed				Certified seed			
	Expected quantity	Actual quantity	Shortfall	Value of shortfall seeds	Expected quantity	Actual quantity	Shortfall	Value of shortfall seeds
2008-09	1.94	1.45	0.49	12.74	12.47	10.33	2.14	35.69
2009-10	1.86	0.67	1.19	38.92	14.56	8.52	6.04	139.56
2010-11	1.45	0.74	0.71	26.97	13.48	9.84	3.64	123.50
Total	**5.25**	**2.86**	**2.39**	**78.63**	**47.51**	**28.69**	**11.82**	**298.75**

Source: C&DA

The shortage of certified seed forced the DoA to procure 'truthfully labelled seed' from private seed companies. Thus, APSSDCL, which is the designated seed supplier in the State, was not geared to meet the anticipated demand for certified seed.

Government stated (November 2011) that there was a decrease of 22 *per cent* in production of seed during 2009-10 over the level of 2008-09 due to untimely rains in north coastal region of the State. Government also added that seed processing and seed storage capacity of APSSDCL was limited due to inadequate infrastructure, and that, after the completion of the ongoing augmentation works by the year end, the APSSDCL would be in a position to produce 13 to 14 lakh quintals of seeds per annum against the average annual requirement of 15.44 lakh quintals.

2.3.2.4 Seed farms

There are twenty five Seed Farms in the State which are producing FS by utilising the breeder seed from Acharya N G Ranga Agricultural University. FS produced in these farms is supplied to seed breeders under GoI Seed Village scheme at 50 *per cent* subsidy. We reviewed the records of these seed farms at Samalkot (East Godavari district), Sadashivpet (Medak district) and Boppaspalli (Nizamabad district) and noticed that there was 57 *per cent* shortfall in production of FS during 2008-11 in these farms, as indicated in the Table-2.5.

[10] First produce of Foundation seed
[11] Second and subsequent usage of foundation seed

Table-2.5

Year	Target (MT)	Production (MT)	Shortfall (*per cent*)	Remarks
2008-09	289	113	176 (61)	Shortfall was attributed by Boppaspalli farm to drought, late and heavy rains whereas Samalkot farm cited cyclonic rains. Unsuitability of land was the reason stated for shortfall in Sadashivpet.
2009-10	259	97	162 (62)	
2010-11 (Kharif)	125	79	46 (37)	
Total	**673**	**289**	**384 (57)**	

Source: SSFs

C&DA had estimated that ₹ 15.90 crore would be required for strengthening Seed Farms in the State. The works envisaged for the purpose included land development, drilling of bore wells, fixing electrical motors, etc. Contrary to this proposal, the State Level Sanction Committee (SLSC) of Rashtriya Krishi Vikas Yojana (RKVY) sanctioned ₹ 1.42 crore (October 2009) for taking up 80 infrastructural works and the funds were released to C&DA during February-March 2010. The funds were passed on by C&DA through the JDs to AP State Agro Industries Development Corporation Limited (APSAIDC) that was to execute the infrastructural works. No time limit was prescribed for completion of the works. Of the 80 works sanctioned, only 13 works (16 *per cent*) were completed as of March 2011.

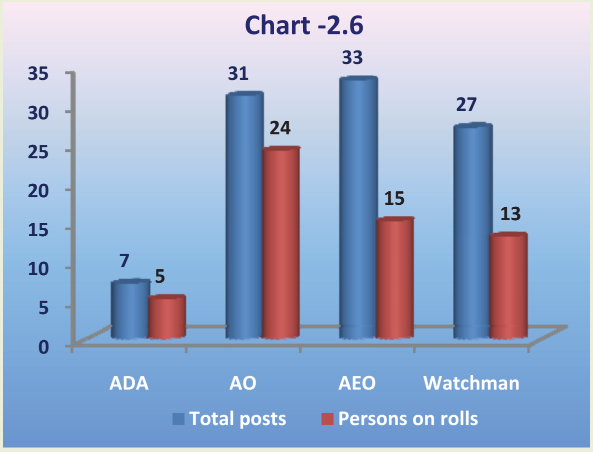
Table-2.6

Parameter	Number	Amount released (₹ in lakh)
Works completed	13	19.78
Works at various stages	38	28.88
Works not yet taken up	29	93.34

Source: C&DA

Thus, apart from markedly low financial support to development of required infrastructure in the seed production centres, little progress was actually achieved in completing the works even with the limited funds provided for this purpose. Adverse impact of poor infrastructure on low achievement of seed production targets was obvious.

Government stated (November 2011) that 53 out of 80 works were completed and that necessary power connections were being obtained for the bore wells. It was also added that proposals for sanction of ₹ 30 crore for the developmental works were submitted to GoI and their approval was awaited.



Source: SSFs

There were huge vacancies in all cadres in the seed farms as can be seen from the chart given alongside. 17 farms were under the control of in-charge ADs in the State. In all the three sampled farms, ADAs (Regular) were holding additional charge, indicating that seed farms were not given due importance by the DoA. This also underscored the inability of the department to utilise funds and achieve even limited objectives.

Government stated (November 2011) that ADAs were posted in the recent past and that, the vacancies in the cadre of AOs had gone up due to the promotion of the incumbents.

2.3.2.5 Seed processing units

C&DA placed purchase order[12] in July 2006 on APSAIDC for supply of 30 two-ton capacity seed processing units to 15 Seed Farms at an estimated cost of ₹ 1.15 crore. APSAIDC supplied 29 units at a cost of ₹ 1.11 crore by March 2007. As of March 2011, 12 of these units remained uninstalled due to non-availability of suitable place, proper shed, electricity, etc., rendering the expenditure of ₹ 45.93 lakh incurred on the purchase of these 12 units idle. Photographs of an idle seed processing unit and dilapidated building in Boppaspalli Seed Farm are given below.

Photograph taken on 21 April 2011 shows the dilapidated building of the State Seed Farm, Boppasapally

Photograph showing the locked up premises in the Seed Farm at Sadashivpet in Medak District. Photograph was taken on 5 May 2011

Government admitted (November 2011) the non-installation of 12 seed processing units due to lack of power connections and infrastructure facilities and assured that the installation of these units would be completed during the year.

2.3.2.6 Seed certification

The AP State Seed Certification Agency was set up by Government under Seeds Act, 1966 for registering the seed village plots for seed certification. The Agency is assisted in this task by the District JDAs who furnish to it, before every sowing season, the list of farmers participating in seed production and provide crop-wise sowing dates for each village. The seed certification officers of the Agency are required to visit the seed village plots at different stages of crop growth to monitor adherence to the seed production standards.

The details of areas registered by the Agency and visits by seed certification officers in the sample districts are given in the Table-2.7.

[12] C&DA proposed (December 2006) to GoI to set up one small SPU at each Farm so that the foundation seed produced at the farm as well as the Certified seed produced by the farmers could be processed in the farms and make available the quality seed at lower prices to the farmers and requested to approve and release ₹1.20 crore under innovative scheme of Macro Management in 2006-07

Table-2.7

(Area in hectares)

District	Particulars	Year		
		2008-09	**2009-10**	**2010-11**
Anantapur	Area offered	10000	15217	13232
	Area registered	Nil	Nil	3177
East Godavari	Area offered	2700	1312	2510
	Area registered	Details were not available with JDA		
Krishna	Area offered	1748	2840	5680
	Area registered	Nil	Nil	Nil
Medak	Area offered	960	3420	3420
	Area registered	960	Nil	Nil
Nizamabad	Area offered	2930	1820	4800
	Area registered	Nil	Nil	Nil
Visakhapatnam	Area offered	1180	1220	3240
	Area registered	760	763	Nil

Source: JDAs

The whole process of certification of seed village plots had remained neglected, as evidenced from the details in the table above. The JDAs, after having furnished details of plots in seed production to the Agency, had not pursued certification process beyond that stage. Consequently,

- in Visakhapatnam district, while only about 63 *per cent* of offered areas were registered during 2008-09 and 2009-10, no plots were registered during 2010-11;
- in Medak district, while all the offered plots were registered in 2008-09, none were registered thereafter;
- in Anantapur district[13], no groundnut seed was produced, although it is the most predominant crop in this district. Consequently, majority of farmers in the district had to obtain groundnut seed from far off places involving high transportation costs;
- no area was registered for certification during 2008-11 in Krishna and Nizamabad districts.

As a result, seed produced under the scheme remained uncertified/unavailable. Since the seed could not be stored till the following season, it had to be sent to market for consumption as grains. This had a cascading effect on seed availability in the subsequent crop seasons and led to severe shortage of seeds.

Government accepted that there was incomplete registration of seed village plots and assured (November 2011) to procure seeds from seed village plots during 2011-12.

[13] Seed Farm at Kanekal

2.3.2.7 Storage bins not supplied

Guidelines provided that the seed produced in the seed village plots were to be preserved/stored till the subsequent season. To encourage farmers to develop storage capacity of appropriate quality, the DoA decided to procure storage bins for storing the seed produced by the farmers in their farms. Although 0.23 lakh bins were targeted to be supplied to farmers during 2008-09 alone, not a single storage bin was supplied to them during the entire period 2008-11. This indifferent attitude of the DoA not only defeated the objective of preserving the produced seed till the following sowing season, but also exposed the seed to possible damage by rodents, moisture, etc.

2.3.2.8 Seed Testing Laboratories

APSSCA has established three seed testing laboratories at Hyderabad, Kadapa and Amaravathi. GoI released ₹ 11.85 lakh in May 2008 for strengthening the existing Kadapa and Amaravathi laboratories[14] and ₹ 25 lakh for establishing the DNA Finger Printing Laboratory at Rajendranagar, Hyderabad under the Central Sector Scheme of 'Development and strengthening of seed infrastructure facilities for production and distribution of quality seeds'. Of this, ₹ 18.50 lakh was reportedly advanced to the AP State Police Housing Corporation Limited, Hyderabad for execution of the works and the balance was parked in fixed deposits during 2008-10. The works were not completed even as of October 2011. Thus, the objective of strengthening the three STLs was not achieved even after three years of release of funds, and the basic objective of ensuring supply of pure seed by the APSSDC did not fully materialise.

Supply of quality seeds through the implementation of GoI's Seed Village Scheme and other State plan schemes was affected by poor utilisation of funds, inadequate production of foundation seed, insignificant supply of certified seed and non-strengthening of seed testing laboratories and seed farms.

2.3.3 Disbursement of relief assistance

State Government provides financial assistance to farmers whose crops are affected by natural calamities. The assistance is released in separate instalments for small and marginal farmers (SMF), on priority basis. As per the norms prescribed (June 2007) by GoI, assistance of ₹ 2,000 and ₹ 4,000 per hectare respectively for rain-fed areas and areas under assured irrigation was to be released to farmers.

As per the instructions of the District Collectors, Tahsildars[15] are to open joint bank account with AOs for depositing the instalments of assistance released by the District JDAs for disbursement to the affected farmers. After disbursing the assistance, Tahsildars are required to render accounts and utilisation certificates to JDAs and remit unspent balances to Government account. District JDAs are to submit UCs to the C&DA for onward submission to the Revenue Department. The State Government had released ₹ 1,451.09 crore during 2008-11 for disbursement to the affected farmers. The JDAs had drawn the

[14] Kadapa laboratory: ₹ 4.65 lakh and Amaravathi laboratory: ₹ 7.20 lakh
[15] Formerly Mandal Revenue Officers

entire amount and kept it at the disposal of the Tahsildars for disbursement to the affected farmers. We however, observed that, Tahsildars had disbursed only ₹ 1,075.41 crore and the balance amount of ₹ 375.68 crore was lying outside the Government account in Savings Bank accounts held by Tahsildars.

Audit scrutiny of the related acquittance rolls and bank statements, etc. in the offices of ADs, and detailed contingent bills and other connected records in JDAs' offices in the sampled districts revealed the following irregularities:

- JDAs did not keep enumerated lists of calamity affected farmers with them, although they were required to do so. Due to this, the correctness of disbursements could not be vouchsafed in audit.
- There was no evidence on record to prove that only eligible farmers received the assistance. There was no supervision over disbursement of funds and there was no documentary proof in support of disbursement to actual cultivators; money was disbursed through uncrossed cheques; cash books were not maintained; there were identical signatures against multiple beneficiaries in the acquittance rolls, etc.
- There was little evidence to suggest that the assistance was disbursed in time to 'SMF' and other farmers. In Nizamabad district, disbursement of assistance of ₹ 49.18 crore to the affected farmers was delayed by 21 months (from May 2009 to January 2011) after the calamity. Similarly, in Krishna district, delays in disbursement of ₹ 44.48 crore were in the range of two to 31 months.

Lack of transparency in disbursement of relief assistance and absence of adequate proof of disbursement of money to farmers underlined strong likelihood of vested interests indulging in corrupt practices in passing such benefits to the intended beneficiaries, their harassment in the process and even misappropriating public funds.

Government accepted (November 2011) that there could be irregularities in the distribution of relief assistance and attributed it to incomplete and old revenue records. Belated release of funds was attributed to budgetary constraints. Government also stated that a joint appraisal involving the officials of Revenue, Agriculture, and Directorate of Economics and Statistics was being contemplated and that self-reporting system by the farmers was also being envisaged to plug these problems. Further, it was stated that necessary instructions were given to JDAs for supervision to avoid the irregularities pointed out by Audit. Government has not, however, indicated the action proposed to be initiated against the delinquent officials relating to both (a) enumeration and (b) disbursement of subsidy.

2.3.4 Implementation of National Agricultural Insurance Scheme

National Agricultural Insurance Scheme is being implemented from Kharif 2008 for identified principal crop in all 22 rural districts of the State with village as the insurance unit as against Mandal as the insurance unit before that. Farmers availing credit are automatically covered under the scheme. Other farmers have the option to avail of the benefit of this scheme. While all the beneficiaries are required to pay a premium, small and marginal farmers are entitled to the element of subsidy in payment of premium. Farmers' claims are settled on the basis of yield statements obtained by Agriculture Insurance Company of India Limited (AIC) which is required to maintain a distinct account for receiving premium from the loanee and non-loanee farmers and paying out their claims.

Under the scheme, the crop insurance premium in respect of loanee farmers is deducted by the loan-sanctioning banks and Primary Agricultural Cooperative Societies (PACS) upfront, by deducting the same from loan amount being disbursed. The premium so deducted is passed on by the banks to AIC through their identified nodal branches at the district level. In the case of PACS, the premia are consolidated and sent to AIC through the District Cooperative Central Banks. Payment of claim is regulated on the basis of crop yield data and actuarial premium rates determined by professional agencies. Since the premium paid by the farmer is insufficient to meet expenditure on insurance claims, the balance expenditure is funded by Central and State Governments on equal basis. For this purpose, AIC prefers a claim on both the Governments and disburses claims to the farmers through nodal banks in the districts as well as through PACS. These agencies are required to credit the claims to the individual loan accounts.

As of March 2011, insurance claims amounting to ₹ 1,569.65 crore were disbursed to 20.80 lakh farmers in the State[16]. Our observations on the implementation of this scheme based on our scrutiny of records in the sampled districts are discussed in the succeeding paragraphs.

2.3.4.1 Poor coverage of non-loanee farmers

DoA is responsible for creating awareness about the scheme among the non-loanee farmers (including tenant farmers) so as to extend its benefits to a larger segment of farmers. However, as against the existing coverage of 118 lakh farmers in the entire State, only 6.26 lakh non-loanee farmers were enrolled by the DoA during 2006-11 whereas there are 1.44 crore farmers in the State. The Extension Wing of DoA was obviously unsuccessful in popularising the scheme amongst the non-loanee farmers at large.

2.3.4.2 Disallowance of proposals

Bank branches in each district submit details of premium collected from farmers at periodical intervals to their nodal branches stationed in the district headquarters. The nodal branches of banks have to send lists of farmers from whom insurance premium was collected and the demand drafts to AIC on a monthly basis. AIC pays service charges to banks for rendering service to farmers. During 2008-11, AIC paid ₹ 9.82 crore to the banks on this account.

We noticed that remittance of the premium paid by the farmers as well as submission of bank-wise and insurance unit-wise details of farmers to AIC was delayed by the nodal branches of banks. Consequently, AIC had rejected insurance proposals submitted by nodal branches and refunded premium aggregating ₹ 58.20 lakh in respect of loanee farmers, who had suffered crop damage, to the banks during 2008-11. Due to failure of nodal branches in adhering to the time schedule prescribed by AIC for receiving the premia, the farmers were deprived of their insurance claims although premium had been collected by banks upfront at

[16] During Rabi 2006-07 to Kharif 2009, disbursed during May 2008 to November 2010

the time of sanctioning the loans. Despite receipt of service charges aggregating ₹ 9.82 crore, banks did not secure the interests of the farmers.

2.3.4.3 Compilation of yield data

It was observed in audit that compilation of data relating to the yield particulars from each insurance unit was incomplete, as many columns in the prescribed proforma were left blank. Primary workers and supervisors engaged on the work of compiling data were hired on contract basis in a non-transparent manner. Further, Chief Planning Officers[17] were drawing the insurance money meant for farmers and diverting it for payment of honorarium in cash to the contract primary workers through the personal account of Assistant Statistical Officers (ASOs).

Payment of honorarium in cash and crediting money to the personal account of ASO was incorrect, irregular and fraught with the risk of misappropriation.

2.3.4.4 Denial of benefit to loanee farmers

As per the instructions of AIC, insurance claims of farmers are to be ordinarily credited to their loan accounts. However, in cases where no loan is outstanding or the loan has been rescheduled on account of crop failure insurance claims are required to be credited by the banks/PACSs in the mandatory saving accounts of the farmers. Contrary to these instructions, 8,211 commercial banks and 2,748 PACS in the State have been crediting the insurance claims to the loan accounts of farmers, even in cases where outstanding loan was nil or where repayment of loans was not due on that day. As a result, farmers were deprived of the relief in the form of insurance claims. To that extent, banks were benefited, as crediting of insurance claims against the loan accounts of farmers acted as premature repayment of loan.

2.3.4.5 Delay in disbursement of claims

State Government had delayed release of its share of insurance claim by one week to nine months. This had contributed to delayed disbursement of accepted claim amounts to the beneficiaries putting them to hardship. Our scrutiny of disbursements made by AIC during 2000-01 to 2009-10 revealed that banks had delayed disbursement of farmers claims by 3 to 15 months.

Government stated (November 2011) that due to the awareness campaigns organised by AIC all over the State, there was gradual progress in coverage of non-loanee farmers. Delays in settlement of claims were attributed to delays in receipt of yield data from the Directorate of Economics and Statistics.

[17] Head of the district unit of the DES

2.3.5 Interest reimbursement schemes

2.3.5.1 Pavalavaddi

Government introduced Pavalavaddi[18] Scheme in June 2008 to provide additional relief to farmers who repay their crop loans within the prescribed due dates. The scheme was made applicable with effect from Kharif 2008, to all those farmers who had obtained short term production credit viz. crop loans. The scheme was extended to 2009-10 and later to 2010-11 as well. Under this scheme, interest charged by banks over and above 3 *per cent* is to be reimbursed to the farmers.

Government targeted disbursement of ₹ 310 crore in 2008-09 alone on account of this scheme. However, only ₹ 1.17 crore was reimbursed by C&DA in that year. As of March 2011, ₹ 123.57 crore[19] was released by the Government to reimburse the claims of 2008-09. District JDAs drew and disbursed to the banks only ₹ 83.37 crore for eventual release to 10.17 lakh farmers. The short disbursement of ₹ 40.20 crore was attributed by the C&DA to budget freeze. Claims of the farmers for relief for the subsequent two years were yet to be taken up by the C&DA. Consequently, against 120 lakh cultivators, only 10.17 lakh farmers (8.47 *per cent*) got the benefit of Pavalavaddi Scheme as of March 2011.

Government stated that arrears were cleared up to 2008-09 and payment for the year 2009-10 was in progress and that no claims were received for the year 2010-11.

2.3.5.2 Interest rebate for loans disbursed by PACS

Primary Agricultural Cooperative Societies (PACS) were disbursing short term agricultural loans to the farmers at the prevailing rate of interest. Government decided in July 2004 to provide interest rebate of 6 *per cent* on agricultural loans disbursed by PACS on the condition that the current outstanding loan was repaid fully by the end of the financial year. As a sequel, PACS were to pass on the interest rebate to farmers and claim the amount from the Government through APCOB[20]. The scheme was extended up to 2010-11 on a year to year basis.

Audit scrutiny revealed that the State Government has been delaying reimbursing the interest rebate allowed by PACS. As of March 2011, ₹ 146.57 crore pertaining to the claims of 2008-09 was yet to be released by the Government. Claim for the subsequent years was not even preferred by APCOB. Delayed release of funds affected the liquidity of PACS as also fresh sanctions of agricultural loans to farmers.

2.4 Agricultural Extension Programmes

The State Government formulated several schemes for creating awareness among the farmers about technological advancements in farming and Government support to the agriculture sector, so as to improve the yield and productivity of this sector and to increase the return on investment to farmers. Agricultural extension programmes are the major programmes under the above initiatives. Our findings on these initiatives are discussed below.

---

[18] Interest at quarter of a rupee per mensem known as interest subvention scheme
[19] 2008-09: ₹ 3.57 crore; 2009-10: ₹ 60 crore and 2010-11: ₹ 60 crore
[20] Andhra Pradesh State Cooperative Bank Limited, State level apex body of PACS

2.4.1 Rythu Chaitanya Yatras

Rythu Chaitanya Yatras (RCY) which are awareness campaigns, are being organised annually by the Government throughout the State to educate farmers, particularly small and marginal farmers, about the programmes of the Government for welfare of farmers, technology transfer, credit delivery, effective input planning for kharif, agriculture mechanisation, crop diversification, water management, etc. with the objective of increasing productivity and reducing the cost of cultivation. All the allied departments like Animal Husbandry, Horticulture, Sericulture, Social Forestry, Fisheries, Marketing, AP Transco and ANGRAU[21] are also required to participate in these Yatras. Considering the farmers pre-occupation with agricultural operations during different months of the year the period between March and April was the most appropriate time for organising RYC campaigns.

Audit scrutiny revealed that the aim of organising RCY in all the 71,421 habitations during the last three years has been achieved only partly, as can be seen from the table given below.

Table-2.8

Component	2008-09	2009-10	2010-11
Habitations visited	50,083	31,867	36,757
Farmers contacted	34,41,673	13,44,424	33,19,778
Female farmers contacted	5,78,699	2,24,710	5,31,102
Soil samples sent to ST Laboratory	2,02,799	3,32,188	3,38,266
Soil samples tested N, P and K	37,892	--	--
Live models displayed	--	81,174	58,997
Live demonstrations conducted	--	61,294	50,142
Dates of organising RCY	17 May to 3 June 2008	27 April to 10 May 2009	17 May to 2 June 2010

Source: C&DA

Photographs show thin attendance in the RCY held on 17 and 18 May 2011 in Billuruvadapalli and Pandulakunta habitations in Anantapur district

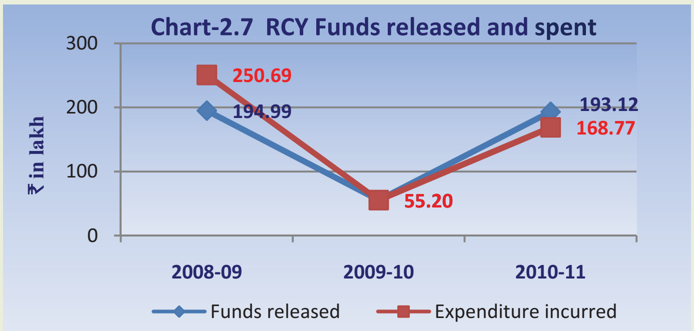
While 2008-09 started with coverage of 70 *per cent* habitations, the number of habitations declined from year to year thereafter, with only about 51 *per cent* of habitations being covered during 2010-11. Despite the Government's claims of targeting female farmers, the

[21] Acharya N.G. Ranga Agricultural University

table above reveals that the number of female farmers contacted under the RCY remained stagnant at 16 - 17 *per cent*.

The Agricultural Extension Officers (AEOs) were supposed to interact with the farmers on a continuous basis throughout the year. Trying to reach out to the latter once a year over a period of two weeks would not have the desired impact.

The graph (alongside) illustrates the fluctuating trend of funds released and spent during 2008-11. During the year 2008-09, the extra expenditure was met partially by diverting ₹ 56 lakh from seeds account. The amount remained un-recouped as of October 2011.



As per the calculations of the Department, to organise RCY in a year, an approximate amount of ₹ 1.94 crore[22] would be required. While there was no separate budget allocation for the RCY, Government released ₹ 4.43 crore during 2008-11 for organising these Yatras against a projected requirement of ₹ 5.82 crore.

As can be seen from the above, allocation of funds was not need-based and inadequate even for this all-important programme of the Government forcing the C&DA to divert ₹ 56 lakh from Seeds Account during 2008-09.

There were no guidelines about the way the RCY was to be conducted. There was also no record in the DoA to suggest that impact assessment of these campaigns was conducted at any time since their launch.

Government stated (November 2011) that there were 50,083 habitations in the State and all those were covered during 2008-09 and 2010-11. The reply did not reflect the actual position, as the website[23] of the DoA clearly depicted that there were 71,421 habitations in the State and thus the claim of the Government about coverage of habitations was not correct. Government attributed the fluctuating trend in the expenditure to the visit of the Chief Minister in many RCYs, without, however, giving details of the number of RCYs attended by the Chief Minister. The statement of the Government was thus not verifiable.

2.4.2 Rythu Sadassu Scheme

The DoA decided to organise Rythu Sadassus[24] in all the 79 Revenue Divisions to mark the conclusion of RCY and to explain the ongoing schemes, etc. The idea was to inspire confidence among the farmers to adapt to new technologies for better growth and prosperity. DoA reported the status of implementation of this programme during 2008-11, as follows.

[22] Publicity material: ₹ 50 lakh, public address system: ₹ 50 lakh and mobility: ₹ 94 lakh
[23] http://agri.ap.nic.in/villagedetails.htm
[24] Farmers' conferences/conclaves

Table-2.9

(₹ in crore)

	2008-09	2009-10	2010-11
Funds required[25]	3.95	Not conducted due to code of conduct in force during General Elections, 2009	4.65
Funds released to JDAs	3.96		3.33
Expenditure incurred	4.53		2.97
Reported to have conducted in	79 Divisions		79 Divisions
Dates of organising	5 to 9 June 2008		7 to 11 June 2010
Reasons attributed by C & DA for excess expenditure	No reasons given for excess expenditure		Budget freeze in Treasuries

Source: C&DA

It was planned to conduct these conclaves for 2.86 lakh farmers[26] in all the selected revenue divisions at a cost of ₹ 4.65 crore. The DoA reported that 4.68 lakh and 3.41 lakh farmers attended the Sadassus in 2008-09 and 2010-11, respectively. Going by this assessment, the Government should have budgeted and expended ₹ 4.65 crore during each year on Rythu Sadassus. Therefore, the Government's claim that it had organised Sadassus in all 79 divisions in 2008-09 and 2010-11 by incurring an aggregate amount of ₹ 7.50 crore appears to be improbable.

Government, while confirming the requirement of funds, stated in November 2011 that excess expenditure during 2008-09 was due to the visit of the Chief Minister in most of the revenue divisions. As details of the visits and divisions were not furnished, the claim of the Government was not verifiable. Further, the contention of DoA about the applicability of the code of conduct in 2009-10 is also not acceptable, as it would not be applicable to ongoing schemes such as RCY and Rythu Sadassus.

2.4.3 Adarsha Rythu Scheme

Government launched the Adarsha Rythu scheme in 2007 in order to bridge the gap between scientific know-how and field level do-how. The main objective was to introduce a nodal functionary (Adarsha Rythu) between the farmers and the extension staff. The duties and responsibilities of the Adarsha Rythu (AR) included, *inter-alia,* to:

- act as interface between farmers and the extension staff and establish two-way communication between them;
- assist the extension staff in implementation of all schemes;
- maintain records of 200 to 250 farmers associated with him/her; and
- keep the farmer informed about day to day developments of schemes, technology, etc.

The DoA planned to deploy one AR for about 250 farm holdings. Between March 2007 and June 2008, 50,000 ARs were engaged in two phases[27] and were paid a monthly honorarium of ₹ 1,000. The monthly expenditure under the scheme would aggregate to ₹ 5 crore. In the

25 ₹ 5 lakh for each of the 79 revenue divisions
26 At 3625 farmers per revenue division
27 Phase-I: 25,379 (March 2007) and Phase-II: 24,621 (June 2008)

sampled districts, 13,853 ARs[28] were deployed out of the targeted 14,028 ARs[29]. Releases under this scheme aggregated ₹ 168.77 crore[30] during the four year period ended March 2011 and expenditure thereagainst was ₹ 154.84 crore[31]. The balance of ₹ 13.93 crore could not be drawn by DoA due to budget freeze.

As per Government instructions ARs were selected by the selection committee headed by the Minister-in-charge of the district. The review revealed that contrary to the criteria for selection of Adarsha Rythus (ARs), most of the selected persons after their appointment had shown zero interest in facilitating crop loans to farmers, participation in farmers field school (Polambadi) and setting of Joint Liability Groups. Further, the performance of most of the ARs was either average or poor. This gave credence to the likelihood of ARs being selected on considerations other than merit.

Further, additions and deletions of the ARs were also made based on the instructions of the members of the Legislative Assembly irrespective of the criteria. There were also no records with ADAs and AOs to suggest that ARs were discharging their duties and responsibilities diligently. A review of ARs was conducted by DoA during July – August 2009 and 7,493 ARs were removed in view of their poor performance (2,513 ARs[32] in the sampled districts). Such reviews, however, were not carried out at regular intervals to weed out the non-performers.

Our scrutiny of records in the sampled units revealed that ARs had failed to deliver the tasks assigned to them. This was corroborated by the inadequate monitoring and supervision by the Department rendering the scheme largely defunct and expenditure of ₹ 154.84 crore unfruitful.

While agreeing with audit findings in October 2011, Government stated that the Adarsha Rythus were not able to deliver results in view of the magnitude of the task expected from them. Government also accepted that their capacity was very poor and that contrary to expectations, they had failed to bridge the gap between the farmers and the Government.

2.4.4 Farmers' groups

Rythu Mitra Groups (RMGs), Commodity Interest Groups (CIGs), etc. were formed in the State during different periods, with the objective of transferring technology, establishing marketing linkages, providing credit facilities to farmers, etc. Our observations in this regard are given below.

2.4.4.1 Rythu Mitra Groups

Government decided in June 2003 to form two lakh RMGs from among the farmers to act as pressure groups to serve their common interests viz., technology transfer, access to market information, self-supporting finance mechanism, etc. An outlay of ₹ 350 crore (₹ 50

[28] Anantapur: 2,598; East Godavari: 2,878; Krishna: 2,353; Medak: 2,428; Nizamabad: 1,638 and Visakhapatnam: 1,958 (total: 13,853 farmers)

[29] Anantapur: 2,598; East Godavari: 2,878; Krishna: 2,408; Medak: 2,428; Nizamabad: 1,758 and Visakhapatnam: 1,958 (total: 14,028 farmers)

[30] 2007-08: ₹ 17.57 crore; 2008-09: ₹ 54.74 crore; 2009-10: ₹ 45.46 crore and 2010-11: ₹ 51 crore

[31] 2007-08: ₹ 17.12 crore; 2008-09: ₹ 48.54 crore; 2009-10: ₹ 43.11 crore and 2010-11: ₹ 46.07 crore

[32] Anantapur: 308, East Godavari: 715, Krishna: 580, Medak: 412, Nizamabad: 294 and Visakhapatnam: 204

crore for initial operations and ₹ 300 crore as grant) was made for the purpose. All the farmers in a village were eligible to become members[33] of RMGs, subject to the condition that one family should be represented by only one member. Later, in July 2009, Government decided to sanction subsidy to senior and active RMGs for procurement of high cost machinery such as combine rice harvesters under the Rashtriya Krishi Vikas Yojana (RKVY). Our observations on the sanction of subsidy to ineligible groups are given in paragraph 2.4.4.3.

Against the target of two lakh RMGs, 2.28 lakh RMGs were actually formed and DoA spent ₹ 49.40 crore on these groups. Functioning of the groups was to be reviewed after six to nine months and depending upon their performance, grant of ₹ 15,000 was to be released to each RMG.

We observed that RMGs had become inactive and defunct due to lack of supervision by the lower level field formations (ADAs, AOs and AEOs) and non-release of promised assistance of ₹ 15,000 to each RMG. Further, C&DA did not prescribe any duties or checks for monitoring their functioning. This is corroborated by the fact that JDs were unable to organise RMGs in the order of seniority for sanction of high-cost machinery under RKVY[34]. The indifferent attitude of the Government in reviewing their performance and releasing the matching grant led to wasteful expenditure of ₹ 40.85 crore[35]. Government agreed (November 2011) that RMGs had become dormant and that other schemes like CIGs and Joint Liability Groups (JLGs) overlapped with RMG scheme. Lack of monitoring was attributed to Department's staff being deputed for other services.

2.4.4.2 Commodity Interest Groups

In February 2008, DoA proposed to constitute CIGs under RKVY to strengthen the weak extension services for major crops[36] (except sugarcane and tobacco) in the State. Each CIG was to cover a block of 500 ha[37]. The broad objectives of CIGs were to act as vehicles of technology transfer for the entire area, to carry out training demonstration, organise farmers' field schools and seed production, and exploit effective marketing linkages. While 14,368 groups were targeted to be formed during 2008-09, as of June 2011, only 13,435 groups were formed by incurring an expenditure of ₹ 2.24 crore. This amount was spent for the mobility of the extension staff for collection of the data of farmers and to mobilise them to form into CIGs.

It was observed in audit that C& DA did not prescribe any duties, activities to be performed by CIGs. As a result, the CIGs became dormant and their presence was not felt even during the crisis hour of marketing linkages for paddy, etc. The expenditure of ₹ 2.24 crore thus, proved unproductive. The objective of strengthening research and extension linkages was not achieved because instead of strengthening existing RMGs and effectualising their functioning, DoA had established CIGs with more or less identical objectives and was

[33] Maximum: 15 members in a group
[34] Rashtriya Krishi Vikas Yojana also known as National Agriculture Development Programme
[35] Initial grant of ₹ 2,500 x 1,63,401 non-functional RMGs
[36] Commodities/crops are grown as interim crops by the same groups of farmers
[37] This criterion was not prescribed for RMGs

looking for formation of similarly tasked new groups (Joint Liability Groups). This has led to unfruitful expenditure of ₹ 43.09 crore besides bringing to the fore a diffused strategy in extension services as well as lack of internal control in formulating and implementing schemes of a similar nature.

Government stated (November 2011) that CIGs were formed during 2008-09 as part of strengthening the extension system and their activities would be reviewed under the new Rythubata[38] programme.

2.4.4.3 Supply of high cost machinery to ineligible RMGs

With a view to accelerate agricultural mechanisation in the State and to achieve higher production, supply of high cost farm machinery was envisaged under Rashtriya Krishi Vikas Yojana. C&DA planned to supply high cost machinery including Combine Rice Harvesters (CRHs) between 2009-10 and 2010-11 to groups of farmers (Rythu Mitra Groups – RMGs) involving subsidy of ₹ 48.40 crore. It was proposed to supply the machinery to the active RMGs on seniority basis. According to the envisaged funding pattern, group was to contribute 10 *per cent* and 50 *per cent* cost of the CRH limited to ₹ 10 lakh was to be given by Government as subsidy. The balance was to be provided as bank loan. The CRHs were to be hypothecated to the loaning bank.

As per the eligibility norms under the Scheme, high cost machinery were to be supplied to all farmers groups in order of seniority on 50 *per cent* subsidy and the seniority of the group was to be assessed based on the date of opening of bank account by the RMG for drawing subsidy and its continued operation. It was also laid down that AO should identify the viable and senior farmer groups as certified by banker and obtain approval of the ADA and forward the lists to JD.

Combine rice harvester

We noticed that 453 CRHs were supplied to RMGs involving subsidy of ₹ 44.76 crore (2009-10: 177 units - ₹ 17.48 crore and 2010-11: 276 units – ₹ 27.28 crore). High cost machinery was sanctioned irregularly to 86 out of 113 RMGs in the sampled districts, involving release of subsidy of ₹ 8.58 crore (76 *per cent*) as indicated in the Table-2.10.

[38] A programme to reach out to the farmer

Table-2.10

(₹ in lakh)

District	Number of CRHs sanctioned	Subsidy released	Number of dubious groups	Amount of subsidy
Anantapur	11	110	11	110
East Godavari	25	249	0	0
Krishna	59	588	59	588
Medak	3	30	3	30
Nizamabad	13	130	11	110
Visakhapatnam	2	20	2	20
Total	**113**	**1127**	**86**	**858**

Details of CRH sanctioned irregularly in all the sampled districts in contravention of guidelines without being backed by institutional finance and under political pressure, are given below.

Subject	Audit observation
Seniority of RMGs	Seniority of RMGs as per the date of opening their bank account along with its continued operation and viability aspect about their conduct was not assessed by the Joint Directors of Agriculture of the sampled districts.
Un-even distribution	Division-wise distribution of targets was not done in the districts resulting in uneven distribution of the equipment i.e. grant of more harvesters to one division/Mandal.
Non-sanction of bank loans	As most of the RMGs had become dormant, banks refused to sanction loans. There was no continued operation of bank accounts of the RMGs selected for sanction of subsidy. To cover the gap owing to non-availability of bank loan, these groups managed funds from individuals.
Incorrect formation of groups	In contravention of the norms prescribed for the formation of RMGs, more than one member of the same family became members of such groups. Applications otherwise ineligible supported by recommendations of public representatives were approved. There were also cases where RMG members were not cultivators of Paddy, thereby defeating the very purpose of grant of CRH at 50 *per cent* subsidy.
Incomplete utilisation certificates	UCs submitted by RMGs did not have the vital details viz., date of receipt and demonstration, details of after-sale-warranty to denote end-receipt and utilisation of the harvesters thereby casting doubt on the genuineness of the transactions.
Absence of mechanism to ensure end-utilisation	There was no mechanism to check end-utility of the high cost machinery procured with huge government subsidy. In cases where CRHs were allowed to be procured without a bank loan and without consequential hypothecation of machines to the banks, end use of the subsidy granted was suspect.

Clearly, C&DA released subsidy amounting to ₹ 8.58 crore to ineligible/dubious groups of farmers (RMGs) under the component of supply of high cost farm machinery in contravention of the guidelines of RKVY.

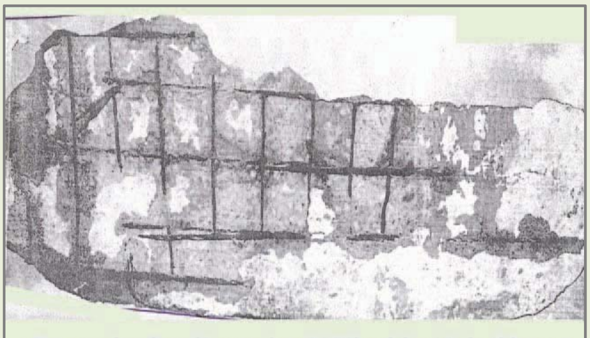
Government stated (November 2011) that (i) harvesters were sanctioned to all applicants in view of less demand; (ii) RMGs had submitted letters of local public representatives along with the applications; (iii) Groups formed in 2003-04 in Krishna district had discontinued for their own self-centric reasons and the groups of 2009-10 were sanctioned harvesters though they were denied loans by banks and the loan component was met by the groups from other individual sources. Government's response confirmed that the harvesters were sanctioned in violation of eligibility conditions.

2.5 Infrastructure to extension functionaries

State Government accorded (May 2005) permission to construct 286 buildings-cum-godowns-cum-information centres for AOs to cater to the needs of farmers and also to guide them in all crop-related matters including utilisation of inputs for better yields. The estimated cost of each building was ₹ 5 lakh and 50 *per cent* of the cost was to be released by District Collectors under Food-for-Work/other schemes.

Despite release of ₹ 4.38 crore (up to July 2009) by the Government, works were not completed. Only 37 out of the sanctioned 107 buildings (35 *per cent*) were completed in the sampled[39] districts. As of March 2011, 65 *per cent* works were yet to be completed, entailing a delay of more than five years. No date was fixed by the Government for completion of buildings. As a result, AOs had been working from rented premises and structures which were not fit for occupation. C&DA did not have the details of completed buildings and JDs were requested in March 2011 to furnish the same to Audit. Photographs given below depict the stage of construction of the existing buildings at Shivampet and Paderu.

Incomplete AO building at Shivampet in Medak district (29 April 2011)



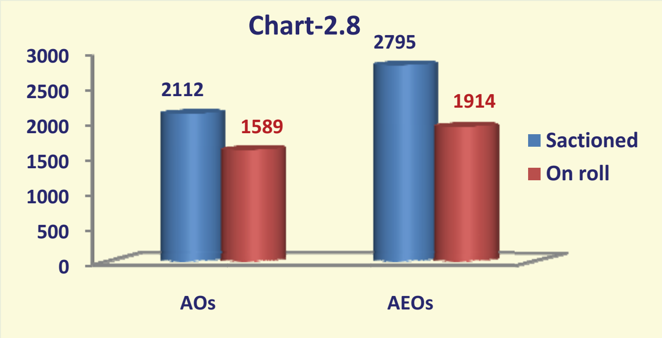
Damaged ceiling (September 2008) of the AD building at Paderu in Visakhapatnam district remained unattended as of February 2011

Government admitted (November 2011) that no time limit was prescribed for completion of buildings due to involvement of multiple agencies and stated that the programme was facing constraints like escalation of rates, non-release of matching share by the district authorities, etc. The reply indicated that the scheme was launched without ensuring requisite funds.

[39] Anantapur (28), East Godavari (1) Krishna (15), Medak (21), Nizamabad (19) and Visakhapatnam (23)

2.6 Manpower Management

About 29 *per cent* of key posts were lying vacant in the DoA as of March 2011 as can be seen from the chart below.



Vacancies up to 32 *per cent* in the crucial cadre of AEOs had a severe impact on the extension services envisaged by the DoA. Government admitted huge vacancies and assured (October 2011) that appropriate action would be taken for filling up the vacant posts.

Pensionary benefits were not sanctioned to the retired employees on time as the DoA failed to forward the pension papers on time to the office of the Principal Accountant General as can be seen from the details given below.

Table-2.11

Year	No. of pension cases received	Cases received					
		6 months before retirement	after retirement	within six months of retirement	between 06 and 12 months	between one to two years	after two years
2008-09	397	0	257	196	38	15	08
2009-10	355	0	250	173	48	17	12
2010-11	408	0	331	271	39	13	08
Total	**1160**	**0**	**838**	**640**	**125**	**45**	**28**

Source: Principal Accountant General (A&E)

Government stated (November 2011) that there were delays due to non-furnishing of the requisite information by JDAs and non-submission of the relevant pension papers by the retiring employees. These reflect lapses in internal control, which require close monitoring at appropriate level in the DoA.

2.6.1 Training to farmers and agricultural functionaries

2.6.1.1 Training to farmers

There are 22 Farmers' Training Centres (FTCs) located in all the 22 rural districts[40] of the State with the mandate to impart training to farmers up to village level on seed village scheme, organic farming. An exclusive training to farm women under Gender Cell, etc. was also envisaged. Funds to these FTCs were provided under the Plan Scheme 'Work-plan Macro Management' and also under the normal State Plan.

During 2008-11, only ₹ 1.64 crore was spent on FTCs against the budget allotment of ₹ 2.43 crore. The short utilisation of funds was 33 *per cent*. Against the target of 4,288

[40] Hyderabad is an urban district and no JDA office was opened as such in Hyderabad district

programmes, 3,362 training programmes were reportedly organised during the period 2008-11, resulting in a shortfall of 22 *per cent*. The goal of transfer of latest technology to farmers was thus not achieved to the optimum. Targets were systematically reduced over the years and met by FTCs.

We observed that funds were not released as per requirement, targets were communicated without allocation of funds and Heads of FTCs were not empowered, which impacted adversely the stated goal of transfer of knowledge to the farming community. This also curtailed the exposure of farmers to modern farm implements, which were procured exclusively for the purpose.

2.6.1.2 Training to functionaries

Scrutiny of training records in State Agricultural Management Extension and Training Institute (SAMETI) revealed that more than 20 *per cent* of agricultural functionaries did not attend the training courses. The shortfall was 46 *per cent* in respect of the four orientation courses organised for the newly recruited AOs. The officers who attended the training in 2010-11 were nominated to courses which did not fall in their area of operation/ specialisation. Specific eligibility criteria was indicated only in two out of 32 courses organised annually, which indicated that DoA has been nominating officers in a routine manner. Further, 37 *per cent* slots under the GoI sponsored Gender sensitization module remained unutilised during 2009-11 indicating partial sensitization of the staff particularly when sizeable number of female employees work in the DoA. There was no mechanism to obtain from trainees at SAMETI, post training feedback in regard to application of knowledge acquired at field level. Thus, a useful tool in customising future trainings was foregone.

Director, SAMETI attributed (August 2011) shortfall in achievement due to involvement of the staff in seed distribution, Loan melas, Rythu Sadassus, RCY, Seed Village Programme, etc. The reply is not acceptable as the training courses commence from June whereas RCY, Rythu Sadassus, etc. were completed in the month of June itself.

2.6.1.3 Unproductive expenditure on farm implements banked in FTCs

The main strategy of National Food Security Mission (NFSM) was to promote and extend improved technologies for building capacity among farmers. C&DA proposed (March 2009) to establish a Farm Implements Bank (FIB) in 18 FTCs[41] as part of the 'Local Initiatives' at an estimated cost of ₹ 1.82 crore. Each FIB was to cost ₹ 7.19 lakh for implements[42] and ₹ 2.92 lakh for publicity material[43]. These implements were to be exhibited in FTCs for introduction and

Farm implements lying idle at FTC, Nizamabad (30 April 2011)

[41] Except Chittoor, Karimnagar, Ranga Reddy and West Godavari districts
[42] Puddlers, plow, paddy seeder, power tiller, sprayers, paddy and groundnut threshers
[43] Flip charts, slides, television, reading material, etc.

demonstration to farmers to guide them towards farm mechanisation. However, specific guidelines regarding the use of implements were not issued and no provision for diesel, servicing, etc. for the implements was made by the C&DA. Also FTCs did not plan separate programmes for creating awareness among the farming community about the utility of the equipment.

Scrutiny of records in the sampled FTCs in Anantapur, East Godavari, Medak, Nizamabad and Visakhapatnam districts revealed that farm implements were procured from APSAIDC[44] at a cost of ₹ 34.14 lakh[45]. There was however, no arrangement for housing these implements. In Visakhapatnam district, the FTC kept the equipment in a car garage for about one year. No provision was made for purchase of diesel either for the FIBs. These implements were demonstrated only on a few occasions like Independence Day, Republic Day and in Rythu Sadassus during the year.

Non-utilisation of FIB did not help achieve the objective of creating the much required awareness among the farming community to opt for farm mechanisation. Thus, the expenditure of ₹ 1.29 crore[46] failed to give the intended results.

Government stated that instructions were issued to all JDAs in October 2011 to organise a one day exhibition of farm machinery and equipment at all the Mandal headquarters for wide publicity. This reply confirmed the observation that the machinery did not give the intended results.

Extension services are a critical factor that impact the delivery of various schemes of the Government. Huge vacancies in the cadre of AO and AEO are adversely affecting the effective functioning of DoA besides increased dependence of the farmers on input dealers and others for their information needs.

2.7 Financial Management

2.7.1 Budgeting

Budget formulation and its effective utilisation is central to the entire gamut of activities of the DoA. As per the AP Budget Manual, budgetary processes should follow a bottom-up approach, with the Assistant Directors providing inputs to the Joint Directors at the district level. The latter is to consolidate the requirement for the entire district and submit proposals to the C&DA by 1 October of the year budget proposals for the ensuing year.

Our scrutiny of the relevant records at all levels in the sampled districts revealed that the Department did not follow a bottom-up approach in any of the three years. It had not also considered the proposals of the District Planning Committee[47] with regard to the agriculture-related activities. Instead, budget estimates were prepared by the Planning Wing of the DoA based on the information obtained from the Technical Officers dealing with Plan Schemes. Absence of inputs from the field level resulted in a mismatch between the actual

[44] The nodal agency of the DoA for procurement and supply of farm implements in the State
[45] Anantapur: ₹ 7.19 lakh; East Godavari: ₹ 5.53 lakh; Medak: ₹ 7.19 lakh; Nizamabad: ₹ 7.37 lakh and Visakhapatnam: ₹ 6.86 lakh
[46] Cost of farm implements in all 18 FTCs (18 X ₹ 7,19,000)
[47] Constituted as per the instructions of the Planning Commission

requirement and allocation, leading to non-utilisation of substantial quantum of funds as can be seen from the details given in Table-2.12 below.

Table-2.12

(₹ in crore)

Year	Plan			Non-plan			Aggregate saving (Plan + Non-plan)
	Allocation	Expenditure	Saving	Allocation	Expenditure	Saving	
2008-09	3401	2358	1043	207	169	38	1081
2009-10	1508	1196	312	238	203	35	347
2010-11	1864	1437	427	271	251	20	447
Total	**6773**	**4991**	**1782**	**716**	**623**	**93**	**1875**

Source: Finance Accounts

Considering that the savings were essentially from Plan funds, clearly, the Department could not utilise the funds received from GoI under various Central sector and Centrally sponsored schemes for implementation of developmental programmes relating to agriculture in the State. Overestimation of budgetary requirement, inadequate releases to implementing agencies and dishonouring of bills by treasuries impeded the progress of implementation of plan schemes.

C&DA stated (May 2011) that savings in respect of Plan schemes were due to fixation of high targets for distribution of seeds, inability of the seed supplying agencies to supply the targeted seed, poor utilisation of funds by JDs and non-release of fourth quarter budget. Principal Secretary stated in October 2011 that savings were due to decision of the Finance department to freeze fund flow during the third and fourth quarters of the respective years.

2.7.2 Expenditure Control

2.7.2.1 Lack of expenditure monitoring

There were delays ranging from two to twelve months in submission of monthly and quarterly statements of expenditure by the DDOs to the C&DA which rendered the monitoring mechanism over use of funds inefficient and ineffective. Consequently, the Department could not utilise its funds efficiently and effectively for the purpose for which these were sanctioned, as can be seen from the extent of savings year after year.

2.7.2.2 Drawal of funds on AC bills

C&DA has been drawing funds on AC bills for disbursement of relief assistance to farmers affected by natural disasters, without adjusting them to the final head of account in a timely manner. As of October 2011, 130 AC bills amounting to ₹ 413 crore drawn during 2008-11 were outstanding for adjustment. In fact, about 76 *per cent* of all the pending AC bills of the State Government (₹ 1,107 crore) pertain to the Agriculture department (₹ 692 crore[48]). In the sampled districts, DC bills in respect of 55 AC bills for an amount of ₹ 149.47 crore were pending adjustment by JDs as of March 2011.

[48] AC bills accumulated up to March 2011

2.7.3 Incorrect utilisation certificates

General Financial Rules require that, utilisation of funds received are certified to the grantor, which, in the case of Central Plan Schemes, is the Government of India. In the Agriculture Department, the C&DA received Central Grants and disbursed these to district JDAs and Sectoral Officers for end use purposes. A random review of utilisation certificates submitted by the officials for an aggregated value of ₹ 71.97 crore during the period 2008-11 indicated that these were submitted on the same date on which, such funds were received. Besides, these certificates were also misleading for the following reasons:

- While mentioning that funds were being utilised for the purposes sanctioned, it was simultaneously certified that expenditure details have been recorded in cash book.
- UCs regarding supply of implements under ISOPOM did not contain the date of receipt of the implement/machinery. The relevant column in the format was left blank in all cases reviewed, which was a serious lapse.
- In supply of farm implements under farm mechanisation, the UCs did not contain the date of receipt of the implement by farmer. This precluded verification of the actual receipt.
- UCs were not counter-signed by ADAs before forwarding them to JDA to give assurance about the actual receipt of the equipment by the farmers and verification by AO/JDA.

It is thus evident that the entire control procedure for utilisation of funds through truthful utilisation certificates was vitiated. This tantamounted to misreporting actual expenditure.

2.7.4 Non-maintenance of Records

Record maintenance at various levels in DoA was quite inadequate. Important control registers such as Register of Advances, Register of Valuables, Register of AC bills, Register of Cadre Control strength, etc. were not maintained by the ADs. Maintenance of other control registers was also inadequate in the sampled districts/divisions. Due to this, details of amounts drawn on AC bills, receipt of valuables, position of vacancies, etc. were not susceptible for verification. Important observations relating to record maintenance are given below:

- ***AOs have been collecting insurance premium from non-loanee farmers and cost of non-subsidy component of seeds from farmers. However, receipts were not being issued and cash books were also not being maintained. This has created potential for misappropriation of public funds.***
- There were multiple bank accounts at the divisional level and the balances in these accounts were not reconciled with cash books at regular intervals. There were also a number of inoperative bank accounts with JDAs[49] with a combined balance of ₹ 18.52 lakh. Bank accounts in respect of closed schemes continued to be operated by JDAs of East Godavari, Krishna, Medak and Visakhapatnam districts for depositing the funds of other schemes. This evades scrutiny of the transactions by the designated authorities and

[49] Anantapur (10), East Godavari (3) Krishna (4), Medak (6) and Visakhapatnam (6)

leads to misreporting. The inoperative accounts need to be closed and the balances transferred to the respective scheme accounts.

- C&DA authorised district JDAs to open and operate Personal Deposit (PD) accounts. Details of these accounts and the balances lying in these accounts were not available with the C&DA as of November 2011. Our scrutiny of PD accounts in sampled districts revealed that JDAs of East Godavari and Krishna districts continued to hold unspent balance of ₹ 2.67 crore[50] of various schemes in Personal Deposit accounts. JDA, East Godavari did not reconcile the balance after June 1984. There were no transactions in subsequent years. Contrary to Government's instructions, the unspent amounts as on 31 March 2000 were not remitted to Government account till March 2011 under 'Category-C Lapsed Deposits', which amounted to financial misreporting on the volume and value of transactions.

2.7.5 Internal Audit

Agriculture contributes about 21.5 *per cent* of the GSDP of Andhra Pradesh (2010-11) and provides sustenance to a vast majority of people at the grass root level. Consequently, during 2008-11 the State had allocated an aggregate amount of ₹ 7,489 crore in the Budget for the agriculture sector. This made a robust internal audit of the Agriculture Department and its operations necessary to ensure effective functioning of the department. However, as of October 2011, the Bureau of Internal Audit and Surveillance (BIAS) in the Department of Finance, the designated agency for conducting Internal Audit of all the State Government Departments, had not conducted the audit of DoA even once. The Government thus, could not derive any assurance about financial discipline and adequacy of internal controls in the Department. C&DA also in turn had not conducted inspection of any subordinate offices during April 2008 to March 2011.

Overall financial management in the DoA was marked by weak budgetary practices, ineffective financial reporting and poor monitoring. Budget formulation was deficient as bottom-up approach was not followed by the C&DA as corroborated by the overestimations of budgetary requirement and substantial savings during 2008-11. Slack reporting of expenditure, belated submission of detailed contingent bills and poor record maintenance characterise poor internal controls in financial management of the department. This was compounded by absence of internal audit, leaving scope for financial irregularities going undetected.

2.8 Conclusion

As brought out in the foregoing paragraphs, the performance of DoA with regard to interventions for increasing the productivity and income of farmers was not effective and did not achieve the envisaged objectives. Implementation of schemes was marked by inefficiencies in utilisation of funds, inadequate production of foundation and certified seed, failure in strengthening seed testing laboratories and inability to spend funds for improving seed farms. Lack of transparency in disbursement of relief assistance for the

[50] East Godavari: ₹ 2.60 crore and Krishna: ₹ 0.07 crore

calamity-affected farmers and absence of adequate proof of disbursement to farmers underlined strong likelihood of vested interests indulging in corrupt practices in passing such benefits to the intended beneficiaries. Implementation of National Agricultural Insurance Scheme was characterised by poor coverage of non-loanee farmers, delayed disbursement of claims and their credit to loan accounts held by banks and PACS, providing no relief to calamity stricken farmers. Abnormal delays were noticed in implementation of Pavalavaddi scheme as it reached only 8 per cent of the eligible farmers as of March 2011.

Extension services, which are a critical factor that impact the delivery of various schemes of the Government, received inadequate attention. Coverage of female farmers in Rythu Chaitanya Yatras remained stagnant at 16-17 per cent while the coverage of habitations declined from a maximum of 70 per cent in 2008-09 to 51 per cent in 2010-11. Impact assessment of the RCY was neither carried out nor guidelines were in place for their conduct. Adarsha Rythu scheme could not deliver the assigned tasks and failed to bridge the gap between the farmers and the Government. The objective of strengthening research and extension linkages was not achieved due to non-functional Rythu Mitra and other farmers groups and lack of control mechanism in formulating and implementing schemes of similar nature. Subsidy released by the Government for procurement of combine rice harvesters was captured by ineligible/dubious groups of farmers. Huge vacancies in the cadre of Agricultural Officer and Agricultural Extension Officer are adversely affecting the effective functioning of the DoA besides increasing the dependence of the farmers on input dealers and others for their information needs and procurement of inputs. Internal controls within the DoA were inadequate in most cases and where adequate, were not functioning as envisaged. The performance of the DoA in terms of achieving its Mission of 5 per cent growth rate as well as increasing returns on agricultural investment and developing farmers as seed entrepreneurs is far from satisfactory.

2.9 Recommendations

- Robust budget formulation and management system should be instituted in the Department to assess requirement of funds in a realistic manner and to ensure optimum utilisation of allocated funds.

- Government should ensure procurement and supply of adequate quantity of seeds to farmers based on annual assessment and address the concerns of farmers with regard to inputs and information.

- Management of seed farms, seed and soil testing laboratories should be toned up by providing the requisite staff and infrastructure to achieve the targeted production level of foundation and certified seeds.

- Relief assistance should be disbursed in the Gram Sabhas so as to ensure that beneficiaries are identified correctly and the benefit reaches all the affected farmers including the tenant farmers. Complete documentation with regard to the details of eligible beneficiaries should be prepared and adequate records should be maintained in support of disbursement of relief assistance.

- Implementation of National Agricultural Insurance Scheme should be streamlined and delays in disbursement of claims should be plugged, so as to help the farmers in distress. There should be greater monitoring and supervision by the Agricultural Officers to ensure that claim amounts are genuine.
- Considering the importance of RCY, Government may consider organising the Yatras in a staggered manner throughout the year after assessing the impact of previous editions. Adequate budget should be provided to achieve the objective of reaching out to all the farmers, including female farmers in the State.
- Infrastructural support at the field level in terms of providing appropriate office space for Agricultural Officers needs to be addressed.
- Considering that extension services are critical for delivery of various schemes of the Government, adequate steps should be taken to fill the vacant posts in the cadre of AO and AEO and to ensure that farmers don’t depend on input dealers and others for their information needs.
- Internal Audit Wing of the Department needs to be strengthened and field inspections should be carried out at regular intervals so as to derive assurance about the working of the field level functionaries.
- Control mechanism in formulating and implementing schemes in the DoA needs to be streamlined and research and extension linkages should be strengthened to avoid overlaps.
- Government should evolve a system for identifying eligible beneficiaries for various developmental initiatives and ensure that only eligible farmers get the benefits such as farm implements and high cost machinery.
- Government should also devise an appropriate control mechanism to obtain assurance about end-utilisation of funds through truthful utilisation certificates, avoid misreporting of expenditure to the Government of India, fulfill accountability obligations including timely submission of detailed contingent bills for the moneys drawn on AC bills and maintenance of control registers at all levels. Greater use of Information and Communication Technology should be made to strengthen the internal control mechanism in this regard.

Chapter 3 - Animal Husbandry and Fisheries Department

3.1 Department profile

Animal Husbandry and Fisheries Department plays a major role in providing veterinary healthcare and improving the genetic production potentialities of livestock and poultry reared in the State. The main activities of the Department include, among others,

⇒ Utilisation of artificial insemination to improve the production potential of cattle;

⇒ Providing preventive and curative healthcare to livestock;

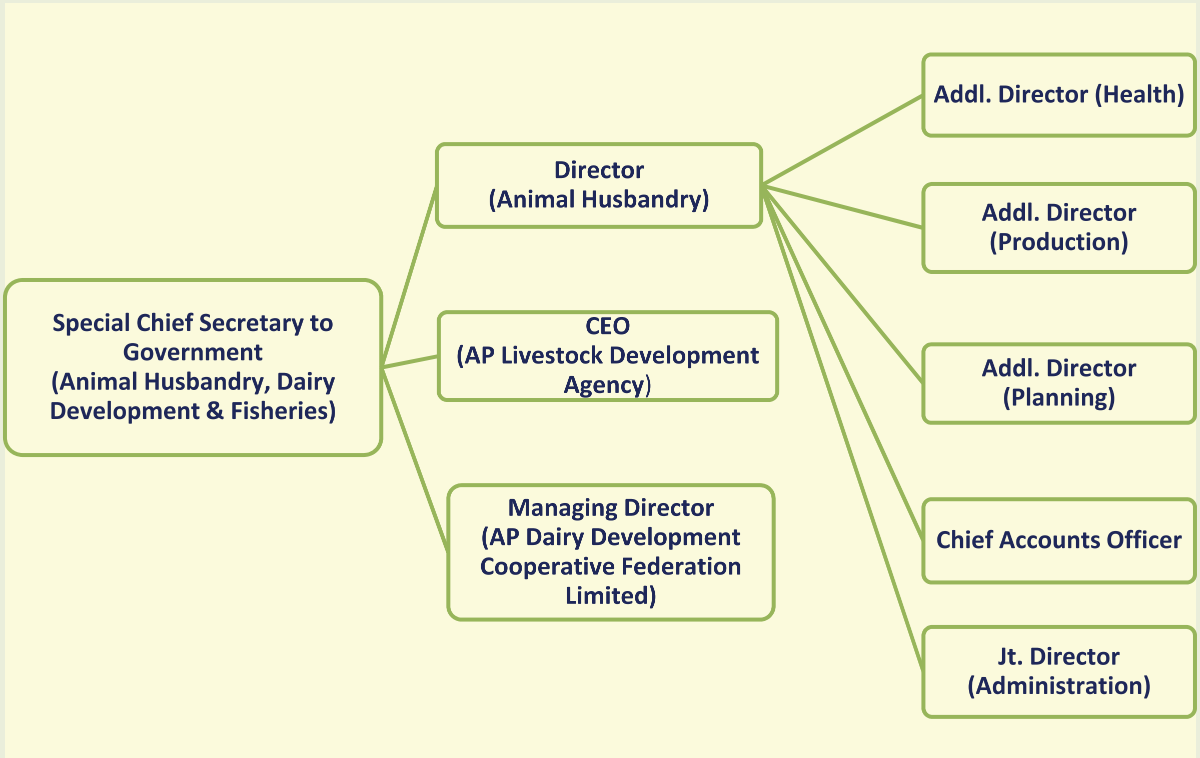
⇒ Augmenting fodder production to meet the nutritional requirements of livestock;

⇒ Providing relief measures to livestock during natural calamities;

⇒ Building awareness among farmers on profitable livestock production;

⇒ Increasing fish seed production and stocking, etc.

The organogram of the Department is given below.



As part of our audit, during the year 2010-11, we reviewed the production of animal vaccines at the Veterinary Biological Research Institutes (VBRIs) at Hyderabad and

Samalkot in East Godavari district. Our audit revealed that animal vaccines were being produced in VBRIs without valid licence and released for field distribution without complying with quality assurance standards prescribed by the Central Drug Control Authority. Detailed audit findings are discussed below.

3.2 Unauthorised production and distribution of animal vaccines

Animal vaccines are being produced at the VBRIs at Hyderabad and Samalkot and tested at the quality control (QC) laboratory at Standardisation Division, Biological Products, Rajendranagar, Hyderabad (SDBP), before the vaccines are released for field distribution.

As per the norms prescribed in Schedule 'M' of the Drugs and Cosmetics Rules, 1945 (Rules), Good Manufacturing Practices (GMP) and Good Laboratory Practices (GLP) are to be complied with by all the manufacturing units/testing laboratories. GoI made these norms mandatory with effect from July 2005. State Government accorded (August 2005) administrative sanction for modernisation of VBRIs at Hyderabad and Samalkot and SDBP under the State scheme 'Modernisation of Animal Vaccine Production and Disease Diagnostic Units' to upgrade the laboratories to GMP and GLP standards including infrastructure development.

Modernisation works of the VBRIs at Hyderabad and Samalkot were completed in January 2010 at a cost of ₹ 20.89 crore[1]. Modernisation works of SDBP however, had not commenced even as of June 2011. State Government entrusted (February 2005) the works to APAGROS[2], but the agency backed out in March 2009 i.e., after four years of entrustment, expressing lack of technical competency to execute the work. Although the work was later entrusted (September 2009) to JNAFU[3], Hyderabad, it has not commenced the work as yet. Lack of QC laboratory for testing the vaccines for compliance with GMP and GLP standards resulted in GoI denying (June 2011) renewal of licence to VBRIs for production of vaccines.

Rules stipulate that quality control laboratories should be independent of production area but should be in the same premises to facilitate testing for strength, quality and purity of the drugs. Scrutiny of records of the Director of Animal Husbandry (Director) and Joint Director/Deputy Director of the VBRIs revealed that, contrary to these Rules, though modernisation of SDBP was conceived along with the modernisation of VBRIs, construction was taken up at the old premises, which is far away from VBRI, instead of constructing a new QC laboratory within the premises of VBRI. Delay in commissioning the work pushed up the initially estimated cost of construction/modernisation from ₹ 56.64 lakh to ₹ 5.75 crore as of December 2010.

As of June 2011, VBRIs continued to produce vaccines in the modernised buildings without a valid licence and release them for field distribution without complying with quality assurance standards, thus ignoring the directive of Central Drug Control Authority (DCA).

[1] VBRI, Hyderabad: ₹ 12.84 crore; VBRI, Samalkot: ₹ 8.05 crore
[2] Andhra Pradesh State Agro Industries Development Corporation, Hyderabad
[3] Jawaharlal Nehru Architecture and Fine Arts University

Government in its reply (September 2011), stated that farmers face huge economic losses if diseases are not controlled on prophylactic basis and timely supply of vaccines and controlling the diseases through vaccinations was the only way to stop the losses. The reply of the Government does not explain why the vaccines produced are not tested in a QC laboratory in conformity with GLP standards and why quality assurance standards are not being complied with. Failure to comply with regulatory provisions by Government agencies, especially in the domain of pharmaceutical production, would set a poor example and entail risk to the livestock health.

Chapter 4 - Consumer Affairs, Food and Civil Supplies Department

4.1 Department profile

The Civil Supplies Department was originally, only a regulatory Department. Subsequently, its activities have been diversified to include the following functions:

⇒ Procurement of paddy, coarse grains like maize, jowar, bajra, pulses at Minimum Support Price (MSP) through the State agencies and FCI;

⇒ Procurement of rice under mill levy for central pool by FCI;

⇒ Public distribution of essential commodities through fair price shops;

⇒ Implementation of LPG connections for BPL families (Deepam Scheme);

⇒ Monitoring of prices of essential commodities and market intervention operations for controlling the open market prices (if need arises), etc.

During the year 2010-11 we have reviewed the allotment of kerosene to the beneficiaries under ***'Deepam Scheme'*** in Ranga Reddy district. Our audit of this scheme revealed that the District Supply Officer, Ranga Reddy allotted (April 2008 to January 2010) excess kerosene to BPL card holders who have been provided LPG connections under 'Deepam scheme', resulting in extra financial burden of ₹ 23.93 crore on the State exchequer. The detailed audit findings are discussed below.

4.2 Extra financial burden due to excess allotment of kerosene

State Government issues kerosene to families Below Poverty Line (BPL) at subsidised prices through fair price shops (FPSs). In July 1999, Deepam scheme was launched in the State to provide LPG connections to BPL families. As per the Government orders (February 2005), beneficiaries under Deepam scheme are entitled to only two litres of kerosene per month, whereas BPL card holders who are not covered under Deepam scheme are entitled to three litres of kerosene in rural areas and six litres in urban areas.

In Ranga Reddy district, as of April 2008, the total number of BPL card holders[1] was 8.68 lakh. Of these, 1.92 lakh (urban: 91,686; rural: 1,00,069) were availing benefit of LPG connections issued under Deepam scheme. Audit scrutiny (March 2011) of the records of the District Supply Officer (DSO), Ranga Reddy revealed that, while allotting kerosene to Mandals during the period April 2008 to January 2010, the DSO understated the number of 'Deepam' connections by 1.10 lakh (urban: 91,240; rural: 19,196). Thus, computing the requirement of kerosene for each of these beneficiaries at the scale of three and six litres of kerosene, respectively, in rural and urban areas as against their entitlement of two litres. This resulted in excessive projection of kerosene requirement for the district to the extent of

[1] White, Anthyodaya Anna Yojana (AAY) and Annapoorna cards

84.51 lakh litres (rural: 4.22 lakh litres[2]; urban: 80.29 lakh litres[3]) and its further allotment to FPS dealers in the district as a whole. Considering that the open market price[4] of kerosene ranged from ₹ 28.53 to ₹ 56 per litre during this period, the extra subsidy burden on the State exchequer amounted to ₹ 23.93 crore.

We also analysed the process of allotment of kerosene to all the DSOs in the State by the Commissioner, Civil Supplies (Commissioner) and the periodical reports relating to distribution of kerosene to Mandals/FPSs prescribed by the Commissioner. The Commissioner allots kerosene to DSOs for further allocation to the Mandals. The Mandal Revenue Officers (MROs)/Tahsildars in turn allot the kerosene among FPSs in Mandals, based on key registers available with the MROs concerned. The mandal-wise allotments made by DSOs are sent monthly to the Commissioner. Therefore, the understatement of 'Deepam' connections and consequential excess allotment of kerosene by the DSO, Ranga Reddy district could have been easily detected by the Commissioner by linking these with the total number of 'Deepam' connections in the district, as the Commissioner already had the data regarding the number of BPL families in each district who are provided with 'Deepam' connections.

DSO, Ranga Reddy district confirmed the excess allotment of kerosene to mandals and stated (March 2011) that the fact of having LPG connection under Deepam scheme was not disclosed by the beneficiaries at the time of obtaining Iris[5] based ration cards. He also stated that there was no mechanism to cross check the details, as a majority of the ration cards were issued in the name of the head of the family, whereas 'Deepam' connections were issued in the names of women. The reply of the DSO is not acceptable, as the data relating to both BPL card holders, as well as 'Deepam' beneficiaries, is available with the DSO himself and he could have correlated it. Further, Government had already instructed in February 2005 district authorities that the declarations made by the members of the BPL family should be verified with the list of LPG connection holders supplied by the LPG dealers to the District administration/MROs/ Assistant Supply Officers.

Thus, non-compliance of instructions by DSO coupled with lack of due care within the Commissionerate of Civil Supplies had resulted in extra financial burden of ₹23.93 crore on the State exchequer in Ranga Reddy district alone over a period less than two years. Possibility of excess allotment of kerosene in similar fashion in other districts can not be ruled out and in that eventuality the total loss to public exchequer over a prolonged period could work out to be enormous. Additionally, possibility of excess allotments being diverted to open market can not also be ruled out.

It is recommended that,

- Government investigate into the matter and fix responsibility on the officials concerned for excess allotment of kerosene in Ranga Reddy district.

---

[2] (1,00,069 – 80,873) = 19,196 X 1 litre per month X 22 months
[3] (91,686 – 446) = 91,240 X 4 litres per month X 22 months
[4] As ascertained from the District Manager, AP State Civil Supplies Corporation, Ranga Reddy
[5] Iris recognition is a biometric identification method used by the Government of Andhra Pradesh to authenticate the beneficiaries under various Government schemes

- Action may be taken to probe such excess allotments in all other districts also, as Audit conducts only a test-check.
- An appropriate mechanism be instituted to ensure that the data relating to BPL cards and 'Deepam' beneficiaries is linked up/correlated right from the Commissionerate level to MRO level, while allotting essential commodities under Public Distribution System, so as to arrest such leakages.

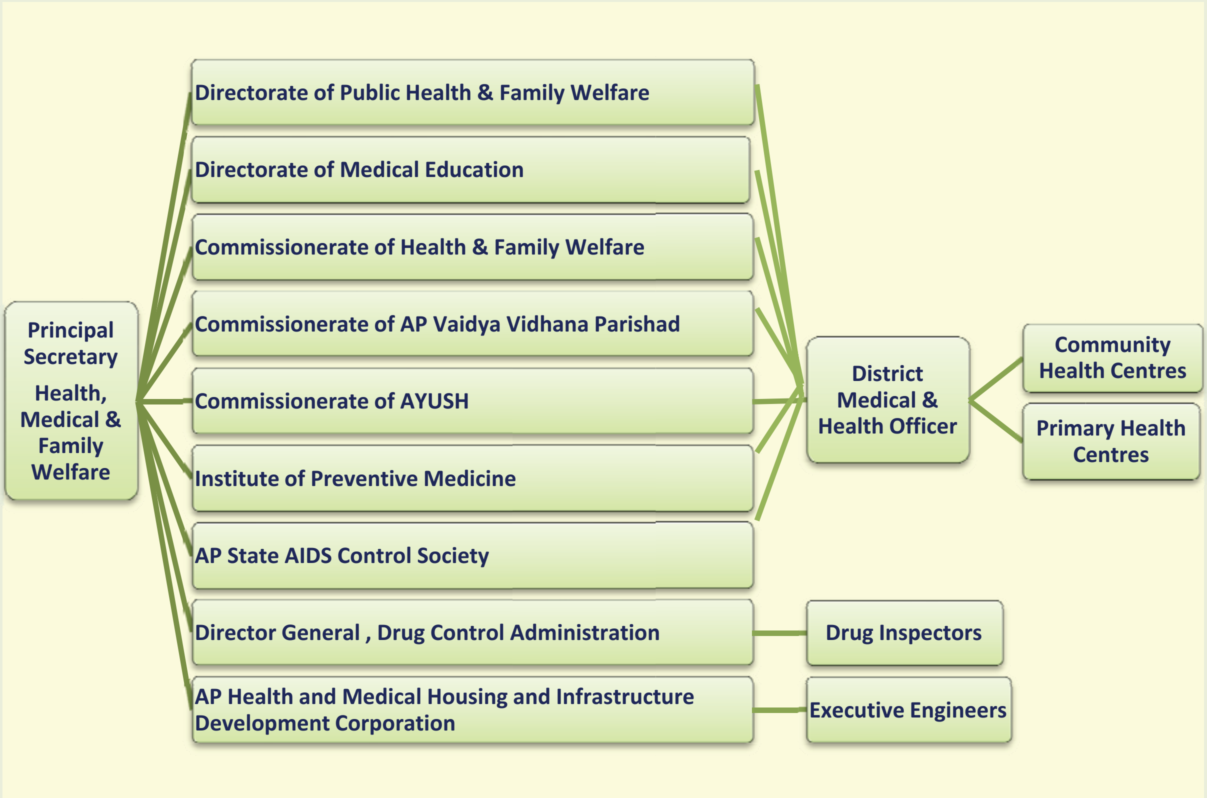
The matter was reported to Government in June 2011; reply had not been received (December 2011).

Chapter 5 - Health, Medical and Family Welfare Department

5.1 Department profile

The Department of Health, Medical and Family Welfare is responsible for providing preventive and curative healthcare services to the people of the State. Its main functions include formulation and execution of health related schemes, construction of healthcare centres at various levels/locations, procurement and supply of essential medicines to Government medical institutions, monitoring the functioning of Government run hospitals, medical colleges, etc.

The Department discharges its functions through several agencies/directorates/ commissionerates. The organogram of the Department is given below.



As part of our audit, during the year 2010-11, we have reviewed the functioning of ***(i) Blood banks and (ii) Trauma Care Centres.*** We have also brought out cases of ***(iii) Fraudulent drawal of pay and allowances and advances*** in a few Primary Health Centres and ***(iv) Utilisation of equipment in two Government Medical colleges.*** Our findings are discussed below.

5.2 Functioning of Blood banks

Blood banks[1] are regulated by Drugs and Cosmetics Act, 1940 (Act) and relevant rules made thereunder. Government of India formulated the National Blood Policy (NBP) in April 2002 to bring about a "comprehensive, efficient and a total quality management approach" to functioning of blood banks throughout the country to ensure easy access to adequate and safe blood.

There were 233 blood banks[2] in Andhra Pradesh as of May 2010. We reviewed, during July - December 2010, the functioning of 45 (out of 126) blood banks in eight districts[3] over a period of three years (2007-10). Our findings in this regard are given in the succeeding paragraphs:

5.2.1 Absence of relevant data

The State Level Committee (SLC) constituted in May 2010 for suggesting measures for strengthening the management of blood banks, estimated the demand for blood in the State at eight lakh units per annum. As against this, the existing 233 blood banks[4] are able to collect only seven lakh units per annum. Considering this gap in demand and supply, there is an imperative need to utilise the available resources efficiently. However, the State does not have a centralised online database indicating the availability of various groups of blood at the blood bank level, district level and at the State level.

Blood collected is to be preserved in CPDA[5] solution at temperatures between 4º C and 6º C and utilised within 35 days of its collection. Audit scrutiny revealed that blood units in certain cases collected in all the 45 sampled blood banks had to be discarded due to their non-utilisation within the specified time. The concerned blood banks attributed this to low demand for blood in the neighbouring hospitals. This situation could have been averted had there been a centralised database of blood in the districts and the State as a whole, as the needy hospitals/patients in adjoining areas could have used it to the benefit of their patients.

The SLC had recommended (June 2010) setting up a well knit regionally coordinated blood banking system with structured blood transfusion services and an inbuilt mandatory quality assurance mechanism through the establishment of Mother Blood banks to ensure availability of screened safe blood, by upgrading one Government Blood bank per district to be called Mother Blood banks. However, no such blood banks had been established in the State so far (August 2011).

---

[1] Blood bank means a place/organization/unit/institution or other arrangement made by them for carrying out all or any of the operations for collection, apheresis, storage and distribution of blood components or as whole human blood

[2] Adilabad: 6; Anantapur: 6; Chittoor: 10; East Godavari: 13; Guntur: 16; Hyderabad: 62; Karimnagar: 9; Khammam: 7; Krishna: 15; Kurnool: 6; Mahboobnagar:5; Medak: 4; Nalgonda: 5; Nizamabad: 5; Prakasam: 5; Ranga Reddy: 12; SPS Nellore: 4; Srikakulam: 2; Visakhapatnam: 13; Vizianagaram: 5; Warangal: 7; West Godavari: 9 and YSR: 7. Of these, 66 blood banks are under control of Government and 167 private

[3] Anantapur (5), Chittoor (10), Guntur (8), Hyderabad (8), Krishna (4), Kurnool (6), Medak (1) and YSR (3); (Government: 23 and Private: 22)

[4] Government - 66, Red cross - 38, Voluntary/Charitable - 53 and Private hospitals - 76

[5] Citrate-Phosphate-Dextrose-Adenine

Blood banks are required to maintain the details of blood donors in a register, indicating vital details such as date of collection of blood, name of the donor, address, age, weight, percentage of haemoglobin (Hb), blood group, etc. Proper labelling should also be done on the blood packets to ensure that blood was collected from a physically fit and willing donor. This procedure was prescribed to ensure that blood is not collected from ineligible donors and to protect the donor. Further, this will ensure that the blood stock, that does not conform to the prescribed standard is destroyed so that infections don't get carried through blood transfusion. It was noticed that, in 24 out of 45 blood banks test checked, this vital data was not captured/recorded in the blood donors register in respect of as many as 22,995 donors[6]. Further, in the blood bank at Government Hospital, Anantapur, crucial information which was very essential for supply of blood, viz., **blood group,** was not recorded in the donors register in respect of blood collected (2009-10) from 240 donors.

Failure to record such vital details is not only fraught with the risk of transfusion of wrong blood to the patients, but may finally leave the blood unutilised and discarded and would result in wastage of a scarce resource defeating the very objective of the donors to save another precious life.

5.2.2 Donor safety

As per the eligibility criteria fixed for blood donation under the Drugs and Cosmetics Rules, 1945 (Rules), the donor of blood should be in good health, mentally alert and physically fit. We observed the following violations of these standards in the test checked blood banks.

Conditions stipulated for drawal of blood	Audit findings
Age: Donor should be within the age group of 18 to 60 years.	In 23 out of 45 blood banks verified, blood was collected from 291 donors who are below the age of 18 years.
Weight: Weight of donor should not be less than 45 Kg	In 10 out of 45 blood banks verified, blood was collected from 71 donors whose weight was less than that specified.
Haemoglobin content: Haemoglobin content of donor's blood should not be less than 12.5 gm/dl. Persons with haemoglobin less than this prescribed quantity cannot be treated as healthy person for blood donation. Further, blood weak in haemoglobin content does not help in carrying oxygen to cells of the patient.	In 41 out of 45 blood banks checked, blood was collected from 3,617 donors (details given in *Appendix-5.1*) whose haemoglobin content was less than the prescribed rate i.e.12.5 gm/dl, the lowest being 8.5 gm/dl.

As can be seen from the details tabulated above, donor safety was compromised by violating the eligibility criteria for blood donors.

[6] HB percentage not recorded: 22,114; Age, Weight, etc. not recorded: 881

5.2.3 Extract of blood components

World Health Organisation (WHO) had emphasised the need for optimal utilisation of donated blood by use of specifically required components instead of whole blood. In view of the gap between demand and actual collection of blood units, conversion of blood into various components was an inherently effective way of overcoming the shortage of blood. In none of the 45 test checked blood banks, there was any evidence to prove that the blood banks had made any effort to extract blood components from the units collected. Thus, optimal utilisation of the scarce resource was not ensured.

5.2.4 Calibration of Equipment

Rules stipulate that the equipment used in collection, processing, testing, storage and sale/distribution of blood and its components should be observed, standardised and calibrated at regular intervals as described in the Standard Operating Procedures Manual wherein details of frequency of calibration of various equipments are also prescribed. Though the prescribed equipment was available in adequate number in all the test checked blood banks, calibration of 102 equipments in 11 (out of 45) blood banks reviewed in audit had not been done.

In the absence of equipment calibration at regular intervals the risk of the results/ readings (obtained by using these equipments) not being accurate and reliable was ever present. Therefore, there was no assurance about the quality of the blood supplied by these blood banks.

5.2.5 Ineffective monitoring by Drug Inspectors

The Drugs Controller (India), Directorate General of Health Services, New Delhi issues licences to blood banks only after verifying it and carrying out a joint inspection along with the Director General, Drug Control Administration (DG, DCA).

Prior to issue of licence/renewal of licence to any blood bank for carrying out its operations, Drug Inspectors (Inspectors) working under the control of DG, DCA, are required to examine the premises and appliances/equipments, inspect the process of manufacture along with the means for operation of blood bank, processing of whole human blood for components, manufacture of blood products together with their testing facilities and also enquire into the professional qualification of the expert staff and other technical staff employed.

If the licensee fails to comply with any of the conditions of the licence or with any provisions of the Act or Rules thereunder, the licence may be cancelled or suspended. Licence to blood banks is valid for five years from the date of its issue and it has to be renewed thereafter from time to time. Rejected licensee can re-apply within six months after complying with.

We observed that:

- A majority of the Inspectors in the sampled districts have not complied with the above procedures. Monitoring of the blood bank operations/activities by the Inspectors was also found to be ineffective. Out of 45 blood banks verified, 22 had not been inspected by the licensing authority during 2008 and 2009.

- In case of two blood banks[7], we noticed that their licences had expired in 1999 and 2007. However, joint inspection was conducted belatedly only in January 2010. Thus, the blood banks functioned unauthorisedly during the intervening years. There were no recorded reasons for the inordinate delay in the conduct of joint inspection.

5.2.6 Huge shortages of Drug Inspectors

The jurisdictional area of a Drug Inspector depends on the number of pharmaceutical units in the area and more than one Inspector may be required in a district.

We observed (August 2010) that there was acute shortage of 'Drug Inspectors' in the Department. There were only 24 Drug Inspectors against 558 posts required as per norms. Although, Government had sanctioned 75 additional posts during 2007-09, even these were not deployed as of August 2011. The Department stated (August 2010) that there were no eligible persons in the Department in respect of vacancies to be filled in through promotions and action was underway for direct recruitment.

5.2.7 Conclusion

As brought out in the foregoing paragraphs, the functioning of blood banks in the State is far from satisfactory. Although specific rules were framed for ensuring the safety of blood donors, a majority of the blood banks verified in audit flouted the rules. Non-compliance with the Rules and ineffective monitoring by the Drug Inspectors had resulted in several deficiencies, endangering the safety of both the donor and the needy patients.

5.2.8 Recommendations

- Government should initiate immediate steps for creating a centralised online database indicating the availability of various blood groups to facilitate efficient use of this scarce resource.
- Government should ensure that vital details like name, blood group, age, weight, address, etc. of the donors are captured scrupulously by all the blood banks to eliminate the risk of transfusion of wrong blood to the patients and avoid wastage.
- Measures should be initiated to ensure that equipment used in collection, processing, testing, storage and sale/distribution of blood is calibrated at regular intervals to ensure that the readings are accurate and reliable.
- Government needs to address the problem of huge shortage of Drug Inspectors to ensure effective monitoring of blood banks.

The matter was reported to the Government in June 2011; reply had not been received (December 2011).

[7] District Hospital, Machilipatnam and Area Hospital, Gudiwada

5.3 Functioning of Trauma Care Centres

5.3.1 Introduction

GoI envisaged (November 1999) a scheme for developing a network of Trauma Care Centres (TCCs) along the Golden Quadrilateral, to provide emergency treatment to accident victims. The scheme involved provision of financial assistance for upgradation and strengthening of emergency facilities in State hospitals located on National Highways. The hospitals designated by the State Government and approved by GoI, were to be upgraded to Levels I to IV within a period of twelve months from the date of sanction. The grants covered various components like civil works, equipment, manpower, communication systems, training, legal assistance, etc. depending on the level of upgradation of a particular hospital.

In Andhra Pradesh, 17 hospitals[8] (Level-II: 9; Level-III: 8) were selected (2004-09) for upgradation as TCCs at a cost of ₹ 125.25 crore[9]. As of August 2011, GoI released ₹ 49.08 crore [10] to these hospitals.

GoI sanction had stipulated specific time frame within which the released funds were to be utilised as follows:

- Tendering for equipments should be completed within a period of 10 days of receipt of sanction letter.
- Manpower required should be finalised within 30 days for each of the Trauma Care Centre (TCC), etc.
- The expenditure statement, utilisation certificate should be submitted to GoI within 12 months for considering further release of funds.

Audit scrutiny (April/May and October 2010) of the relevant records of the hospitals concerned revealed that none of the 17 TCCs were fully operational as of August 2011 due to non-completion of civil works or, where the civil works had been completed, equipment had not been procured or, required manpower had not been put in place.

5.3.2 Execution of civil works

The scheme envisaged renovation of existing hospital buildings[11] for Trauma Care. In the hospitals which were to be upgraded to Level-II and Level-III, certain civil works for operationalisation of Trauma Care Centres were to be taken up and completed. As per the scheme guidelines, all the civil works were to be completed within a maximum period of 12 months of the sanction.

---

[8] **Level-II:** 2004-05: Government General Hospital, Kurnool; 2005-06: King George Hospital, Visakhapatnam; 2006-07: District Hospital, Srikakulam; 2007-08: District Hospital, Rajahmundry; Government General Hospital, Guntur; District Hospital, SPS Nellore; 2008-09: RIMS, Adilabad; District Hospital, Nizamabad; and Government General Hospital, Anantapur
Level-III: 2006-07: District Hospital, Eluru; 2007-08: Area Hospital, Tuni; Area Hospital, Tekkali; District Hospital, Ongole; CHC, Nayudupeta; 2008-09: Area Hospital, Kamareddy; District Hospital, Mahboobnagar and CHC, Penukonda, Anantapur

[9] ₹ 9.65 crore each for nine Level-II TCCs and ₹ 4.80 crore each for eight Level-III TCCs

[10] construction activities: ₹ 12.04 crore; equipment: ₹ 31.55 crore; manpower: ₹ 4.98 crore; other minor items like training, legal assistance, etc.: ₹ 0.51 crore)

[11] Projected Cost/Sanction accorded: Level II: ₹ 80 lakh; Level III: ₹ 63 lakh/₹ 65 lakh

The hospitals placed the amounts intended for civil works with the Andhra Pradesh Health and Medical Housing and Infrastructure Development Corporation (APHMHIDC), the nodal agency created (May 1987) by the State Government for construction of buildings, procurement and supply of equipment for all the Medical institutions in the State. Hospital-wise details of the amounts released during January 2005 to April 2010 for civil works, amounts deposited with APHMHIDC, stage of completion, etc. are given in *Appendix-5.2.*

We observed that:

- civil works were completed (August 2011) only in seven hospitals[12] (expenditure: ₹ 4.71 crore) and delays in completion of works ranged from three months to as high as three years;
- in seven out of 17 other hospitals[13], civil works had not been completed. In Government General Hospital, Anantapur, even the land required for construction had not been identified; and
- in three other hospitals, viz., Rajiv Institute of Medical Sciences (RIMS), Srikakulam; Government General Hospital, Guntur and RIMS, Adilabad, civil works of TCC building was clubbed with civil works being executed in other buildings of the same hospitals. Since these buildings were at various stages of execution, civil works of TCC buildings was also delayed.

Tardy progress in completion of the buildings to house TCCs resulted in release of further funds amounting to ₹ 76.17 crore by GoI, towards other components like equipment, etc. being put on hold, as discussed in the subsequent paragraphs.

5.3.3 Procurement of equipment

GoI's sanction stipulated that tendering for equipments[14] should be completed within a period of 10 days of receipt of sanction. On finalisation of tenders and after receipt of these documents in the Ministry, the next instalment of 40 *per cent* would be considered for release. The remaining 10 *per cent* would be released after placement of supply order. Thus, there was an inherent need to complete the process of procurement of equipment at the earliest. As most of the basic and essential equipment was already available with the identified institutions, assistance for equipment was restricted (by GoI) to ₹ 5 crore in respect of Level II TCC and ₹ 2 crore in respect of Level III TCC. This would imply that the hospitals were to identify/select only such of the vital equipments which are very critical to trauma care centres. We observed that such an exercise was lacking in all the test checked hospitals.

[12] King George Hospital, Visakhapatnam; District Hospital, Rajahmundry, East Godavari; Government General Hospital, Kurnool; District Hospital, Tekkali, Srikakulam; Area Hospital, Tuni, East Godavari; District Hospital, Eluru, West Godavari and RIMS, Ongole, Prakasam

[13] District Hospital, SPS Nellore, Government General Hospital, Anantapur, District Hospital, Nizamabad, Community Health Centre, Naidupet, SPS Nellore, Area Hospital, Kamareddy, Nizamabad, District Hospital, Mahboobnagar and Community Health Centre, Penukonda, Anantapur

[14] Cost involved: ₹ 12.80 crore for Level II TCC; ₹ 2.53 crore for Level III TCC

As against the release of ₹ 31.55 crore[15] by GoI towards procurement of equipment to nine hospitals, the hospitals had placed ₹ 28.37 crore with APHMHIDC (details are given in *Appendix-5.3*) for supply of equipment. As of August 2011, APHMHIDC had supplied equipment worth only ₹ 13.20 crore leaving ₹ 15.17 crore unutilised with them. In response to an audit enquiry, APHMHIDC stated (September 2011) that tenders in respect of the equipment indented for TCCs were still under process. It was further observed that,

- Except Government General Hospital (GGH), Kurnool, none of the other eight hospitals could fully utilise the funds meant for procurement of equipment. While GGH, Kurnool, utilised the entire amount of ₹ 5.27 crore, five hospitals[16] had received only equipment valuing ₹ 7.93 crore as against ₹ 16.35 crore released for the purpose to APHMHIDC. Some of this equipment thus procured was not as prescribed by GoI for upgradation of TCCs.
- Two hospitals viz., (a) Government General Hospital, Guntur and (b) District Hospital (RIMS) Ongole, were not supplied any equipment by APHMHIDC though necessary funds (₹ 7 crore) were placed at its disposal in December 2010/January 2011. Reasons for delay were not available with the hospitals.
- In Area Hospital, Tuni, ₹ 2.17 crore intended for purchase of equipment, were kept by the hospital in fixed bank deposits instead of transferring it to APHMHIDC. Specific reasons for non-utilisation of the amount were not furnished by the hospital authorities.
- In case of both Level-II and Level-III TCCs, the assistance in respect of General Surgical equipments was restricted to 2 sets (total cost limited to ₹ 4 lakh) only. We observed in King George Hospital, Visakhapatnam that, some of the important equipments such as Ultra Sound Scan, 500 MA X-Ray machine and CT Scan Multi-slice could not be procured by the hospital, where general surgical equipments had been purchased in excess. The Superintendent of the hospital contended (May 2010) that, as the hospital has the potential to emerge as Level-I centre (from existing Level-II), more number of sets of surgical equipment required for a full fledged Level-I centre were procured. The reply is not acceptable as procurement of more sets of general surgical equipment should not be at the cost of vital trauma care equipment viz., Ultra Sound Scan, 500MA X-ray machine and CT Scan Multi-slice required for effective functioning as a Level-II Trauma care centre.

Thus, while APHMHIDC was ineffective in speedy procurement and supply of equipment, the Superintendents of the hospitals also had failed to monitor this aspect vigorously resulting in non-receipt of the indented equipment even after the lapse of considerable time after placing the indents with APHMHIDC and funds remaining unused.

---

[15] King George Hospital, Visakhapatnam: ₹ 5.01 crore; RIMS, Srikakulam: ₹ 2.94 crore; District Hospital, Rajahmundry: ₹ 2.85 crore; Government General Hospital, Guntur: ₹ 5.00 crore; District Hospital, SPS Nellore: ₹ 4.95 crore; Government General Hospital, Kurnool: ₹ 5.02 crore; Area Hospital, Tuni, East Godavari: ₹ 2.17 crore; District Hospital, Eluru, West Godavari: ₹ 1.61 crore and RIMS, Ongole, Prakasam: ₹ 2.00 crore

[16] King George Hospital, Visakhapatnam: ₹ 3.80 crore; RIMS, Srikakulam: ₹ 0.41 crore; District Hospital, Rajahmundry, East Godavari: ₹ 0.51 crore; District Hospital, SPS Nellore: ₹ 2.76 crore; District Hospital, Eluru, West Godavari: ₹ 0.45 crore

5.3.4 Manpower

As per the Scheme guidelines, GoI would meet the expenditure on manpower necessary for the Trauma Care Centres during the first five years of their existence. GoI accordingly released (March 2008 – October 2010) ₹ 4.98 crore (for one year) to the State at the rate of ₹ 0.76 crore for six [17] Level-II hospitals and ₹ 0.42 crore to one [18] level-III hospital. Although the State Government was to finalise the required manpower for each TCC within the stipulated period of 30 days of receipt of sanction of the grant, it accorded sanction for recruitment of staff for the TCCs, that too only for 10 (out of 17) hospitals in March 2009.

We observed that,

- the staff sanctioned was not as per the approved norms applicable for Level-II and Level-III TCCs (as detailed in *Appendix 5.4*).
- Even in the hospitals where manpower was sanctioned, as against the prescribed norm of 84 for Level-II hospitals and 75 for Level-III hospitals, staff actually recruited was far lower and ranged between three to seventeen.
- Further, the hospital authorities recruited only Data Entry Operators and staff nurses, that too only partially, while other technical staff like General Surgeon, Orthopaedic Surgeon, Anesthetist, Medical/Para Medical staff critical for TCCs were not recruited.
- In Government General Hospital, Kurnool where the upgradation of the hospital to TCC had been sanctioned way back in the year 2004 and where the required building had already come up and the required equipment had been procured, no staff had been sanctioned by the State Government as of August 2011, despite the lapse of over five years.

Thus, Government's failure in planning and managing the activity of recruitment and deployment of technical manpower to the hospitals resulted in non-execution of the project within the prescribed timelines.

The hospital authorities contended (June 2011) that, the TCCs were extending treatment to accident victims with the existing staff. The contention is not acceptable, because in the absence of specialised staff as envisaged in GoI's sanction the TCCs cannot be considered fully operational.

5.3.5 Utilisation Certificates

We analysed the reasons as to why the funds (₹ 125.25 crore) sanctioned were not released in full by GoI to the hospitals. While releasing funds, GoI stipulated that, Utilisation Certificates (UCs) along with the audited accounts of the funds sanctioned should be submitted to the Ministry within 12 months of release of funds to ensure further releases. We observed that, except King George Hospital, Visakhapatnam, none of the other 16 hospitals had utilised the funds as detailed above, nor furnished as of April 2011 UCs for

[17] District Hospital, SPS Nellore; District Hospital, Rajahmundry; GGH, Guntur; GGH, Kurnool; KGH, Visakhapatnam; and RIMS Srikakulam

[18] District Hospital (RIMS), Ongole

the full amounts received. As against ₹ 49.08 crore released by GoI, UCs for ₹ 31.72 crore were yet to be furnished by the hospitals and non-compliance of this requirement resulted in further release of funds (₹ 76.17 crore) by GoI being withheld, as mentioned in para *supra*.

5.3.6 Conclusion

The 17 Trauma Care Centres (TCCs) sanctioned (2004-09) by GoI have either not been set up or are yet to become fully operational as of August 2011, either due to the civil works not being completed, or where completed, due to delay in procurement of equipment and absence of requisite manpower. Thus, the objective of providing basic life support and emergency care in the golden hour i.e., first hour of injury to accident victims in the Golden Quadrangle within Andhra Pradesh remains unachieved even after the lapse of over two to five years of necessary sanctions having been accorded by GoI.

The matter was reported to Government in July 2011; reply had not been received (December 2011).

5.4 Functioning of equipment in Medical colleges

Scrutiny of the records relating to utilisation of equipment in Government Medical College, Anantapur (November 2010) and Siddhartha Medical College, Vijayawada (June 2010) and the relevant records in the Office of the Director of Medical Education (DME) revealed the following.

5.4.1 Government Medical College, Anantapur

Government Medical College, Anantapur, receives at least 50 cancer patients every month. GoI released (December 2005) ₹ 2 crore as one time grant to the college under National Cancer Control Programme (NCCP) for development of Oncology wing based on the proposals submitted (January 2004) by the College through the State Government.

For commissioning of Oncology wing, the following steps were to be taken:

- Purchase of necessary equipment
- Construction of bunker as per the norms prescribed by BARC[19] for installation of the equipment
- Deployment of technically qualified staff for manning the Oncology wing

Equipment consisting of treatment planning system, Cobalt Unit "60" tele-therapy system and source costing ₹ 2.12 crore[20] was received during July 2006 - December 2007. In order to put the equipment to use and commission the Oncology wing, simultaneous action was to be taken to ensure synchronization of all the above three activities. We however, found that such an exercise was not undertaken by the Medical College. Though requisite funds (₹ 41 lakh) for construction of bunker were placed at the disposal of APHMHIDC[21] in

[19] Bhabha Atomic Research Centre

[20] Treatment planning system (₹ 0.31 crore); Cobalt unit "60" tele-therapy system (₹ 1.24 crore) and Source (₹ 0.42 crore); Custom charges on the above equipment (₹ 0.15 crore) funds over and above ₹ 2 crore met from Hospital Development Society funds

[21] AP Health and Medical Housing and Infrastructure Development Corporation Limited

March 2006 itself, the site was handed over to the contractor belatedly in August 2007. As a result, bunker could be completed and the equipment was installed only by April 2008. Even after installation, calibration of the equipment, which is a pre-requisite for starting the treatment, was done only after a gap of one year i.e., in April 2009 owing to non-availability of technical staff[22]. Further, due to non-availability of technical staff, generation of field radiation survey reports was delayed which ultimately caused delay in obtaining necessary permission from BARC for commissioning the treatment. Further, even after receipt of BARC permission in September 2009 to commence treatment, the DME failed to deploy Oncologist to man the equipment. In the meantime, the warranty period of the equipment[23] and the two year period (after expiry of warranty) of free maintenance service, to be provided by the company, had expired. That apart, the hospital could not confirm the prospect of radio active cobalt unit serving its full life. As of August 2011, in the absence of an oncologist the equipment had not been put to use and no patients were being treated.

Thus, due to lack of synchronization of all the three activities of construction of bunker, installation of the equipment and deployment of technical staff, coupled with failure of the DME to deploy Oncologist to man the equipment, the equipment procured way back in 2006 remained idle even after the lapse of five years. This deprived the cancer patients of Anantapur and neighbouring districts of the benefit of advanced cancer treatment.

5.4.2 Siddhartha Medical College, Vijayawada

The YVC Oncology Wing and Research Centre, Chinakakani (Hospital), attached to Siddhartha Medical College, Vijayawada was provided (October 1998) with Theratron Phoenix Cobalt Unit (Unit) worth ₹ 1 crore for treating cancer patients[24]. As of February 2009, the tele-cobalt source had completed two half lives and the output level neared minimum level[25] beyond which the Unit would not be permitted for usage until the new source is installed. The Unit was closed in October 2009 and no inpatients were admitted thereafter.

Audit scrutiny revealed the following.

For ensuring continued service by the unit for treatment of cancer patients, two activities were to be properly synchronized:

⇒ Periodical review of the availability of source so as to initiate action to seek funds in advance from Government for replacement of source, especially in the context that the GoI supplier firm (BRIT) takes about six months for supplying the source material, after full payment of the cost in advance.

⇒ Ensuring the availability of Medical Physicist and Radiological Safety Officer throughout for operating the Unit.

---

[22] Professor: 1; Assistant Professor: 2; and Tutor: 1 in the Department of Radio-Therapy

[23] which was 15 months from the date of shipment or one year from the date of installation whichever is earlier had expired

[24] 235 cancer patients in the year 2008 and 127 cancer patients in the year 2009 were treated

[25] Minimum level:50 RMM; output level as of March 2011:53 RMM

It was observed that such an exercise was lacking. Though the Principal of the Medical College took up the matter with the Director of Medical Education (DME) in February 2009 itself and followed it up regularly for replacement of tele-cobalt source with 200 RMM output, DME forwarded the proposals to Government seeking funds only in March 2011, i.e., after the lapse of more than two years. In the meantime, the cost of replacement of the source had escalated (September 2010) to ₹ 1.12 crore. State Government was yet to provide the estimated funds (August 2011) for the purchase of the source material.

Further, the posts of Medical Physicist and Radiological Safety Officer remained vacant since August 2009. Consequently, the Radio Therapy Unit had to be closed in October 2009 as directed by Atomic Energy Regulatory Board. The DME confirmed the audit observation.

Thus, failure of DME in not taking up the matter with the Government immediately after reporting by the Medical college for provision of funds, coupled with non-filling up of the vacancy of Medical Physicist resulted in the Radio Therapy Unit not functioning and lying idle for over one and half years depriving the cancer patients of the benefit of treatment.

The matter was reported to Government in May/June 2011; reply had not been received (December 2011).

5.5 Fraudulent drawal of pay and allowances and advances

Provisions of Treasury Rule 23 read with appendix 18 of AP Treasury Rules stipulate the following:

- **When a Government servant proceeds on transfer from one place to another in the same State or circle of audit, the Government servant should obtain a last pay certificate (LPC) from the officer in charge of the Treasury from which he last drew pay, or, if he is a non-Gazetted Government servant, from the head of the office with whom he was last employed.**

- **A Treasury Officer may not permit any withdrawal in respect of pay or allowances of a Government servant to whom he has granted LPC, unless the certificate is first surrendered.**

- **To ensure that no further payments are made towards pay and allowances in respect of person transferred, the fact of issue of LPC should be communicated by the Drawing and Disbursing Officer to the Treasury Officer. It is also the duty of the Treasury Officer to record the fact of issue of LPC in the flyleaf of the employee maintained by the Treasury.**

Further, as per provisions of the Andhra Pradesh General Provident Fund Rules, subscribers of General Provident Fund may be sanctioned an advance only from the amount standing to their credit in the fund.

Audit scrutiny (November 2010) of records of the Medical Officers[26] of two primary health centres (PHCs), Duppalapalem and Chavitidibbalu in East Godavari district (DDO) and those of Sub-Treasury Officer, Addatheegala (jurisdictional treasury) (STO) revealed that non-compliance with the above codal provisions resulted in fraudulent drawal of pay and allowances and advances aggregating ₹ 17.73 lakh as indicated below.

The DDO had drawn pay and allowances in the names of staff members who were already transferred and in whose cases Last Pay Certificates (LPCs) had already been issued. It was observed in audit that pay and allowances were also drawn by the drawing officers in the stations[27] where the individuals had actually been transferred to.

The DDO had also drawn amounts towards House Building Advance, Motor Cycle Advance, etc. against the individuals already transferred from the PHCs. Further, the DDO withdrew GPF advances from their accounts although the accounts did not have sufficient balances at their credit. The amounts of such fraudulent drawals aggregated ₹ 17.73 lakh as detailed in *Appendix-5.5.*

The DDO failed to produce the relevant records like aquittances, bank statements, etc. called for by Audit team. As a result, the details such as, to whom the amounts were paid and personal bank accounts to which the amounts were finally adjusted, etc. could not be verified in audit. The Sub Treasury Officer also did not produce flyleaves[28] which would have revealed all the month-wise payments made to the individual i.e., pay, special pay, HRA, CCA, GPF and other advances, of the periods subsequent to issue of LPC in respect of the individuals in whose names the money was drawn. Scrutiny of the only flyleaf made available to Audit revealed that the fact of transfer and issue of LPC was not recorded in the flyleaf by the STO, which facilitated the drawal of pay and allowances even after issue of LPC. Thus, it is evident that there was collusion between the DDO and the STO.

On the matter being pointed out (November 2010) in Audit, the Regional Director (RD) of Medical and Health Services, Rajahmundry, confirmed (March 2011) the fraud. RD stated that disciplinary action had been initiated against one of the

---

[26] The Medical Officer of PHC, Duppalapalem is also holding charge of PHC, Chavitidibbalu during this period of fraudulent drawal

[27] Sankavaram, Yeleswaram and Kuthukuluru in East Godavari district; University Hospital, Mangalagiri, Guntur district

[28] Flyleaves in respect of (1) Sri M. Gangaraju, APMO for the period from June 2008 to February 2009, (2) Smt Naga Malleswari, Staff Nurse for the period from May 2009 to May 2010 and (3) Smt D. Mariamma, PHN, for the period from September 2009 to October 2010 were not made available to Audit. Flyleaves in respect of (1) Dr N. Rajakumari for the period from March 2009 to June 2010 was only made available to Audit

delinquent officials. Action on the enquiry report[29] duly fixing the responsibility on the treasury personnel concerned for violation of prescribed Rules, was yet to be taken (November 2011). The District Collector, East Godavari, sought (February 2011) permission from Government for initiating criminal cases against the delinquent Treasury officials and Government orders were awaited (November 2011).

The matter was reported to Government in June 2011; reply had not been received (December 2011).

[29] furnished by the Deputy Director, District Treasury Officer, Kakinada , East Godavari district

Chapter 6 - Home (Police) Department

6.1 Department profile

The Home Department works towards eliminating threats to the internal security of the State. It is entrusted with the responsibility of preserving, protecting and promoting law and order and social harmony through its various wings, viz. Police, Passports and Prisons and Courts wing.

Organisational setup of Police wing

Police Wing is headed by the Director General of Police (DGP). He is assisted in the discharge of his duties by 18 Additional Directors General of Police (ADGP) and 12 Inspectors General (IG) of Police working under the ADGP who oversee law & order, crime investigation, administration, welfare, legal, training, etc.

A separate IGP is in-charge of the Marine Police Wing reporting directly to the DGP. He is assisted in the discharge of his duties by Deputy Inspector General (DIG) of Police and six Superintendents of Police of the districts in which Marine Police Stations have been formed as shown in the organogram given alongside.

As part of our audit, during the year 2010-11, we have audited the implementation of the 'Coastal Security Scheme' involving utilisation of interceptor boats supplied to Marine Police Stations. Our audit revealed that interceptor boats supplied to Marine Police Stations were lying idle/not utilised optimally, jeopardising the coastal security, as detailed below.

6.2 Sub-optimal utilisation of Interceptor boats

Andhra Pradesh has a 974 km long coastline spread over nine districts. GoI approved[1] setting up of six Marine Police Stations (MPSs) in November 2005 at a cost of ₹ 32.67 crore under 'Coastal Security Scheme' with 100 *per cent* Central assistance. The scheme was to be implemented within five years from 2005-06. Under the scheme, six MPSs were set up in six[2] districts between June 2006 and August 2006. The main objective of the scheme was to provide additional line in coastline defence of the country and to address the critical gap in policing of the coastal waters against infiltration, intrusion and other illegal activities. As per the Standard Operating Procedure (SOP) issued by the Union Ministry of Home Affairs, though the legal jurisdiction of the MPS extends up to 12 nautical miles, the MPS will exercise their operational jurisdiction in terms of patrolling, surveillance, etc. within five

[1] as against the State Government proposal for supply of 16 Interceptor Boats, 32 inflatable boats and 32 life saving equipment costing ₹ 8 crore

[2] East Godavari, Guntur, Krishna, SPS Nellore, Srikakulam and Visakhapatnam districts

nautical miles from the coastline. Beyond five nautical miles, the operational jurisdiction will be that of the Indian Coast Guard.

The perspective plan of the State Government relating to 'Coastal Security' (2005-10) as approved by GoI, envisaged (November 2005) supply of 18 interceptor boats to the State. As against this, 13 boats (six 5 tonne interceptor boats and seven 12 tonne interceptor boats) costing ₹ 21.35 crore were received between July 2009 and September 2010, i.e., after a delay of over three years. Another four boats (cost: ₹ 8.60 crore) were received in May/June 2011, i.e., after one year of end of the perspective plan period. The remaining boat is yet to be supplied.

The State Government had constituted a State Level Monitoring Committee in July 2006 to supervise and monitor the creation and functioning of Marine Police Stations. A State Level Co-ordination Committee[3] was also constituted in August 2009 on Coastal Security Scheme, under the Chairmanship of the Chief Secretary to the Government.

We carried out (July 2010) a detailed scrutiny of the records relating to the implementation of the scheme in 2 out of 6 MPSs in the offices of the Superintendents of Police, East Godavari and Srikakulam districts. We also obtained (February - May 2011) related information from the offices of the DGP and the remaining four MPSs[4].

As per GoI norms, each boat was to be tasked for a minimum of 120 hours of coastal patrolling operations in a month, with a minimum of 1,400 hours per annum. As of November 2011, eight out of the initially received thirteen boats had not been put to use by the MPSs concerned owing to repairs/lack of crew/technical defects/lack of jetty etc., as detailed below. The remaining five boats were also under-utilised to the extent of 82 to 97 *per cent.* The Department did not provide the details relating to the utilisation of the four boats received in May - June 2011.

- Two (MPS, Durgarajapatnam) of the eight boats were defective right from the outset and therefore could not be operationalised. ***The technical defects of these two boats were however, not got rectified even as of November 2011.*** While confirming this position, Inspector General, Marine Police (Coastal Security) (IG), stated (September 2011) that, at the time of receipt of boats, there were no technical crew to operate the interceptor boats and that, the Police Inspectors/Sub-Inspectors were not knowledgeable enough to inspect the boats and to ensure that the boats are received in good and operational condition.

- Defects to three other boats (MPS – Suryalanka, Rishikonda and Vakalapudi) such as non-functioning of water jet, outer board machine, diesel generator, AC Unit, non-rotation of policing torch, radar, free steering (steering not in control), engine gear box were not got rectified by the MPSs. In case of MPS, Vakalapudi, the five ton boat received in July 2009 met with an accident in August 2009 and the damage was not addressed by the Annual Maintenance Contract (AMC) provider because warranty/ AMC did not cover damage due to accident. Government did not release funds

[3] the details of the meetings held by the Committees were not made available to Audit
[4] situated in Guntur, Krishna, SPS Nellore and Visakhapatnam districts

(₹ 7.34 lakh) for repairs sought by the MPS. Consequently, the boat remained inoperative. In other cases, the technicians of the AMC provider could not rectify the defects.

- Since the crew was not trained, they did not have adequate knowledge about sea mouth operations and hence the boat supplied to MPS, Gilakaladinne (Krishna district) could not be operated.
- Two boats supplied to MPS, Kalingapatnam (Srikakulam district) though functional, could not be operated due to non-availability of jetty.
- None of the six MPSs have jetties of their own. Therefore, the boats had to be berthed in the jetties of the nearby fishing harbours/ports. In three[5] out of the six MPSs, the jetties were located between 40 km and 130 km away from the MPSs which hampered the regular operation of the interceptor boats, as it involved boats travelling long distances from the jetty to the MPSs on a daily basis, apart from the additional POL costs. IG while confirming the audit observation, stated that GoI had not sanctioned jetties in the first phase of the scheme. He also stated that though seven jetties were sanctioned in the second phase (commencing from 1 April 2011), construction of these jetties is yet to take place. We however, observed that, the State Government had not submitted any proposals for construction of jetties for the six MPSs in the first phase.
- The two activities of supply of boats by GoI and the recruitment of crew, etc. for operation of the boats were not synchronized. While the proposal for creation of MPSs was approved by GoI in November 2005, the crew for the MPSs were sanctioned by the State Government only in November 2009. It was another six to nine months (May – August 2010) before the crew could be in place. Further, till March 2011, adequate staff was not recruited, and the shortages in key technical posts was 42 *per cent* in the cadre of Masters, 33 *per cent* in the cadre of Sarangs and as high as 75 *per cent* in the cadre of Engine drivers. Training of the staff was also delayed by five to nine months. IG confirmed the audit observation.
- The Annual Maintenance Contract (AMC) with the supplier firm (Garden Reach Shipbuilders and Engineers Limited (GRSE), Kolkata) was deficient, in that, it did not include requisite clauses for carrying out repairs by the firm, as is evident from the number of non-operational boats. Though, GoI entered into AMC with the manufacturing company in January 2010 to provide after sale service, necessary repairs to the boats were not carried out. As a result, the eight boats procured at a cost of ₹ 11.70 crore for the purpose of coastal security did not serve the purpose, rendering the implementation of the scheme ineffective. IG agreed that there was a need for maintenance of boats on regular basis, but stated that, since there was time gap between the receipt of interceptor boats and induction of technical crew, no maintenance could be undertaken earlier. He further stated that, despite regular pursuance with GRSE, the repairs to boats could not be completed.

[5] Guntur: 40 km; SPS Nellore: 90 km; and Srikakulam: 130 km

Thus, adequate attention was not paid by either the State or Central Government in implementation of an important scheme concerning national security as fulfillment of basic requirements like adequate arrangements for maintenance of boats, provision of jetties in the vicinity of the MPS, recruitment of adequate and skilled manpower and imparting appropriate training to them was not ensured. No evidence was available on the actual operation of monitoring mechanism to ensure foolproof coastal security in the State. The main objective of strengthening coastal security against infiltration, intrusion and other illegal activities, thus, remains unachieved.

Government endorsed (December 2011) the reply of the IG (Marine Police).

Chapter 7 - Industries and Commerce (Handlooms & Textiles) Department

7.1 Department profile

The Department of Industries and Commerce is primarily responsible for planning and development of industries in the State.

The main functions of the Department are to

⇒ assist and guide entrepreneurs in setting up industrial units;

⇒ enable entrepreneurs to get different industrial approvals and clearances from various departments/agencies through a single point of interface;

⇒ register small industries/tiny industries/small-scale service and business enterprises;

⇒ sanction incentives to eligible industrial units;

⇒ create a transparent, congenial, hassle-free and business-friendly environment for accelerated growth of the industrial sector in the State;

⇒ provide marketing assistance to the local industrial units;

⇒ rehabilitate sick small industrial units, etc.

District Industries Centres (DICs) are the Nodal agencies in the districts for development of village and small scale industries and generating self-employment opportunities through a single window. As part of our audit, during 2010-11, we reviewed the implementation of the Centrally sponsored Integrated Handloom Development Scheme by the Department. Our findings are summarised below.

7.2 Implementation of Integrated Handloom Development Scheme

7.2.1 Introduction

In Andhra Pradesh, about 3.50 lakh weavers and ancillary workers are employed in the handloom sector. Of these, 1.92 lakh are employed in 1,260 cooperative societies. Of these, 472 societies (37 *per cent*) were inactive as of March 2011.

GoI introduced (2007-08) the Centrally sponsored Integrated Handloom Development Scheme (IHDS) during the Eleventh Plan period (2007-12) by amalgamating the essential components of the four existing schemes viz., Deen Dayal Hathkargha Protsahan Yojana (DDHPY), Integrated Handloom Training Project (IHTP), Integrated Handloom Cluster Development Scheme (IHCDS) and Workshed-cum-Housing Scheme implemented during the Tenth Plan.

The objectives of IHDS *inter alia* are to:

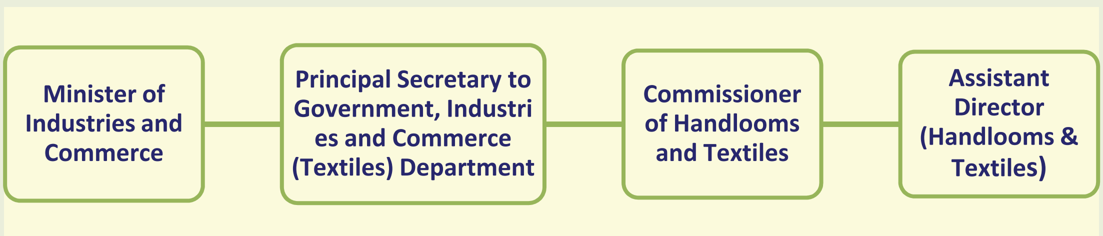
- focus on formation of handloom weavers' groups as a visible production group in selected handloom clusters;
- assist handloom weaver groups in becoming self-sustainable;
- up-grade the skills of handloom weavers/workers to produce diversified products with improved quality in synchronization with market requirements;
- provide suitable workplace to weavers enabling them to produce quality products and improve productivity;
- facilitate credit from financial institutions/banks; and
- organise holistic and flexible interventions for need based inputs specific to each cluster/group.

The scheme adopts, *inter alia,* two major approaches as explained below.

Cluster Approach	A handloom cluster is defined as a place where there is a large concentration of handlooms, producing handloom fabrics that would be in tune with market demands. Under the scheme, clusters of about 300 – 500 looms are taken up for development in a timeframe of three years within a cost ceiling of ₹ 60 lakh per cluster. Its sub-components are (i) Baseline survey, diagnostic study & formation of Self Help Groups (SHGs), (ii) formation of weavers consortium, (iii) Corpus fund for setting up of Yarn Depots, (iv) Design Development & Product Diversification, (v) Common Facility Centre/Dye House, (vi) Publicity & Marketing, (vii) Pooling of Project Management cost, (viii) provision of basic inputs, (ix) Skill Up-gradation and (x) Construction of Workshed.
Group Approach	Group Approach is implemented for the benefit of handloom weavers who are not covered by a cluster. A Group comprises 10 or more weavers in the form of a Self Help Group (SHG) Society/other weavers in combination/individual weavers. Group projects are to be completed within two years from the date of sanction. The scheme has three sub-components[1] with different funding pattern.

7.2.2 Organisational structure

The Commissioner, Handlooms and Textiles (Commissioner) at the State level, and the Assistant Directors (ADs) at the district level are responsible for implementing this scheme under the overall supervision of the Principal Secretary to Government in Industries and Commerce (Textiles) Department as shown in the organogram.



[1] (i) Skill up gradation - 100 *per cent* by GoI (implemented by Weavers Service Centres), (ii) Basic inputs 70:20:10 by GoI, State Government and beneficiary and (iii) Construction of work sheds - 100 *per cent* by GoI in case of BPL and for others 75 *per cent* by GoI and remaining by implementing agency/beneficiary

7.2.3 Audit objectives

Audit of IHDS was carried out with the objective of assessing whether the scheme objectives as outlined in Paragraph 7.2.1 were achieved.

7.2.4 Scope and Methodology of audit

We examined the implementation of the scheme by scrutinising the records in the offices of Commissioner of Handlooms and Textiles, Assistant Directors of Handlooms and Textiles (ADs) in ten districts[2] covering all 20 clusters and 75 groups in these districts. We also conducted an independent beneficiary survey in eight (out of ten) districts, through a structured questionnaire issued to the weavers, so as to understand the problems faced by them. Audit observations were discussed (October 2011) with the Principal Secretary to the Government and the Department's responses have been incorporated in the review at appropriate places. Our findings are discussed in the succeeding paragraphs.

Audit findings

7.2.5 Financial Management

7.2.5.1 Allocation and utilisation of funds

The total project outlay in respect of 52 clusters and 262 groups sanctioned by GoI in five phases was ₹ 38.61 crore[3].

Cluster approach

Based on the proposals submitted by the State Government, GoI sanctioned 52 clusters[4] to be set up in five phases (Phase II to VI) with a proposed outlay[5] of ₹ 29.80 crore (GoI: ₹ 26.03 crore; State: ₹ 3.05 crore and beneficiary contribution: ₹ 0.72 crore) for coverage of 21,588 weaver beneficiaries. Of these, 2 clusters were administered directly by Weavers Service Centre under the control of Ministry of Textiles, GoI, 38 clusters by the Department, 11 by NGOs and one cluster was administered by the Andhra Pradesh State Handloom Weavers Co-operative Society Limited (APCO). The sanctioned funds were to be released in three instalments by GoI.

For the 50 clusters, GoI released ₹ 11.67 crore towards its share. Out of this, the State Government released only ₹ 7.70 crore and retained the balance of ₹ 3.97 crore. As against its matching share of ₹ 1.45 crore, State Government released only an amount of ₹ 1.14 crore. The balance share of ₹ 0.31 crore was yet to be released. The phase-wise and year-wise details of funds released are given in *Appendix-7.1.*

As per GoI guidelines, UCs should be submitted within 12 months from the date of release of funds, failing which, further funds will not be released. Despite this, in respect of 25 out of

---

[2] Anantapur, Chittoor, Guntur, Krishna, Mahboobnagar, Nalgonda, SPS Nellore, Srikakulam, Vizianagaram, and West Godavari.

[3] 52 Clusters: ₹ 29.80 crore (GoI: ₹ 26.03 crore; State share: ₹ 3.05 crore and beneficiary contribution: ₹ 0.72 crore); 262 Groups: ₹ 8.81 crore (GoI: ₹ 7.91 crore; State share: ₹ 0.60 crore and beneficiary contribution: ₹ 0.30 crore)

[4] 2007-08: 26 clusters; 2008-09: 11 clusters; 2009-10: 2 clusters; and 2010-11: 13 clusters

[5] per cluster, the maximum ceiling was ₹ 60 lakh

50 clusters sanctioned in the State during 2008-11, UCs for ₹ 3.88 crore released by the State Government to these clusters, were not furnished to GoI even after the lapse of five to thirty two months, resulting in release of the subsequent instalments by GoI being held up. In the 18 clusters in 10 districts test checked, 15 *per cent* of the funds released to clusters had remained unutilised.

The ADs attributed (February – May 2011) non-utilisation of funds to (a) delay in supply of basic inputs by suppliers, (b) non-formation of consortium, etc. The contention is not acceptable as the ADs were themselves responsible for ensuring formation of consortia and supply of basic inputs within the stipulated time.

Group approach

Under the Group approach, GoI sanctioned (2008-10) 262 Groups with a proposed outlay of ₹ 8.81 crore (GoI: ₹ 7.91 crore; State: ₹ 0.60 crore; beneficiary contribution: ₹ 0.30 crore) for coverage of 3,978 beneficiaries. The sanctioned funds were to be released in two instalments by GoI. GoI released ₹ 6.14 crore towards its share and the State Government in turn released the amount to the Commissioner. However, as against the matching State share of ₹ 0.60 crore, Government released only an amount of ₹ 0.21 crore and the balance ₹ 0.39 crore was yet to be released. The phase-wise and year-wise details are given in *Appendix-7.2*.

We observed that,

- In the ten districts covered by Audit, 52 *per cent* funds (₹ 1 crore out of ₹ 1.93 crore[6]) released (2008-10) to 75 groups had remained unutilised and were lying in the bank accounts of ADs. ADs attributed the shortfall in utilisation of funds to (i) political rivalry between the members of the groups, (ii) non-submission of UCs/vouchers by the groups for the amounts already released, (iii) non-submission of detailed proposals by the groups, (iv) delay in finalisation of quotations and (v) master trainers not being allotted by Weavers Service Centre for conducting training programmes. The ineffective monitoring of the scheme activities by ADs at district level and by the Commissioner for the State as a whole, not only led to delays in obtaining further Central assistance but also denied the targeted weavers the envisaged benefits under the scheme.
- UCs for ₹ 6.14 crore were not submitted to GoI even after the lapse of 16 to 30 months resulting in the subsequent instalment amounting to ₹ 1.77 crore not being released by GoI as of August 2011.

Marketing Incentive

Marketing Incentive[7] is given to Handlooms societies for preparing conditions which are conducive to marketing of handloom products. The funding is provided by GoI and State Government on a 50:50 pattern.

---

[6] Further, an amount of ₹ 23.90 lakh towards the skill upgradation component was directly released to the Weavers Service Centres by GoI

[7] It is arrived at by calculating 10 *per cent* of the average Sales turnover of the last 3 years, duly deducting the sales made to APCO and other Co-op. Societies, sales to Government Agencies and 10 *per cent* Rebate Sales

As per the instructions (October 2008) of Government, the assistance released under Marketing Incentive Scheme can be utilised by the Societies (i) for allowing up to 20 *per cent* discount on sale of Handloom Products, (ii) to invest in infrastructure like construction or renovation of Sheds/Showrooms and (iii) for purchase of yarn. We observed that,

- Although GoI had released its share of ₹ 5.23 crore (December 2010) pertaining to the year 2009-10 in respect of 407 societies, the amount had not been released by the State Government to the cooperative handloom societies as of May 2011.
- As against the State share of ₹ 5.23 crore, only ₹ 4.12 crore was released to the beneficiary societies (October 2010) and the balance of ₹ 1.11 crore was yet to be released. The Commissioner in turn retained (December 2010 to May 2011) ₹ 1.01 crore, as the ADs (H&T) of the districts had not submitted necessary proposals in sufficient detail duly approved by the District Level Committee concerned.

Thus, in all, the State Government had withheld an amount of ₹ 9.20 crore[8] out of funds released by GoI as detailed in the preceding paragraphs. In the exit conference, the Principal Secretary attributed (October 2011) the delay in releasing funds to beneficiaries to budget freeze by the Finance Department.

Thus, due to the delayed release/non-release of funds by the State Government/ Commissioner, despite availability of Central assistance, progress in achieving important components of the cluster approach like skill up-gradation, design development and product diversification, construction of Common Facility Centre (CFC)/Dye house, supply of basic inputs, etc. was hampered. Consequently, none of the 35 clusters and 262 groups in the State which were due for completion by 2010-11, had become operational as of August 2011. Further, tardy implementation of the scheme coupled with non-submission of UCs to GoI retarded release of further funds by GoI to the extent of ₹16.13 crore.

7.2.6 Common Facility Centre (CFC)/Dye House not established

CFC was meant to provide all facilities for pre-loom and post-loom activities including Dye house in every cluster. Each facility involving setting up of water treatment plant, effluent treatment plant, pre-loom and post-loom operations, quality control lab, display-cum-exhibition hall/committee room/common workshed, etc. was supposed to cost ₹ 20 to ₹ 30 lakh.

Sanctions for construction of CFC/Dye houses were accorded by GoI based on the proposals submitted by the State Government. Expenditure on CFC is fully financed by GoI whereas expenditure on Dye house is to be shared by GoI and State Government in the ratio of 80:20. During the period 2007-11, GoI sanctioned 47 CFCs and 13 Dye houses in the State.

Out of 47 CFCs and 13 Dye houses sanctioned, DPRs were submitted to GoI only in respect of 14 CFCs and 9 Dye houses. The funds released (September 2010 to February 2011) by GoI for construction of CFCs and Dye houses were lying unused by State Government as of August 2011.The Commissioner attributed (September 2010) the delay in submission of other DPRs of CFCs/Dye Houses to abnormal increase in cost of lands and problems faced

[8] Clusters: ₹ 3.97 crore; Marketing incentive: ₹ 5.23 crore

by the department in acquiring land free of cost especially in clusters covered in urban areas. Commissioner also stated that the District Collectors were being pursued regularly for allotting suitable Government land for construction of CFCs/Dye houses. The contention is not acceptable as all these aspects should have been considered before submitting the proposals to GoI.

Clearly, proposals were submitted to GoI without even ensuring the availability of land and without preparing required DPRs. Due to lack of CFCs/Dye Houses, the weavers were deprived of the envisaged benefit of having suitable workplace for pre and post loom weaving activities. This was confirmed by the weavers during the beneficiary survey conducted by Audit.

7.2.7 Corpus fund for yarn depot

Prior to introduction of IHDS, weaver/agency was required to pay an advance amount to National Handloom Development Corporation (NHDC) for purchase of yarn which was being delivered by it to the weavers within 3 - 4 weeks thereafter, resulting in delay in the production process. In order to ensure regular availability of yarn of requisite counts for 300 - 500 looms for a month, it was proposed to set up a corpus fund with NHDC, on a scale of ₹ 3 lakh per cluster, to enable it to supply yarn to weavers through a yarn depot at the cluster. Yarn depots were set up in all the 18 clusters test checked by us in the 10 districts.

GoI released ₹ 1.24 crore[9] to the Commissioner (December 2007 to February 2011) towards corpus fund in respect of 47 out of 50 sanctioned clusters. In 18 clusters in the ten test checked districts, an amount of ₹ 43 lakh was released to NHDC for supply of yarn to 7,815 beneficiary weavers. As against this, only 1,722 beneficiary weavers (22 *per cent*) could purchase yarn on cash payment which majority of the weavers could not afford to do due to their poor economic condition. The envisaged credit linkage for meeting their working capital needs was not also provided by banks as discussed in the succeeding paragraph. As a result, the weavers continued to remain under the clutches of Master weavers who provided them the yarn on expensive credit. Further,

- in six[10] out of 18 clusters, against 2,672 members, only 2 *per cent* i.e., 66 members/ weavers could purchase yarn and avail of the benefit;
- in four[11] out of 18 clusters, no indents were placed with NHDC for supply of yarn since April 2010;
- in respect of Gadwal cluster, no indents were placed with NHDC for supply of yarn since April 2009.

Thus, the purpose of creating revolving fund with NHDC for supply of yarn had remained grossly underachieved, as 78 per cent of the weavers could not purchase yarn since they could not afford it.

---

[9] As per scheme guidelines, ₹ 3 lakh was the upper limit for this component in each cluster. The amounts released towards yarn depots were less than ₹ 3 lakh per cluster and ranged from ₹ 1 lakh to ₹ 3 lakh in respect of the 18 clusters

[10] Gadwal, Kosigi, Madanapalli, Mudireddypalli Puttapaka and Sangam,

[11] Mudireddypalli Kosigi, Puttapaka and Sangam

7.2.8 Purchase of Computer Aided Textile Design (CATD) systems

Under cluster approach, purchase of Computer Aided Textile Design (CATD) systems was significant part of design development and product diversification sub-component. There was a provision for purchase of CATD for creating new designs in colour forecast and trend forecast. GoI sanctioned computer systems for 43 out of 50 clusters but released funds (₹ 46 lakh) for 32 clusters only. The State Government retained with it ₹ 17 lakh and released only ₹ 29 lakh for 22 clusters. In the 18 clusters in ten districts test checked, though funds were released to nine clusters for CATDs, these were actually procured only in seven clusters. CATD systems were not procured in Pedana and Polavaram clusters of Krishna district as on the orders of the Commissioner, the funds intended for the purpose were diverted, towards conduct of training programme under the scheme. The CATD systems procured for the 3 clusters were kept in ADs Office without supplying to them[12]. The ADs stated (February - April 2011) that the systems were not supplied to clusters due to their use in the office itself and that the systems would be transferred to the clusters after completion of the project in those clusters. The contention is not acceptable as CATDs were intended for use by the qualified designers appointed in each cluster itself.

The objective of CATD system for creating new designs and forecasting etc. to up-grade the skills of handloom weavers/workers to produce diversified products with improved quality had thus not been achieved.

7.2.9 Poor credit linkage by banks

To provide working capital to the weavers of Self Help Groups and cooperatives, margin money to be provided at the rate of ₹ 6,000 per weaver, is funded by GoI, State Government and the beneficiary on 70:20:10 basis. The money is to be deposited in the respective banks along with the beneficiary share as seed money for providing credit linkage to the weavers who are formed into SHGs, by the banks for meeting working capital needs of the weavers for enabling them to take up production activities and get continuous employment. Out of 50 clusters, GoI sanctions were received only in respect of 38 clusters, against which ₹ 1.01 crore[13] were released by it in respect of 34 clusters. However, only an amount of ₹ 70 lakh was actually released to the implementing agencies for providing necessary credit linkage. The balance ₹ 31 lakh was lying with the State Government. We further observed the following in the 18 clusters in 10 test checked districts:

- No margin money was sanctioned or released in respect of eight clusters[14].
- As against ₹ 32.53 lakh placed with the bank authorities towards margin money for 10 clusters, a meagre ₹ 5.40 lakh was provided as of April 2011 to just the weavers of Madanapalli cluster.

---

[12] Mudireddipalli: ₹ 3.45 lakh, Narayanreddypet: ₹ 1.87 lakh and Siripuram Vellanki: ₹ 1.78 lakh

[13] Though the maximum assistance sanctioned towards Margin money to every weaver was ₹ 6000, the number of beneficiaries covered varied from one cluster to another, i.e., ranging from 28 in one cluster to 253 in another

[14] Gadwal, Mudireddypalli, Payakaraopeta, Pedana, Polavaram, Puttapaka, Rajoli and Yadiki

- No credit linkage was provided in the remaining nine clusters[15] despite the money being deposited with banks.

Similarly, under Group approach, as against ₹ 39.38 lakh released to banks for providing credit linkage to 75 groups in the 10 districts, assistance of merely ₹ 4.95 lakh was provided by banks to five groups. The balance amount of ₹ 34.43 lakh remained locked up in the banks, adversely affecting the working capital requirement of the group members.

Further, the State Government introduced (2009-10) Loan Waiver Scheme to relieve the Weavers Co-operative Societies and the weavers from indebtedness to money lenders and micro finance companies. The objective of the scheme was to enable societies/weavers to obtain fresh working capital from banks to thus enable them to eke out their livelihood. The scheme was introduced as a one-time settlement. Their loans outstanding as on 31 March 2010 were to be waived by banks. The State Government was required to reimburse the banks to that extent. We however, observed that, under the loan waiver scheme the State Government had not released any amount to banks during 2009-10. In 2010-11, though an amount of ₹ 312 crore was provided for in the State budget, only an amount of ₹ 109.27 crore was released to the banks/financial institutions as of August 2011. Delayed implementation of loan waiver scheme also contributed to poor credit linkage by banks under IHDS.

The ADs stated (February – April 2011) that due to delay in implementation of loan waiver scheme, the banks were not coming forward to provide credit linkage to the weaver groups.

The department's inability to sort out with the banks the issues adversely impacting better credit linkages resulted in non-achievement of the envisaged objective of facilitating credit to weavers from financial institutions/banks.

7.2.10 Impact assessment

We randomly interviewed 120 weavers in eight out of ten sampled districts through a structured questionnaire and observed the following:

- Most of the weavers surveyed do not have separate work sheds for pre and post weaving activities. Common Facility Centres, meant to provide all facilities for pre and post weaving activities, were not set up.
- Due to non-provision of the envisaged bank linkages, the weavers could not procure yarn and hence were forced to depend on master weavers and private dealers for supply of yarn.
- Weavers were provided with only one out of several available inputs viz., skill upgradation, margin money, looms, jacquards, dobbies and accessories, etc. irrespective of their actual needs. The one input provided to weavers did therefore, not prove helpful to the cause of weavers in a majority of the cases.
- No permanent marketing channel like APCO (an apex cooperative marketing society for Weavers Cooperative Societies) was available either for clusters or Groups. At present,

[15] Ampole, Dagguluru, Isukapalli, Kosigi, Kotagandredu, Narayanreddipeta, Rajam, Sangam and Siripuram

weavers and their groups depended mostly on expos conducted by the department or on private master weavers forcing them to market their products at lesser margins.

- Other schemes like 10 *per cent* yarn subsidy on purchase of raw material and marketing incentive, which are applicable to Weaver Cooperative Societies, were not extended to handloom clusters.

Various studies conducted by the National Bank for Agriculture and Rural Development (2002), State Government (2009-10) and Centre for Economic and Social Studies (2010) to ascertain the main problems faced by the weaver community and causes behind suicidal deaths of weavers had disclosed the following:

- Handloom weaving is a traditional and hereditary profession using traditional methods of production and designs due to lack of exposure, awareness and knowledge about changing consumer preferences, protection technologies and methods of marketing.
- Competition from products manufactured by power loom sector
- Meagre wages resulting in reluctance of younger generation to enter/continue the profession
- Steep increase in prices of hank yarn and chemicals and their non-availability
- Inadequate credit from financial institutions
- Inadequate marketing infrastructure
- Production related stress, occupational health hazards and lack of social security measures thereby making artisans vulnerable to distress and hence suicides.

The above issues had not been addressed by the department/Government, resulting in the benefits of the scheme not fully reaching the intended beneficiaries. Incidentally, there were 251 suicidal deaths of weavers in the State during the years 2007 to 2010.

7.2.11 Conclusion

Although IHDS is the only major intervention by both Central and the State Governments in the handloom sector at present, its implementation in the State had suffered despite availability of Central assistance. The proposals for funding of the scheme were submitted to GoI without ensuring the availability of land for clusters or preparing the DPRs. Tardy implementation coupled with non-furnishing of UCs to GoI resulted in freeze on release of further funds (₹ 16.13 crore) by the latter. Even the Common Facility Centres/Dye Houses, which are critical for the clusters have not been established fully, depriving the weavers of the benefit of having suitable workplace for pre and post loom weaving activities. Working capital needs of weavers were not met. The department also could not sort out with the banks the issues adversely impacting better credit linkages. As a result, none of the 35 clusters and 262 groups which were due for completion by 2010-11, were operational as of August 2011.

7.2.12 Recommendations

- As the release of further funds by GoI is linked to the submission of UCs for the amounts released earlier, effort should be made to furnish UCs to GoI in time.
- Preference should be given for the establishment of Common Facility Centres/Dye Houses, which are critical for the clusters in providing suitable workplace for pre and post loom activities of weavers. Proposals for funding of the scheme should be submitted to GoI only after ensuring the availability of land and after preparation of DPRs.
- The Department should address the issue of providing credit linkages by banks to weavers on priority basis.
- Loan Waiver Scheme should be implemented as envisaged, which would improve credit linkages by banks under IHDS.

Audit findings were reported to the Government in July 2011. These were also discussed with the Principal Secretary to Government in October 2011. The Principal Secretary while confirming the delay in release of funds under the scheme, stated that the GoI releases amounting to ₹ 14.61 crore were held up with the State Government (Finance Department). He also confirmed the non-release of further funds by GoI due to non-submission of UCs for the amounts already released/spent, but could not explain the inaction of the Department in ensuring that UCs were submitted on time.

Chapter 8 – Labour, Employment, Training and Factories Department

8.1 Department profile

Labour, Employment, Training and Factories Department is the administrative department for enforcement of various State and Central laws. The objective of this Department is to maintain industrial peace, ensure industrial growth and social justice to the workers, both the organised and unorganised, by enforcement of Labour Enactments, and to improve their service conditions. The department functions through four Directorates *viz.,* Labour, Employment and Training, Insurance Medical Services and Factories each headed by a Commissioner/Director.

As part of our audit of the Department, during 2010-11, we have reviewed the functioning of ***'Rajiv Udyogasri Society'***, which was a significant initiative of the State Government aimed at providing 10 lakh jobs for the youth within a span of two years. The Society falls under the jurisdiction of the *Directorate of Employment and Training*. The Directorate has two wings *viz.,* Employment wing and Training wing, which were both responsible for enabling the Society in achieving its objectives.

Our findings are discussed below.

8.2 Functioning of Rajiv Udyogasri Society

8.2.1 Introduction

Rajiv Udyogasri Society (RUS) was set up by the State Government in July 2007 and envisaged the following activities for achieving its objective:

⇒ Conduct survey to identify job potential in every industry/ establishment;

⇒ Select suitable candidates jointly with the employer;

⇒ Train the candidates for imparting required skills;

⇒ Provide placements to the trained candidates.

8.2.2 Organisational setup

RUS is a registered society headed by the Chief Minister, with the Chief Secretary as its Vice-Chairman and 24 Secretaries from various departments/bodies as its members, who together constitute the Council at the apex level. The role of the Council was, however, not delineated in the Government Order[1] setting up the Society. The Society functioned essentially through its Chief Executive Officer (CEO), who was also the Principal Secretary to Labour, Employment & Training and Factories Department. At the district level, the Society functioned through the District Employment Officers and other department units.

[1] G.O. Ms. No. 65 dated 5 July 2007 of Labour, Employment & Training and Factories (Emp) Department

8.2.3 Audit objectives

The objectives of audit of RUS were to assess whether,

- financial management was efficient and effective;
- survey of job potential was comprehensive;
- methodology followed in selection of candidates was transparent and foolproof;
- the envisaged target of 10 lakh placements in two-year period was achieved.

8.2.4 Scope and Methodology of audit

We reviewed[2] (August – December 2010) the activities of RUS during the two year period 2008 – 2010 through a test-check of the records in RUS Directorate and in 8 District Employment Offices (DEOs), 8 Project Directors (PDs) of National Child Labour Project (NCLP), 44 Industrial Training Institutes (ITIs), 7 Polytechnics in eight[3] districts (out of 23) selected on the basis of allocation of funds. Replies of the implementing agencies/training partners and Government have been considered while arriving at audit conclusions.

Audit Findings

8.2.5 Financial Management

The State Government released ₹ 110.15 crore[4] to RUS during the period from January 2008 to March 2010, of which, the latter released ₹ 94.36 crore to the Principals of ITIs, DEOs, PDs of NCLP in the districts, concerned departments and other implementing agencies for training and capacity building purposes as detailed in Table-8.1. Apart from this, RUS gave advances amounting to ₹ 17.36 crore to DEOs, ITIs, State Board of Technical Education & Training (SBTET).

Table – 8.1

Sl. No.	Name of the department/institution		Amount released (₹ in crore)	Purpose
1	**In all districts**			
	To Principals of ITIs, DEOs and PDs (NCLP)		**28.32**	Training, establishment of computer labs, civil works, etc.
2	**Releases to departments/agencies**			
(i)	Mission for Elimination of Poverty in Municipal Areas (MEPMA)		2.00	Training
(ii)	Commissionerate of Collegiate Education (CCE)		3.00	Training
(iii)	Director of Intermediate Education (DIE)		2.15	Training
(iv)	Institute of Electronic Governance (IEG)		2.74	Use in Jawahar Knowledge Centers
	(a) Procurement of tally package	₹ 2.50 crore		
	(b) M/s Kavuru Foundation	₹ 0.24 crore		Training
(v)	National Academy of Construction (NAC)		10.40	Training in construction related trades

---

[2] under Section 14 of C&AG's (Duties, Powers and Conditions of service) Act 1971

[3] Chittoor, Hyderabad, Krishna, Kurnool, Medak, Nizamabad, Ranga Reddy and Vizianagaram

[4] 2007-08: ₹ 27.65 crore; 2008-09: ₹ 65.00 crore; 2009-10: ₹ 17.50 crore

Sl. No.	Name of the department/institution	Amount released (₹ in crore)	Purpose
(vi)	Overseas Manpower Company of Andhra Pradesh (OMCAP)	0.66	Training
(vii)	Central Institute of Plastics Engineering & Technology (CIPET)	0.29	Training in plastics processing, manufacturing of moulds and dyes, etc.
(viii)	Andhra Pradesh State Road Transport Corporation (APSRTC)	3.00	Light Motor Vehicle driving
(ix)	State Board of Technical Education and Training (SBTET)	0.80	Training
	Total (2)	**25.04**	
3	**Procurement of computers and other peripherals (ITIs and Employment Exchanges)**	**25.30**	Establishing infrastructure in ITIs and Employment Exchanges in the State
4	**Director of Employment & Training (DET)**	**9.96**	Procurement of Equipment & Machinery
5	**Head Office**	5.74	Expenditure incurred by RUS Directorate
	Grand Total	**94.36**	

Source: Information furnished by Rajiv Udyogasri Society

Audit findings with regard to financial management are as follows:

8.2.5.1 Utilisation of funds

- As per the instructions issued (August 2008) by RUS, all the unit officers and officers of the Directorate were required to furnish Utilisation Certificates (UCs) for the amounts released to them. However, while the departments/agencies are stated to have been furnishing UCs, RUS has not maintained the details of UCs received by it. We are therefore, not able to vouch for the utilisation of ₹ 94.36 crore.
- RUS funds were parked in fixed deposits (FDs) in banks by the Director of Intermediate Education (DIE: ₹ 2.50 crore) and Commissionerate of Collegiate Education (CCE: ₹1.79 crore). In response to audit finding, Government stated that it had asked the DIE and the CCE to utilise the funds parked in FDs.
- Funds amounting to ₹ 1.15 crore were lying unspent with 13 PDs (NCLP) as of December 2011.
- RUS released ₹ 2.50 crore to IEG in June 2008 for procurement of 500 licences of Tally software at ₹ 50,000 per licence, inclusive of training to the faculty. The amount was released to IEG based on the latter's proposal, without prescribing any outcome.

8.2.5.2 Advances

- As against the advances amounting to ₹ 17.36 crore given (2008-10) by RUS to various departments/institutions, ₹ 8.87 crore was yet to be recovered by RUS as of August 2011.
- Rupees 8.38 crore was credited (March 2010) by RUS directly to the bank accounts of 128 ITIs and 22 DEOs without any specific instructions about its purpose/utilisation. As a result, these funds remained unutilised by the latter. Government admitted (December 2011) that this amount was advanced to ITIs and DEOs without any specific guidelines.

- As per the scheme guidelines, private training providers were to fund the cost of training and providing placements upfront and were to be reimbursed the expenditure incurred. Contrary to this, ₹ 1.48 crore was paid to M/s Satyam Foundation and ₹ 18 lakh to M/s Kavuru Foundation as advances for imparting training.

8.2.5.3 Diversion of funds

- Director of Intermediate Education (DIE) diverted ₹ 86.80 lakh to Vocational Government Junior Colleges working under his control for purchase of lab equipment which was an activity unrelated to the objectives of RUS.
- Though the agreement with M/s Satyam Foundation was terminated in June 2010, RUS failed to get back (as of December 2011) the assets[5] worth ₹ 30.13 lakh funded by it.
- Out of ₹ 66 lakh given to Overseas Manpower Company of Andhra Pradesh (OMCAP) for training, it expended ₹ 13 lakh on civil works (₹ 4.98 lakh) and purchase of assets (₹8.10 lakh). This amount has not been recovered by RUS as of December 2011. Government assured us that the amount would be recovered.

8.2.5.4 Non-accountal of refunds

As against a sum of ₹ 3.97 crore stated to have been refunded by various institutions to RUS up to March 2010, only a sum of ₹ 3.63 crore was accounted for in the cash book.

As is evident from the above instances, which came to light during a test-check of records, the finances of RUS were not managed efficiently and effectively and internal controls were poor with regard to release and accountal of funds.

8.2.6 Scheme implementation

8.2.6.1 Survey of job potential

Identification of training partners, standardisation of training methodologies and strategies, and selection of candidates for training was to be facilitated on the basis of macro and micro level survey of industries/employers.

RUS carried out a macro level survey for identification of employment opportunities in urban areas in November 2007. However, micro level surveys to be carried out through the District Collectors to gauge the level of unemployment in rural areas and the possible employment opportunities were not carried out. The information based upon which RUS was supposed to mount its operations was thus lop-sided.

Government contended that DEOs/RUS and Job Development Officers in the State were instructed to identify employment potential in every establishment in their respective districts through a door-to-door survey. We however, observed that the DEOs of three[6] out of eight test checked districts had not surveyed the market, for ascertaining the job potential in their respective areas.

---

[5] Furniture & Fixtures: ₹ 3.87 lakh; Computers: ₹ 26.26 lakh

[6] Hyderabad, Krishna and Nizamabad

Government further stated that the task of surveying rural areas was entrusted to the Department of Rural Development through Employment Generation and Marketing Mission (EGMM) and not RUS. This was contrary to the Memorandum of Association of RUS, which clearly assigned the responsibility for this task to RUS. Government, in its reply, did not, however, indicate whether such a survey was indeed conducted by EGMM.

8.2.6.2 Selection of candidates

Limited publicity was given to the scheme through news items and scrolling news in electronic media. Other avenues of disseminating information about the scheme like pamphlets, field workshops were not used to generate sufficient awareness among the unemployed youth either about the opportunities available for gainful employment or the State Government's efforts to train them for such employment. As per the guidelines, industry partners/employers were to be involved in selection of candidates. The candidates were to be tested for their aptitude and abilities before selecting them for any training course. These guidelines were ignored by RUS as no criteria was followed in selection of candidates. Similarly, no industry partners/employers were involved in the selection process. Further, ***RUS had no data with regard to the number of applications received, number of candidates considered and selected and the number rejected by the implementing agencies like DEOs, ITIs, Polytechnics, NCLP, etc. Absence of this information would indicate that RUS had not ensured due degree of diligence and transparency in the selection process.***

8.2.6.3 Training and placements

RUS released (January 2008 – March 2010) ₹ 54.84 crore[7] to various Government departments and private agencies for imparting training to unemployed youth and providing placements at least to 70 – 80 *per cent* of them. While the scheme guidelines stipulate that the training provider should submit the placement information in the prescribed format to RUS, the Society did not have a mechanism to verify the data submitted by them. Further, the training provider was also required to upload the particulars of every trained candidate and placement details to the RUS website. However, in many cases, employer/salary/ contact details of trained persons were not uploaded. In the absence of the required details, we are unable to vouch for the number of persons trained and provided placements under this programme.

As per the information obtained from the Society with regard to the achievement *vis-à-vis* target of providing jobs in the sampled districts, the **State achieved a minuscule 4.12 *per cent* of the target fixed for placements for the two year period 2008-10.** The performance was especially poor in Nizamabad and Vizianagaram districts, compared to the other six districts sampled by us as can be seen from Table 8.2.

[7] ITIs and DEOs: ₹ 20.83 crore; NAC: ₹ 10.40 crore; NCLP: ₹ 6.23 crore; OMCAP: ₹ 0.66 crore; APSRTC: ₹ 3.00 crore; CCE: ₹ 3.00 crore; DIE: ₹ 2.15 crore; MEPMA: ₹ 2.00 crore; M/s Satyam Foundation: ₹ 1.48 crore; SBTET: ₹ 0.80 crore; Collectors: ₹ 0.51 crore; IEG-M/s Kavuru Foundation: ₹ 2.74 crore; CIPET: ₹ 0.29 crore; Dhatri Foundation: ₹ 0.52 crore; M/s INS SPARTA: ₹ 0.11 crore; M/s Hyderabad Gems: ₹0.12 crore

Table-8.2

Sl. No.	District	No. of candidates		Target fixed for placement during two year period	Percentage of achievement
		Trained	Placed		
1	Chittoor	2484	2171	50000	4.34
2	Hyderabad	7034	3198	50000	6.40
3	Krishna	2723	2519	50000	5.04
4	Kurnool	2127	1973	50000	3.95
5	Medak	2352	2167	50000	4.33
6	Nizamabad	612	612	50000	1.22
7	Ranga Reddy	2239	2187	50000	4.37
8	Vizianagaram	1652	1648	50000	3.30
	Total	**21223**	**16475**	**400000**	**4.12**
	State as a whole*	**63,736**	**54,852**	**10,00,000**	**5.49**

Source: Information obtained from RUS directorate

*The figures are not inclusive of Director of Intermediate Education

The shortfall in achievement was attributed by Director, RUS to economic slowdown during 2008-09 and unprecedented floods and disturbances in the State during 2009-10.

Audit observations with regard to specific departments/agencies where information was available with the Society, are given below:

- Out of the 48,831 persons trained by the Government departments, only 22,658 (46 *per cent)* were provided placement.
- Mission for Elimination of Poverty in Municipal Areas (MEPMA) and National Academy of Construction (NAC) achieved 68 and 74 *per cent* respectively in placement of trained candidates.
- The achievement was as low as 16 *per cent* in the case of Commissionerate of Collegiate Education (CCE) and 34 *per cent* in Overseas Manpower Company of Andhra Pradesh (OMCAP).
- Institute of Electronic Governance (IEG)-M/s Kavuru Foundation and Central Institute of Plastics Engineering & Technology (CIPET) arranged training to 1,863 and 548 candidates respectively, but no placements were provided.
- The Director of Intermediate Education (DIE) and the State Board of Technical Education and Training (SBTET) had not trained any candidates despite the receipt of ₹ 3.70 crore[8] and ₹ 3.44 crore[9] respectively, for the purpose.
- RUS incurred ₹ 2.62 crore for imparting training in driving Light Motor Vehicles (LMV) to 9,468 candidates through Andhra Pradesh State Road Transport Corporation (APSRTC) and ₹ 1.80 crore for imparting training in driving Heavy Motor Vehicle (HMV) to 2,395 candidates through private training institutes. Arrangement with APSRTC and private training institutes was limited to providing learner/driving licence

[8] releases to DIE during 2008 – 2010: ₹ 2.15 crore; in 2010-11: ₹ 1.50 crore; Interest on FDs: ₹ 5 lakh
[9] released as advance to SBTET

to the trained candidates but not linked to placements. Since the District Employment Officers (DEOs) did not maintain the data relating to employment provided to these youth, it is not possible to ascertain the impact of this training in providing placements.

- In all the sampled ITIs, the DEOs had not verified placement of candidates trained for various trades.
- M/s Satyam Foundation which trained 3,546 candidates had provided placements to only 1,657 candidates (47 *per cent*).
- As against 3,000 placements envisaged, Tally India Pvt. Ltd. had provided placements to 2,218 candidates (74 *per cent*).
- In SPS Nellore, Chittoor and Nizamabad districts, RUS released (May - June 2009) ₹ 29.63 lakh to M/s NIS SPARTA, New Delhi, for training 395 candidates in various trades at ₹ 7,500 per candidate. However, there was no record with regard to the trainings conducted and placements provided to the candidates with the DEOs.

Government accepted the audit findings (September 2011) and assured that corrective action would be taken. It was further stated that efforts were on to put in place a proper mechanism to verify the genuineness of certificates issued by training providers and based on the verification at the field level, action would be initiated against bogus training partners and the departmental officers who connived with them.

8.2.7 Lackadaisical approach in procurement of Computer equipment

Computer equipment[10] worth ₹ 25.30 crore (refer Table-8.1) was procured by RUS in September 2008 for supply to various implementing agencies for imparting training. We observed the following deficiencies in this regard:

- RUS purchased (February 2009 – March 2010) 915 computers at a cost of ₹ 3.53 crore (at ₹ 38,625 per computer) for 38 newly established ITIs in the State, even though the latter lacked basic infrastructure to facilitate their operation. The computers were lying idle as of August 2011.
- Due to lack of proper assessment and planning between RUS and Labour Department, 70 computers procured (February 2009 – March 2010) at a cost of ₹ 27.04 lakh had to be ultimately transferred to Director of Intermediate Education for use in that office.
- RUS incurred ₹ 23.95 lakh on procurement (February 2009 – March 2010) of 62 computers on behalf of Factories Department. Reimbursement of the amount was not obtained (August 2011) from the Factories Department.
- RUS procured (February 2009 – March 2010) 300 workstations worth ₹ 3.57 crore at ₹ 1.19 lakh per unit. Of these, 20 workstations worth ₹ 23.79 lakh were lying idle (August 2011).

---

[10] Desktops: 3,848 (₹ 14.86 crore); Work stations: 300 (₹ 3.57 crore); Laptops/Notebooks: 228 (₹ 1.85 crore); Servers: 132 (₹ 1.65 crore); Multi Monitor Systems: 51 (₹ 0.69 crore); Other equipment (like Laser printers, LCD Projectors, Multi Function Devices, Network Switches, UPSs, etc.): ₹ 2.68 crore

Since most of the computers were lying idle the expenditure on procurement of computer equipment was rendered futile thus, defeating the objective of procuring them.

Government stated (December 2011) that investigating agencies like Vigilance & Enforcement/Anti-Corruption Bureau and Lokayukta were enquiring into the allegations of irregularities in procurement and utilisation of computer equipment pointed out in audit.

8.2.8 Conclusion

Although Rajiv Udyogasri Society was well conceived, it failed to achieve the envisaged objectives due to flaws in implementation. Funds were released without instructions relating to their utilisation and there were no internal controls with regard to release and accountal of funds. UCs were not obtained for funds released and in some cases, advances recouped were not accounted for in the cash book.

The crucial aspect of survey of job-potential in rural sector was ignored completely. Selection of candidates lacked transparency as no criteria was fixed and industry partners/employers were not associated in the selection process. Data relating to number of applications received, processed and rejected was not maintained. The Society could not ensure placement of the trained candidates, as it had not instituted adequate linkages between training and placement. Thus, despite expending ₹ 111.72 crore, RUS failed to achieve the desired results in the State.

Government accepted the audit findings and stated (September/December 2011) that due follow-up action has been initiated on all the irregularities pointed out in Audit. Government further stated that, to achieve the desired results in terms of the envisaged objectives, it had constituted in August 2011 'Rajiv Education and Employment Mission in Andhra Pradesh' (REEMAP) bringing within its umbrella related activities in all the line-departments which are implementing employment generation programmes including the RUS, as subsidiary mission, to provide employment opportunities to 15 lakh youth in the next three years under a new programme called 'Rajiv Yuva Kiranalu'.

Chapter 9 - Municipal Administration and Urban Development Department

9.1 Department profile

The Department of Municipal Administration and Urban Development (MAUD) is responsible for planning and development of urban areas, involving the following functions:

⇒ Assisting the Government in town and country planning;

⇒ Coordinating with various departments[1] involved in development schemes;

⇒ Offering technical recommendations to the Government in change of land use, alienation of lands and relaxation of rules;

⇒ Preparation, implementation and regulation of plans for urban and industrial development; and

⇒ Suggesting and implementing various schemes for environmental improvement, commercial and infrastructural development.

MAUD discharges the above functions through multiple entities like Municipal Corporations and Municipalities, Urban Development Authorities and other specified agencies.

We carried out a performance audit of the functioning of Vijayawada, Guntur, Tenali and Mangalagiri Urban Development Authority (VGTMUDA) during 2010-11 and our findings are discussed below.

9.2 Functioning of Vijayawada, Guntur, Tenali, Mangalagiri Urban Development Authority

Background

Vijayawada, Guntur, Tenali and Mangalagiri Urban Development Authority (Authority) was constituted in December, 1978 under Andhra Pradesh Urban Areas (Development) Act, 1975. Its jurisdiction extends over Vijayawada, Guntur, Tenali and Mangalagiri municipal corporations/municipalities constituted under AP Municipalities Act, 1965 and other areas specified in the Schedule, comprising 1955 sq km[2] of area, covering 189 villages/towns as depicted in the map below.

[1] AP Housing Board, AP State Housing and Urban Development Corporations, AP Industrial infrastructure Corporation, Industries Department, etc.

[2] Including 31 sq km of agricultural land in Mangalagiri and Tenali municipalities

9.2.1 Objectives of the Authority

The objectives of setting up the Authority were to:

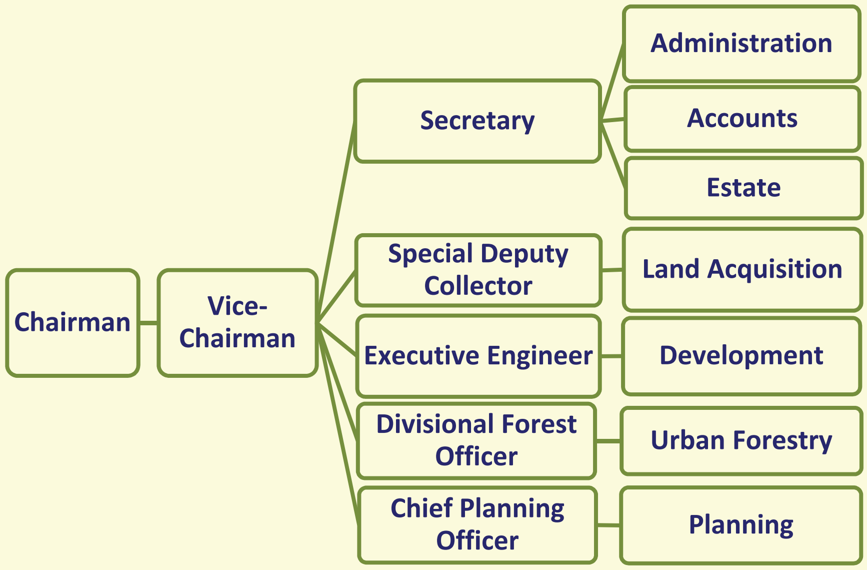
- Prepare Master Plan and Zonal development Plans (ZDPs) for development of the area;
- Exercise development control *viz*., approval of building plans and layouts[3], approval for change of land use, etc. in the areas under its coverage;
- Acquire and develop lands for development of townships and construction of dwelling units for sale; and
- Take up infrastructure development projects like construction of flyovers, roads, etc.

9.2.2 Organisational set up

The management of the Authority is vested with a nominated Board constituted by the State Government from time to time and headed by a Chairman. The Vice-Chairman is the Chief Executive of the organisation and is assisted by various officers in specific areas like urban

[3] Division/sub-division of land into plots by providing roads and other infrastructure

planning, architecture, project formulation and other related fields. The organogram of the Authority is given below.



The State Government has not appointed a full time Chairman of the Board since September 2007.

9.3 Audit Framework

9.3.1 Audit objectives

Audit of the Authority was carried out primarily to evaluate its performance with reference to its objectives, and sought to assess whether,

- planning for development of the area entrusted to the Authority was comprehensive and adequate;
- appropriate development/internal controls were in place and functioned as envisaged;
- projects were formulated diligently and implemented in an effective manner;
- infrastructure development was carried out as envisaged in the Master Plan/Zonal Development Plans;
- financial management was effective with due regard to economy and efficiency of its operations;
- monitoring system was effective and ensured timely redressal of public grievances.

9.3.2 Audit criteria

Audit findings were benchmarked against the following criteria:

- AP Urban Areas (Development) Act, 1975
- Master Plans, Zonal Development Plans
- Government Orders and Guidelines issued by MAUD Department and Minutes of the Board meetings

9.3.3 Scope and Methodology of audit

Performance audit of the Authority covered its activities and transactions during the period 2006-11 and was carried out during January – April 2011 by test-check of records of all the seven wings of the Authority including the divisional offices at Vijayawada, Guntur, Tenali and Mangalagiri.

An entry conference was held in January 2011 with the Vice-Chairman of the Authority at its Headquarters in Vijayawada, wherein the objectives of performance audit were explained and their inputs were obtained. Audit findings were discussed with the Principal Secretary, MAUDD and Vice-Chairman of the Authority in an exit conference in October 2011. Their views and responses have been incorporated in the review at appropriate places.

9.4 Planning

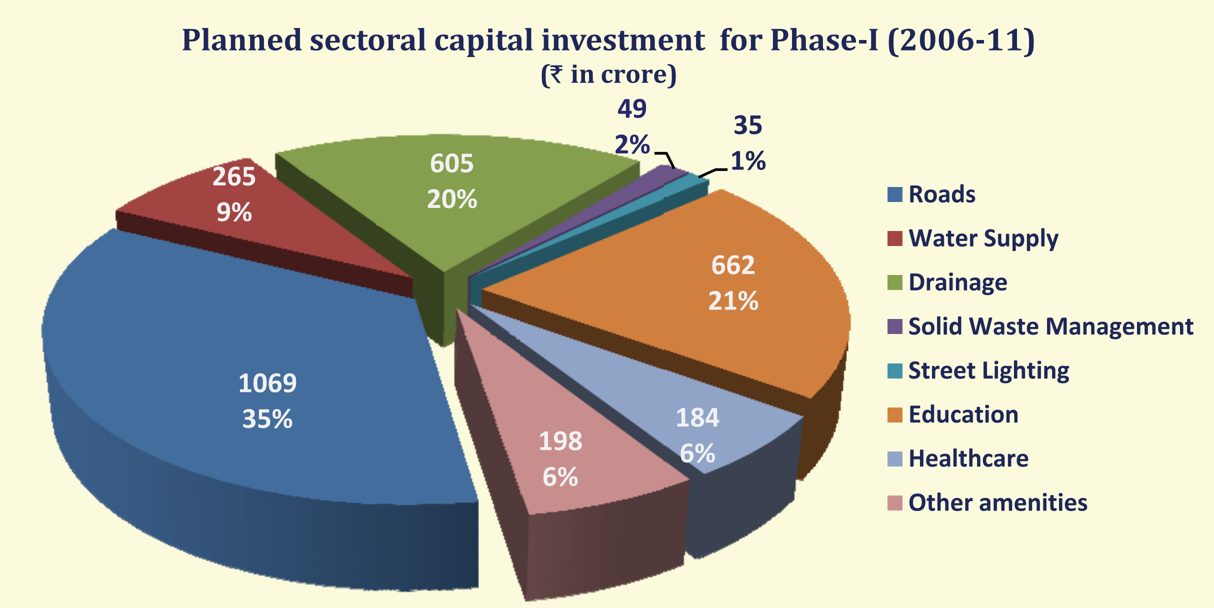
9.4.1 Preparation of Zonal Development Plans

The AP Urban Areas (Development) Act, 1975 lays down that the Urban Development Authority of a designated area should prepare a Master Plan for development of that area. The Regional Master Plans for Vijayawada, Guntur and Tenali were prepared in 1969, 1973 and 1974 respectively, *i.e.,* before the constitution of the Authority in 1978. A decade after its birth, the Authority prepared a new Master Plan (1988) outlining its priorities for development of the area under its jurisdiction for the period ending 2001.

The task of preparing Zonal Development Plans (ZDPs) for identified clusters of villages/towns was taken up fifteen years later in two phases (April 2003 and December 2006) and completed in 2006 (16 ZDPs) and 2008 (12 ZDPs) with perspective plan years ending 2021 and 2031, respectively.

Sectoral capital investment envisaged in the ZDPs during Phase-I of the implementation plans (2006-11) was ₹ 3,067 crore as indicated in Chart-9.1 below.

Chart-9.1



As can be seen from the above chart, investment was not envisaged for construction of houses/apartments, although it is one of the objectives of setting up the Authority. Zone-wise break-up of anticipated investment is given in *Appendix-9.1*.

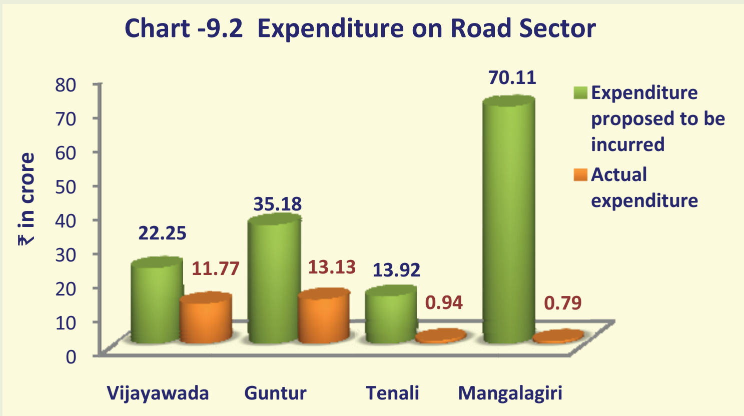
Vice-Chairman of the Authority stated (October 2011) that since the Authority had no land of its own to take up housing projects/satellite townships, etc. priority was not accorded for housing schemes/townships in the ZDPs/budgets.

We observed that, even the land (extent: 408.44 acres) purchased way back in 1986 for establishment of Amaravathi township was not developed by the Authority as of October 2011. Moreover, during the period 2006-11, the Authority spent ₹ 32.96 crore on housing projects (₹ 1.59 crore) and roads (₹ 31.37 crore). Hence, the reply is not acceptable.

9.4.2 Implementation of ZDPs

The major activities proposed for development in the ZDPs by 2011 were road network, water supply, drainage, solid waste management, street lighting, educational facilities, medical facilities, etc. Analysis of achievements *vis-à-vis* projections in this regard revealed the following:

- The Authority projected the investment requirement for implementing the ZDPs sector-wise, identifying the likely source and possible mode of mobilisation of resources. However, it did not coordinate with other departments/agencies[4] including local bodies (corporations/municipalities/panchayats), to ensure speedy execution of works.
- While the ZDPs proposed allocation of ₹ 1,069 crore for roads sector, the actual expenditure incurred on this sector during the plan period (2006-11) was only 33 *per cent* (excluding the component of inner ring road, which was taken up under JNNURM[5]).



The Authority stated (July 2011) that implementation of ZDPs would be reviewed a year before the threshold period (2006-11) and at that time, the details of lands brought under different uses would be consolidated after a detailed survey. The reply is not acceptable because in the absence of regular monitoring of execution of planned activities, ZDP cannot be implemented on time and within the budget. Moreover, the first such review for the perspective period phase ending 2011 due in 2010 was yet to be undertaken.

---

[4] Roads and Building department, National Highways Authority of India Limited, Railways, Transmission Corporation of Andhra Pradesh Limited, AP Power Generation Corporation Limited, AP Industrial Infrastructure Corporation Limited, AP Tourism Development Corporation, etc.

[5] Jawaharlal Nehru National Urban Renewal Mission

- The Master Plan of 1988 proposed development of Satellite towns in selected zones of major towns like Kondapalli, Gannavaram, Tadikonda, Duggirala, Vejendla, Perecherla and Namburu to decongest residential areas. Of these, the first four were proposed to be developed as industrial towns. The plan also proposed two Transport Nagars - each of 100 acres at Kesarapalle and Ankireddipalem, four Truck Terminals - each covering 25 acres at Surayapalem, Nidamanuru, Angalakuduru and Nallapadu. The proposals for establishment of Satellite townships, Transport Nagars and Truck Terminals made in the 1988 Plan were neither implemented nor carried over to the current ZDPs for execution. On the other hand, a Truck Terminal was constructed during 2004 over 77.86 acres of land at a cost of ₹ 17 crore at Ibrahimpatnam (20 km away from Vijayawada), even though it did not form part of either the Master Plan 1988 or ZDP Vijayawada. The terminal was yet to be operationalised as of October 2011 (*paragraph 9.7.3 also refers*).
- ZDP, Vijayawada contained proposals for two ring roads, five flyovers and eight bridges. However, construction of only one ring road commenced in 2007-08 but was yet to be completed (October 2011) *(Para 9.7.1 refers).*

As per the Annual Accounts of the Authority for 2009-10, unspent balances at the end of 31 March 2010 meant for development activities was ₹ 152.64 crore. About 60 to 72 *per cent* of available funds were not spent during the years 2006-11. Consequently, specific projects relating to construction of shopping complexes, fire stations, staff quarters, other infrastructure, etc. sanctioned during the years 2006-11 were either not taken up or where taken up, had not been completed.

Government stated (October 2011) that the ZDP is a tool and a statutory flexible document to guide the development of the area, and that, the actual development is based on necessity and demand over a period of time. It was further stated that the physical development *vis-à-vis* ZDPs would be based on the financial position of the Authority and Government policies from time to time and that at times these plans may need revision based on priorities and strategies for development. As such the achievements in each category of land use cannot be measured.

The reply is not acceptable, as it questions the basic premise and sanctity of preparing any plans. The ZDPs have been prepared after assessing the necessity and demand over a period of time. Hence, non-implementation of the envisaged projects, despite availability of funds year after year, indicates that the Authority was not really convinced about its own planning process or its prioritisation of projects.

Although planning was adequate, projects were not implemented effectively as envisaged in the Master Plan/ZDPs, defeating the purpose of their preparation.

9.5 Development Control

9.5.1 Approval of layouts

One of the important functions of the Authority is Development Control i.e., approval of building plans and layouts, approval for change of land use, inspection and regularisation of unauthorised constructions, etc. The performance of the Authority with regard to these aspects during the period 2006-11 is discussed below.

Government instructions of February 1980 require that while applying for permission to develop or change use of any land or building, under the provisions of the Act, every individual should pay the development charges at the prescribed rates to the Authority, or to the local authority, if powers have been delegated to the latter by the Authority under Section 56 of the Act. Audit scrutiny in this regard revealed:

- The Authority approved (June 2000) the provisional layout of 56.63 acres submitted by the Vijayawada Municipal Corporation (VMC) for providing housing sites for the latter's employees without collecting the development charges and without verifying the ownership documents. It released (December 2009) even the final layout without receiving the ownership documents from VMC. The Authority collected from VMC (December 2009) development charges amounting to ₹ 22.92 lakh only at the instance (October 2009) of the Government. The ownership documents had not been submitted by VMC as of October 2011 i.e. even after 11 years of approval of the provisional layout and the housing colony has not yet come up. Hence the reply of the Authority that layout had been approved provisionally on the assurance of VMC to submit ownership documents post facto has become irrelevant due to efflux of time.
- Saraswathi Vidya Peetam constructed (2007) an Engineering college at Nunna (Krishna district) by converting 10.30 acres of land earmarked for recreational facilities, without permission from the Authority/Government. Despite being aware of this violation of the sanctioned land use, the Authority neither took appropriate action to stop the unauthorised construction nor penalised the Vidya Peetam. The Authority had also not collected the conversion fee of ₹ 63.45 lakh payable by the Vidya Peetam as of October 2011. Government accepted the audit observation and stated (October 2011) that the Authority had collected the development charges to the extent of ₹ 19.41 lakh and that action was being taken to collect the balance amount from the institute.

9.5.2 Change of land use

During the five year period 2006-11, the Authority approved 173 cases of change of land use. In 10 out of 30 cases test checked (*Appendix-9.2*) on random basis, approvals for change of land use were given in violation of the provisions of the ZDPs and the Authority lacked transparency in giving the approvals.

The Authority approved, in January 2009, change of land use proposals made by Collector, Krishna district in the previous month (December 2008) for conversion of 129.99 acres of agricultural land in Gollapudi and Jakkampudi villages of the district for development of layouts (for industrial/commercial purposes) without awaiting Government concurrence which was given post facto in June 2009. It neither collected requisite conversion charges (₹ 1.66 crore) nor the development charges (₹ 1.09 crore). The first attempt to recover these dues was made as late as October 2011 when a demand notice was sent to the concerned Revenue Divisional Officer. Apart from furnishing generalised response (October 2011), the Government did not specifically explain these departures from an established procedure.

9.5.3 Land Regularisation Scheme (LRS)

Government introduced LRS in December 2007 to regularise unauthorised layouts and plots. As per the Scheme guidelines, the Authority should scrutinise the applications for regularisation and communicate its approval or rejection to the applicants within six months from the date of their submission. During December 2007 to December 2010, the Authority received 11,730 applications for regularisation of unauthorised plots, out of which, 2,541 applications were approved and 310 applications were rejected leaving 8,879 applications yet to be considered. ***Thus, the Authority could process only 24 per cent (2,851) of the applications and due to its inaction and inordinate delay in processing the applications, the LRS could not yield the desired results. That apart harassment caused to a large segment of applicants seeking such regularisations could not be ruled out.***

Under LRS, the Authority had been regularising unauthorised individual plots, where the plot holders came forward and paid the prescribed charges. The Authority did not, however, take parallel action with regard to the remaining unauthorised plots in the same layouts/ locations, even though it was aware of their existence.

The Authority attributed (October 2011) the delay in disposal of applications to lack of manpower in the respective wings, and assured that action would be taken to dispose of the remaining applications expeditiously. The Authority further stated that penal action would be initiated against all the remaining unauthorised plot holders after completion of the process of scrutinising the pending LRS applications. The Principal Secretary stated (October 2011) that the Registration department would be requested not to register any unauthorised layouts and that the penal amounts collected from LRS would be utilised for development of the area.

The Government reply is an admission of its failure in enforcing bye-laws of the Authority and its lack of proactiveness in debottlenecking the work processes within. By choosing not to take stringent action against the encroachers/unauthorised plot holders, the Authority had encouraged virtually illegal encroachment of its land and its passivity in processing applications for regularisation discouraged potential applicants.

9.5.4 Building Penalisation Scheme (BPS)

Government introduced BPS in December 2007 to regularise unauthorised buildings and those constructed in deviation of the sanctioned plans. For regularisation of illegal constructions, a penalty equivalent to 33 *per cent* of various categories of fees and charges payable by the applicants for obtaining building permission were prescribed. In addition, regular fee and other charges as applicable was also payable in such cases. As per the scheme guidelines, the Authority was to complete the process of scrutinising the applications within six months. The deadline was extended from time to time and stretched up to 31 December 2010. Despite this, out of 5,444 applications received for regularisation during December 2007 to July 2008, only 1,622 applications (30 *per cent*) were approved and 94 applications were rejected leaving 3,728 applications yet to be considered as of 31 December 2010.

The Authority attributed (April 2011) delay in clearance of applications to lack of response from applicants in paying the necessary regularisation fee installments and in obtaining requisite clearances from various authorities.

Audit of BPS also revealed lack of clarity to the following aspects of the scheme guidelines:

- It does not distinguish between the structures built in accordance with the norms laid down but without prior permission from the Authority, and those built in without prior permission as well as in violation of norms.
- The provision to regularise construction done beyond the permissible norms by imposing penalty, instead of demolishing those on account of likely danger to public safety was counter protective.
- The penalties stipulated by Government under BPS are not in accordance with the general principle that a penalty should not be less than the benefit derived from such deviation.

Principal Secretary stated (October 2011) in the exit conference that so as to discourage unauthorised constructions and make builders responsible for violations, the Government was considering issuing new BPS guidelines imposing penal charges up to 300 times.

9.5.5 Development charges

The Authority has been collecting (2009-11) certain development charges *viz*., open space charges[6] (₹ 0.70 crore) from plot holders in unauthorised layouts, drainage charges[7] (₹ 1.29 crore) from private developers and environment impact fee[8] (₹ 0.07 crore) from quarry owners. The Authority did not utilise the amounts so collected (₹ 2.06 crore during the period) for the intended purposes and instead parked them in short term deposits. Moreover, Government sanction for such levies as required under its bye-laws had not been obtained.

Government replied (October 2011) that the amounts would be utilised for development activities including preparation of comprehensive infrastructure plan for the region or to improve the drainage system wherever required.

Inadequate development controls resulted in the Authority not being able to achieve the desired discipline in its urban development strategy. Internal controls were weak with regard to approval of layouts, disposal of LRS and BPS applications, resulting in financial loss to the Authority and, above all, unplanned development of area under its jurisdiction.

[6] to acquire land for development of lung space/park/greenery for ecological balance
[7] for preparation of infrastructure plan for this region or to improve the drainage system
[8] for development of greenery and infrastructure

9.6 Development of Townships

9.6.1 Acquisition of land for townships

The VGTM region is located at the head of Krishna delta and the lands in this region are fertile due to the availability of good irrigation system. Considering its locational advantage, the region has attracted several major industries/establishments[9] and educational institutions. All these factors lead to increase in the population of the four cities of the region viz., Vijayawada, Guntur, Tenali and Mangalagiri. Consequently, there is a heavy demand for development of houses/apartments and satellite townships in the area.

One of the major functions of the Authority is to acquire and develop lands for townships that includes urban infrastructure. There was however, no perspective plan with the Authority for acquiring land for these purposes and it had neither established a land bank for future needs nor an independent database of lands it already possesses. Further, the Authority had not maintained any details regarding encroachment of its lands.

The Vice-Chairman, while accepting the audit findings, stated (October 2011) that all the proposals for acquisition of land were pending with the respective Collectors and these would be pursued.

Undeveloped land at Mangalagiri (20 April 2011)

To meet the demands of housing and reduce congestion in Guntur and Vijayawada cities, the Authority acquired (1986) 408.44 acres of land in Guntur district[10] for establishing a township. However, of this only 64 *per cent* of the acquired land (259.93 acres) has been developed during the last 25 years. Even the land thus developed had not been fruitfully utilised for the intended purposes, as discussed at paragraphs *9.6.3* to *9.6.6*. During the period 2006-11, the Authority had not acquired any land (except 1,068 sq yards for widening of roads) for development of townships or for independent housing projects.

9.6.2 Establishment of townships

The ZDPs lay down the space requirements for new residential areas along with minimum necessary amenities and services. There was no specific proposal for development of townships/mega housing projects in the ZDPs and the additional requirement of housing as estimated in the ZDPs was left to be developed by the owners of the land. During the 5 year period 2006-11, the Authority took up development of townships only in Guntur and Mangalagiri incurring a mere 2 *per cent* (₹ 1.59 crore) of ₹ 66.89 crore it realised from sale of plots, sites, etc. on establishment of townships. Consequently, none of the test checked township projects undertaken by it during 2006-11 had been completed as of October 2011.

[9] AP Heavy Machinery and Engineering Limited, Railway Wagon Workshop, Vijayawada Thermal Power Station, Jawahar Autonagar, Cement Industries, AP Electronics Complex, etc.
[10] in Mangalagiri Municipal limits and Nowluru village

In fact, in Tenali town, except Chenchupeta township, which was taken up 25 years ago, no development project what so ever, has been initiated by the Authority. Our observations on the townships developed by the Authority during the last five years are discussed below.

9.6.3 Singapore Model Township

The Authority entered into an agreement with a private developer[11] (July 2007) for development of a Singapore Model Township in Mangalagiri. A minimum guaranteed sum (MGS) of ₹ 92 crore was to be paid by the developer firm within two years from the date of agreement. Subsequently, due to increase in the land requirement for development of the township from 50 to 53 acres, the MGS was revised to ₹ 97.52 crore. The project was to be completed by July 2011.

Status of Singapore Model Township, Mangalagiri (20 April 2011)

As per the terms and conditions of the Expression of Interest (EOI) and Letter of Acceptance (LoA), 10 *per cent* of the MGS amounting to ₹ 9.75 crore was to be paid by the firm as performance security in the form of Bank Guarantee (BG). Against this the firm paid (March 2007) ₹ 9.20 crore before the Authority handed over to it the site (53 acres) in January 2008. As per the payment schedule the firm paid ₹ 41.80 crore (45 *per cent*) up to July 2008 towards MGS but expressed (February 2009) difficulty in paying the remaining instalments as also in taking up the project during the then prevailing economic recession.

State Government accepted the contention of the firm and directed (July 2010) the Authority to transfer the land proportionate to the payment already made by the firm. Accordingly, the Authority released the performance security and transferred (April 2011) to the firm the ownership of 22 acres of land proportionate to the amount of ₹ 41.80 crore already paid by the firm towards MGS.

As the private developer failed to honour its commitment to pay MGS in its totality and to develop the mega township, it was a material default and had significantly altered the fundamentals of the deal. The Authority should, therefore have terminated the agreement and forfeited the performance security. Instead, the firm was unduly favoured by transferring 22 acres of prime land at the old and below market rates of 2007, even though the agreement did not provide for it, whereas the objective of creating a model township for the benefit of public had remained unrealised.

The Government did not throw any light on the matter either in its reply or in the exit conference. The Authority merely replied during exit conference (October 2011) that it had merely complied with the Government decision taken (July 2010) in transferring the land to the developer firm.

[11] M/s Arihant Indo-African Infra Developer and Builders Private Limited, Hyderabad, a Special Purpose Company

9.6.4 Mega Township at Ankireddipalem

The Authority entered into an agreement with a developer[12] in April 2008 for construction of a mega township at Ankireddipalem (Guntur district) comprising around 350 LIG[13] and MIG[14] houses to be built over in an area of 18,489 sq yards at an estimated cost of ₹ 23.89 crore. The transaction involved payment of ₹ 4.34 crore by the developer to the Authority towards cost of the land. The project was to commence within six months from the date of agreement or the date of handing over of vacant land, whichever was later, and was to be completed within 24 months thereafter. The bid price was to be paid in nine instalments within 24 months from the date of agreement. In addition, performance guarantee for an amount of ₹ 2.38 crore was also payable.

The project could not take off as envisaged because the developer not only delayed payment of land cost (₹ 4.34 crore) by 11 months (last instalment paid in March 2011) it did not even take over possession of land as of September 2011. Delay was attributed by the developer to the fact that the Authority while providing an approach road up to the project site had not ensured external infrastructure like water and electricity at the site. These amenities to be provided at low cost as per the decision (July 2010) of the VGTMUDA Board, were yet to be provided as of September 2011. Thus, Authority's inaction was largely responsible for delay in establishment of the township.

Government accepted the audit observation and stated (October 2011) that the developer had taken over the possession of the land in October 2011 and the township would be developed in another two years time.

9.6.5 Cricket Stadium

At the request of Andhra Cricket Association (ACA), the State Government permitted (April 2000) the Authority to allot 20 acres of land to ACA for constructing a Cricket Stadium at Amaravathi Township, Mangalagiri (Guntur district). The Authority assigned (July 2000) land to ACA at a price of ₹ 50,000 per acre.

As of October 2011, ACA had not commenced construction of the Stadium even though 11 years had elapsed after the allotment of the land. Reasons for not taking up construction of the stadium were neither available on record nor could be spelt out by the Authority.

Proposed site for Cricket Stadium at Mangalagiri (20 April 2011)

While permitting the Authority to allot land to ACA, the State Government had stipulated that (i) it should not be utilised for any other purpose and that (ii) ACA should take up construction of the Stadium within one year and complete it within three years. The Authority failed to incorporate these conditions in the land transfer

[12] M/s Vensar Construction Company Limited, Hyderabad
[13] Lower income group
[14] Middle income group

deed. Authority was, therefore, not able to initiate any action against ACA despite its failure to take up construction or resume the land.

Despite its failure to get the stadium constructed, the Authority allotted (February 2010) another piece of 3.22 acres of land to ACA (adjacent to plot of land already allotted) for construction of pavilion at the South-East side of the proposed Cricket Stadium. The basic price of ₹ 800 per sq yard (₹ 38.72 lakh per acre) totaling ₹ 1.25 crore for the second plot of land was far below market value of ₹ 1.84 crore per acre, prevalent as of April 2007. At current rates, the value of land (20 acres) is ₹ 36.80 crore. As the land was not utilised by ACA for the intended purpose, the objective of development of Amaravathi township was also not achieved.

Government replied (October 2011) that further extension of time for three more years i.e. up to June 2014 had been accorded to ACA on the assurance that construction of cricket stadium would commence shortly, failing which, the land would be resumed by the Authority for development of other activities.

9.6.6 IT SEZ (Mangalagiri)

GoI permitted (June 2007) the Authority to set up an IT SEZ at an estimated cost of ₹ 880 crore with the stipulation to complete it within three years. The Authority issued 'Request for Proposals' (RFP) for the project in March 2008. A Letter of Acceptance (LoA) to a respondent private firm was issued in January 2009, i.e., after both bid validity period and performance guarantee had expired. The firm refused to extend the bid validity period and expressed its inability to take up the project due to the prevailing market condition. As the project was not implemented within the stipulated period of three years, the approval granted by GoI for setting up the SEZ became invalid as per the SEZ Rules. The anticipated benefits of the proposed SEZ such as large scale employment generation, overall development of the area and development of Tier-II cities like Vijayawada as envisaged in the State Government's IT policy could thus, not be derived.

In their reply (April 2011) while the Authority attributed the delay to its consultant APITCO, the Government stated (October 2011) that the project could not be taken up due to recession and lack of demand. For one, this dichotomy between the replies of the Authority and the Government reflects a clear difference of perception between two authorities who were committed to push further a major policy driven initiative.

The Authority could not formulate the projects diligently and implement them in an effective manner. It could not act decisively and swiftly in developing the projects envisaged in the Master Plan/ZDPs, resulting in a stalemate with regard to the construction of the township projects taken up by it.

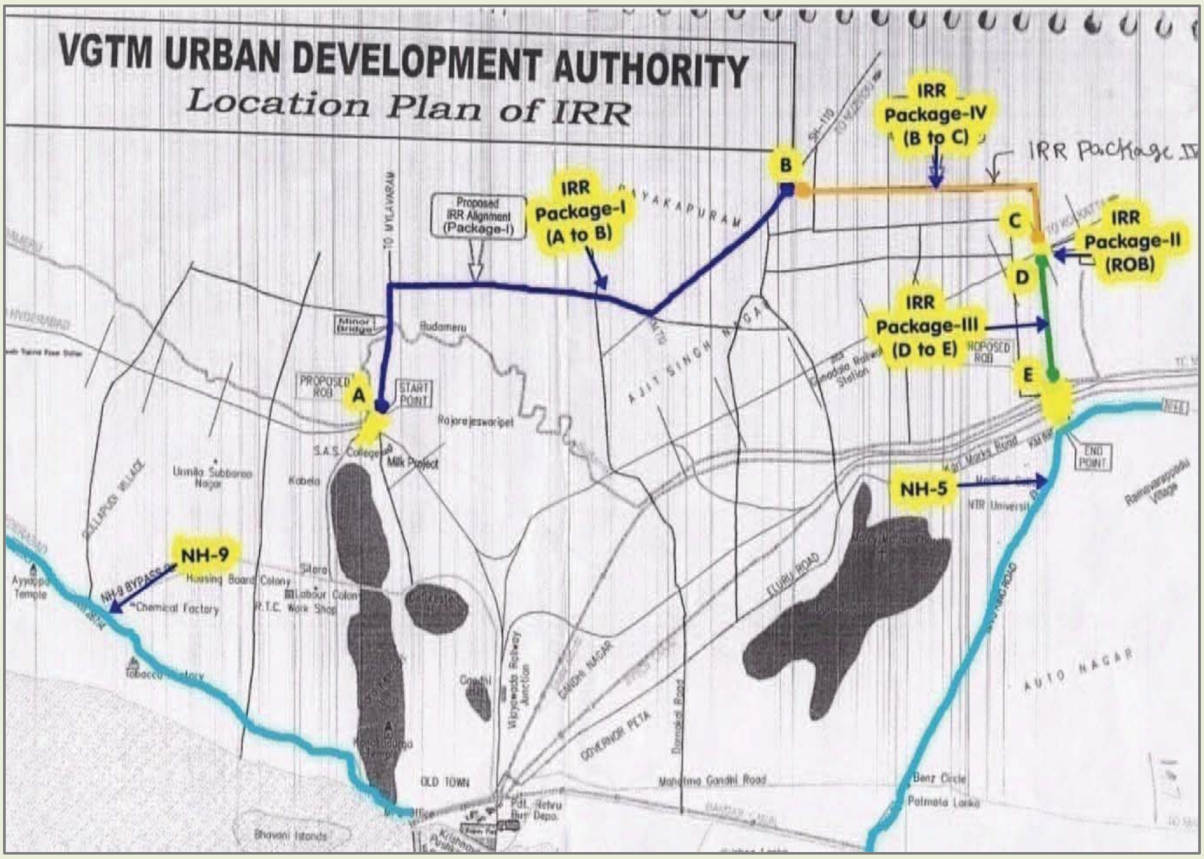
9.7 Infrastructure Development

The Authority is mandated to ensure basic amenities to townships developed by it up to the stage when these are handed over to the respective urban/rural local bodies. Therefore, development of infrastructure facilities including construction of flyovers, ring roads, bridges, widening of roads, etc. as per the ZDPs is one of the key functions of the Authority.

As per Section 27 of the Act read with Government directions (February 1996 and June 2007), the Urban Development Authorities should utilise 85 *per cent* of their income to implement the Master Plan *viz*., traffic improvement, construction of bridges, development of green belt and parks, etc. and the remaining 15 *per cent* on administration and other maintenance activities. During the 5-year period 2006-11, the Authority collected development charges towards layout/building plan approvals amounting to ₹ 42.94 crore. However, as against ₹ 36.50 crore (85 *per cent*) to be spent on development activities, only ₹ 11.93 crore (28 *per cent*) was utilised towards development. This is one of the important factors for the shortfall in achievement of targets envisaged in the Master Plan/ZDPs like construction of ring roads, flyovers and bridges, and provision of basic amenities to the townships developed at Vijayawada and Tenali. Infrastructure projects taken up by the Authority during the above period are discussed below.

9.7.1 Delayed execution of inner ring road at Vijayawada

The inner ring road project was conceived as a solution to the growing traffic congestion in fast expanding Vijayawada, especially at junctions of Prakasam Barrage and Indrakiladri Hill, which constitute an intersection area for NH-5 and NH-9 as these move through Vijayawada towards Chennai and Hyderabad respectively. The four packages in which the entire project was to be executed, however, did not include any works that would decongest traffic in the intersection area of the two National Highways. It would also not include any expansion of the existing road links between NH-5 and NH-9 through Vijayawada city as can be seen from the map below.



Location Plan of Inner Ring Road at Vijayawada

The total estimated cost of the project was ₹ 70.97 crore which as of October 2011 had escalated by ₹ 19.31 crore whereas all the packages were either in progress or virtually stalled for various reasons. The exact value of contracts awarded under each package, the status of work, the reasons for cost escalation, delays and the audit observations are mentioned in the table below.

Details of Packages	Audit findings
Package-I: ***Construction of flyover from Chainage 0.45 km to 3.90 km*** **Contract value:** ₹ 15.89 crore **Contract agency:** M/s Siddhartha Constructions, Visakhapatnam **Date of entrustment of work:** December 2008 **Stipulated date of completion:** November 2009 **Expenditure incurred:** ₹ 15.71 crore (June 2011) **Status:** Incomplete	The Authority failed to acquire land before entrusting the work. As of October 2011, the Authority was yet to acquire six strips of land necessary for completing construction of the road. Government replied (October 2011) that the land strips could not be acquired due to Court cases. The Authority was to provide linkage between NH-5 and NH-9 to reduce traffic congestion and fulfill the intended objective of forming the IRR to link these two highways. This was however, not done. This resulted not only in the expenditure of ₹ 15.71 crore already incurred becoming unfruitful, but also deprived the benefit of Central assistance (under JNNURM) to that extent for execution of IRR. Government replied (October 2011) that the work relating to providing connectivity between Package-I and NH-9 had since been taken up.
Package-II: ***Construction of Road Over Bridge (ROB) at km 435/33-35*** **Value of Deposit work:** ₹ 26.76 crore **Contract agency:** South Central Railway, Secunderabad **Status:** Work not entrusted as yet	The work could not be entrusted because the Authority did not deposit ₹ 26.76 crore as required by the Railway authorities. Authority stated (April 2011) that the deposit could not be made due to paucity of funds. Government on the other hand replied (October 2011) that permission for construction of ROB had since been received from Railways and tenders were called (October 2011) for the work of "formation of approaches to the ROB".
Package-III: ***(i) Construction of approaches to flyover at Railway km 6/6-7 on Vijayawada-Gudiwada section*** **Contract value:** ₹ 23.12 crore **Contract agency:** M/s R.S.V. Constructions, Hyderabad **Date of entrustment of work:** November 2010 **Stipulated date of completion:** 12 months. **Status:** Work in progress	There was a delay of 10 months in finalising the drawings and alignments. Work commenced only in October 2011.

ii) Construction of Road Over Bridge (ROB) at Railway km 46/6-7 between Madhuranagar - Ramavarappadu **Value of Deposit work:** ₹ 7.45 crore **Contract agency:** South Central Railway, Secunderabad **Date of entrustment of work:** December 2009 **Stipulated date of completion:** Not available **Status:** Work in progress	The Authority had no details of the status of work as it did not monitor its progress. Government replied (October 2011) that the Authority would approach the Railways to obtain necessary reports.
Package-IV: ***Chainage 5.100 km to 7.940 km*** **Contract value:** ₹ 15.55 crore **Contract agency:** M/s Siddhartha Constructions Limited **Date of entrustment of work:** February 2010 **Stipulated date of completion:** November 2010 **Expenditure incurred:** ₹ 12.28 crore (as of June 2011) **Status:** Incomplete  Inner Ring Road Package-IV at Vijayawada (19 July 2011)	Package-IV road work was independent and there was no link on either ends of the road. As shown in the above location plan of IRR, at one end, it is to be linked with Nuzvid road which was not done due to pending land acquisition of some stretches of land and demolition of some buildings. Unless this is done, there is no connectivity between Package-I & Package-IV. As of October 2011, the Authority was yet to acquire a portion of land. There was also delay in shifting of electrical poles and lines by APCPDCL. Government replied (October 2011) that shifting of utilities can be done only after formation of embankment. It did not clarify why land was not acquired before entrustment of work to the contractor.  Utilities at site of Inner Ring Road Package-IV (19 July 2011)

The Vice-Chairman accepted (October 2011) the delay in completion of IRR works and attributed it to paucity of funds. He further stated that efforts were being made to provide linkages to Package-IV road and that IRR would be operational in two years. Although GoI sanctioned 2nd and 3rd instalments in February 2011, the Authority, owing to delays in acquisition of land, had failed to ensure release of funds as of October 2011. The 4th instalment was yet to be sanctioned by GoI. The State Government's share of IRR project had also not been obtained.

Thus, failure of the Authority to ensure mobilisation of requisite funds, clear title/other clearances of land and finalisation of designs within time, led to cost (escalation by ₹19.31crore) and time overrun (15 months as of October 2011) in execution of the IRR project, depriving the envisaged benefits to the public at large.

9.7.2 Inadequate infrastructure facilities to townships

During the 5-year period 2006-11, the Authority did not pay adequate attention to provision of basic infrastructure in the townships set up by it earlier at Vijayawada, Tenali and Mangalagiri. Although the Board met and discussed the progress of ongoing projects/works in one meeting or the other during the review period, it failed to follow-up on these issues adequately. Infrastructure projects taken up by the Authority during the above period are discussed below.

9.7.2.1 Amaravathi township

To reduce the concentration of urbanisation of Guntur and Vijayawada cities, the Authority intended to develop Amaravathi township at Mangalagiri. Accordingly, it initially developed (in 1997) 1,327 plots carved out of 285.17 acres of land that was revised in 2000 to carve out larger number of residential plots. 907 plots were sold between 1997 and 2000. The remaining 420 plots had not been put to auction in the last 11 years due to lack of sufficient demand. In fact, as of October 2011, construction had not been started on any of the 907 plots already sold.

Status of Amaravathi township (20 April 2011)

We noted that after sale of plots in the township, the Authority had failed to provide even basic amenities such as drinking water, electricity, drainage, roads, etc. despite several requests by the Welfare Association of the plot holders.

The Vice-Chairman, while accepting the audit observations, stated (October 2011) that all the facilities would be provided once the plot holders construct houses and start residing there. Government also stated (October 2011) that the formation of BT roads was nearing completion. These replies, however, do not explain how in the absence of basic amenities plot holders could be persuaded to construct houses which alone might attract potential buyers of unsold plots.

9.7.2.2 Vijayawada Township

The Authority constructed 34 MIG and 150 LIG houses in Vijayawada during 1994. The owners of 108 MIG/LIG houses filed (1998 and 2007) two cases in State Consumer Forum claiming compensation for (a) defective construction of houses and (b) absence of basic amenities. The State Forum directed (October 2003 and June 2007) the Authority in these two cases to pay compensation to the house holders and to provide basic amenities in the township. While the Authority paid (March 2004) compensation (₹ 8.50 lakh) to 40 MIG/LIG house holders in one case, it was yet to implement the State Forum's direction in the other case (2007). As of October 2011, the Authority had yet to provide the basic amenities like drainage system, overhead tank, BT roads, etc.

Government replied (October 2011) that construction of overhead tank is in progress and the basic infrastructure would be provided in a phased manner. It further stated that the Authority had deposited money with VMC for providing water supply and underground drainage facility and on completion of these, BT roads would be provided.

9.7.2.3 Chenchupeta Township

Chenchupeta township at Tenali was acquired, developed and sold by the Authority way back in 1982. However, the Authority did not provide even the basic infrastructure like pucca roads, drainage, water pipelines, overhead tanks, etc. The Tenali municipality on the other hand has been collecting property tax but since basic amenities have not been provided by the Authority, it did not take over the township.

Lack of basic infrastructure in Chenchupeta Township, Tenali (April 2011)

Government replied (October 2011) that internal roads were provided and the township was handed over to the municipality. It further stated that the Authority had now taken up final phase of the works at an estimated cost of ₹ 2.92 crore.

Adequate infrastructure envisaged in the Master Plan/ZDPs was not developed by the Authority due to multiple reasons like non-acquisition of land, inability to provide basic amenities and convince the buyers to take up residence. Absence of basic amenities in the townships already set up has had the following impact:

- ***Buyers were not taking up residence at new townships despite having acquired plots in them several years ago.***
- ***Farmers were unhappy about losing their land without any substantial development as envisaged, as their agricultural lands (sugarcane/cotton growing farm lands) were taken away and kept barren/undeveloped.***

9.7.3 Truck Terminal not operationalised

Mention was earlier made in Paragraph 4.2.8 of C&AG's Audit Report for the year 2005-06 about the failure of the Authority to utilise the truck terminal constructed in January 2003 at a cost of ₹ 16.83 crore.

We further observed that the allottees[15] had not occupied the units even as of October 2011. The truck owners were reluctant to shift to this terminal owing to additional costs involved in transportation of goods to various places of consumption. The efforts of the Authority to convince the allottees to occupy the truck terminal in coordination with the municipal and police authorities proved futile.

[15] shops: 532, offices: 120, independent godowns: 91, plots: 65, row godowns: 24

Government replied (October 2011) that the Authority is taking the help of Police to restrict entry of heavy goods vehicles into Vijayawada city and simultaneously mobilising the truck operators to shift their activities to the truck terminal so as to make it operative.

The Authority should have assessed the feasibility of constructing the truck terminal and taken the concerned stakeholders into confidence well before selecting the site for setting up the facility. Failure to do so resulted in non-operationalisation of the terminal even after the lapse of over eight years. The objective of reducing traffic congestion thus remained unachieved.

9.8 Financial management

9.8.1 Budgetary process

The Authority's funds include its own revenue from collection of development charges, sale proceeds from disposal of developed plots and built-up houses, lease rentals, regularisation fee under Land Regularisation Scheme (LRS), Building Penalisation Scheme (BPS), etc. Funds/grants are also provided by GoI and the State Government for various developmental activities. Various receipts of the Authority during the years 2006-07 to 2010-11 are given in *Appendix-9.3.*

As per the delegation of powers issued (September 1986 and August 1991) by the State Government, the corporations/municipalities and gram panchayats (GPs) within the jurisdiction of the Authority are empowered to collect development charges for approval of building plans and remit the amount to the Authority. Further, 30 *per cent* of the penal amount collectable under BPS by the corporations/municipalities on behalf of the Authority, is also to be remitted to the Authority. Similarly, 50 *per cent* of the penal amount collected under BPS by the Authority in villages/GPs under its jurisdiction, has to be remitted to the respective GPs to be utilised for improvement of amenities in the respective GP area.

The Authority submits its annual budget to the Administrative Department along with proposals for various development activities and anticipated receipts. During the five year period 2006-11, the State Government released a grant of ₹ 7 lakh (₹ 5 lakh in 2006-07 and ₹ 2 lakh in 2007-08) to the Authority. In addition, the Authority received ₹ 13.06 crore for construction of Inner Ring Road at Vijayawada from the Central Government (₹ 9.28 crore) and State Government (₹ 3.71 crore).

Details of receipts and expenditure budgeted for by the Authority and approved by the Government *vis-à-vis* the actual receipts and expenditure during the five year period 2006-11 are given in Chart-9.3 and 9.4.

Chart-9.3

Receipts of the Authority

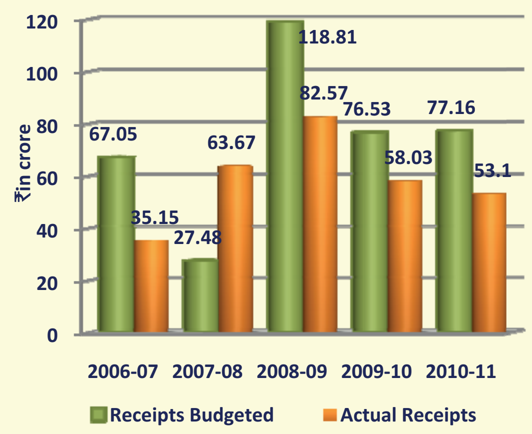
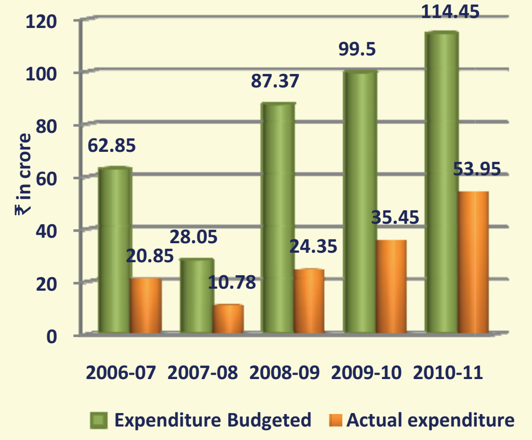


Chart-9.4

Expenditure of the Authority



The Authority could not collect the anticipated receipts, nor could it utilise the funds budgeted for, in any of the years under review. While formulating the budgets, it was expected that revenue would accrue from sale of sites, plots, housing schemes, fees, development charges, etc. and expenditure would be incurred on land acquisition, sites and services, construction of shopping complexes, formation of inner ring road, deposit works, infrastructure, etc. However, since the Authority had not been able to sell its sites/plots or float housing schemes during this period, it could not collect the revenue projected in its budget.

The Authority stated (October 2011) that it could not undertake the development works during the last five years due to fund constraints and that, failure to shore up its revenue led to its inability to take up planned development works. The reply is not acceptable because while the Authority had realised substantially the budgeted receipts year to year, it could spend only a fraction of the funds at its disposal.

9.8.2 Preparation of Annual Accounts

In terms of the Act governing the Authority, the latter is required to prepare its annual accounts, get them certified by the Principal Accountant General[16] and submit to the Government to be laid before both the Houses of the State Legislature.

The accounts for the years 2006-07, 2007-08, 2008-09 were presented to the State Legislature only during March 2011. Further, annual accounts for the years 2009-10 and 2010-11 have not been furnished to the Principal Accountant General for audit. Due to delay in preparation of annual accounts, the financial position of the Authority could not be ascertained and the possibility of irregularities, frauds, etc. remaining undetected cannot be ruled out.

The Vice-Chairman stated (October 2011) that compilation of annual accounts for the year 2010-11 was in progress and would be submitted to the Principal Accountant General in due course.

[16] Entrusted under Section 20 of C&AG's (DPC) Act, 1971

9.8.3 Parking of funds in short-term deposits

Government instructed (October 2002) all the departments/undertakings/institutions to obtain proposals from at least three banks with regard to interest rates, so as to obtain the best interest rates. The instructions further stipulated that accounts should be maintained with not more than three banks. We observed that, during the period 2006-11, the Authority had been parking its funds (₹ 68.43 crore as of 31 March 2011) in several short-term deposits (number ranging from 57 to 247) at varying interest rates (ranging from 6 to 10 *per cent*) with over 20 banks.

Due to parking its funds in several short-term deposits with banks which offered lower interest rates, the Authority failed to derive maximum benefit from investment of its surplus funds and lost interest amounting to ₹ 5.18 crore (*Appendix-9.4*).

The Vice-Chairman, while accepting the audit observation, stated that the Authority has initiated steps to reduce the number of bank accounts and invest the surplus funds in banks which offer higher rates of interest. Government however stated (October 2011) that, the Authority is selecting the banks which offer good interest. The reply of the Government is not correct as we observed that surplus funds had been invested in banks which offered low interest rates resulting in losses to the Authority. Further, the Authority had not followed the prescribed procedure of obtaining proposals from at least three banks with regard to interest rates.

9.8.4 Lax control over remittance of development charges/fees by local bodies

As per Government instructions (September 1986), the municipalities are required to remit development charges collected on behalf of the Authority during a month, on the 1st of the succeeding month to the Authority. Vijayawada Municipal Corporation (VMC) has stopped remittance of the development charges collected by it to the Authority since 1997. The Authority does not have the details of the dues recoverable from VMC on this account beyond December 2009 by when the unremitted development charges had accumulated to ₹ 30 crore. Neither the Authority nor the Government could get the outstanding dues released from VMC as of October 2011.

Similarly, 30 *per cent* share of Building Penalisation Scheme (BPS) fees collected by the Urban Local Bodies (ULBs) in the region was not being remitted to the Authority. Since the Authority does not have the details of fees collected by the ULBs on account of BPS, we are unable to quantify the amount of loss to the Authority in this regard.

The Vice-Chairman admitted (October 2011) that the Authority had no details of amounts to be received from the municipal corporations and municipalities. The Principal Secretary stated (October 2011) in the exit conference that, since the local bodies were starved of funds, they would not like to remit moneys to the Authority and a mechanism would soon be evolved at the Government level to address these issues.

9.8.5 Unadjusted advances

State Financial Rules stipulate that, all advances including temporary, travelling and miscellaneous advances, should be adjusted in the accounts as soon as possible and not be left unadjusted beyond closure of the financial year. However, advances amounting to ₹ 5.38 crore[17] sanctioned by the Authority during 1991-2010 had remained unadjusted as of October 2011.

9.8.6 Record maintenance

The Authority had not maintained important control registers such as cashbook, land register and asset register properly. The register of valuables was in fact, not maintained. Consequently, the details relating to cheques/demand drafts issued and received were not verifiable. As per Rules 10 and 11 of Andhra Pradesh Treasury Code, cash book is to be closed regularly and at the end of each month. Further, closing balances are to be brought forward.

Maintenance of cash book by the Authority was irregular and deficient during the five year period 2006-11. While the cash book was being closed every month, opening and closing balances were not being reflected in it. Transactions were posted on the date of writing the cash book instead of on the date of their occurrence. Further, the receipts of challans/DDs were posted in the cash book as lump sum figures. There were delays ranging up to 60 days in depositing the DDs in banks, causing loss of interest to the Authority. Non-maintenance of important control registers and irregular manner of recording cash transactions is fraught with serious risk of fraud and misappropriation that must be addressed urgently.

Government assured (October 2011) that steps would be taken to maintain the cash book and other registers in proper format with immediate effect.

9.8.7 Internal Audit

The Urban Areas (Development) Act does not provide for Internal Audit of the Authority. In the absence of Internal Audit, the management cannot derive assurance that the rules and procedures are being complied with by various wings.

Government assured (October 2011) that necessary instructions would be issued for establishing an internal audit cell in consultation with Finance Department.

On the whole, financial management of the Authority was ineffective as it could not realise its legitimate share of funds/fees from the ULBs, especially Vijayawada Municipal Corporation nor utilise the available funds towards development projects. The Authority also could not derive maximum benefit from investment of its surplus funds. Internal control over financial transactions, essential book keeping and compliance with financial reporting obligations were significantly neglected areas, needing urgent attention and remedial action.

---

[17] Land acquisition (₹ 2.86 crore); Urban Forestry wing (₹ 0.36 crore); Amaravathi Township (₹ 0.32 crore); Tekkalapadu Park (₹ 0.05 crore); Truck Terminal (₹ 0.15 crore); Krishna Pushkarams (₹ 0.05 crore); Payakapuram Scheme (₹ 0.04 lakh); Staff members (₹ 0.11 crore) and General purposes (₹ 1.48 crore)

9.9 Monitoring

9.9.1 Management Information System

The Authority has not instituted any Management Information System. It has an Estate Management Officer, to monitor the progress of various projects and submit the status to the Board at periodical intervals. While the Board has been regularly discussing the progress of various projects individually, there is no evidence of monitoring on its part, of the either follow up action in removing constraints on account of lack of investment, infrastructure, etc. in individual projects or in regard to removal of general constraints hampering its functioning. This could partly be attributed to the absence of a full time Chairman for over four years from September 2007 till date.

Government replied (October 2011) that the process of establishing MIS is under progress. It also stated that automation of Planning wing had been completed and website updated.

9.10 Conclusion

The Authority, which was established for planned development of the VGTM area and to improve the quality of life of its inhabitants, could not achieve its objectives to a very large extent. Sectoral developments proposed in Master Plan/Zonal Development Plans were not implemented, as the Authority did not prioritise its activities and coordinate effectively with the related departments/agencies (including local bodies) for their successful and timely completion. While the Authority contended that it had not received adequate funding for development projects, during the five year period 2006-11 it had utilised only a fraction of the funds already at its disposal. Consequently, none of the townships/ projects taken up by the Authority could be completed.

The Authority had not assessed its requirement of land for various infrastructure and other development related works nor drawn up any specific plan in this regard. There was no perspective plan with the Authority for acquiring land for development purposes and no land was acquired by it during the five year period 2006-11. Approvals for change of land use were given in violation of Master Plan/ZDPs, vitiating the sanctity of the approved plans. Contract management in the few projects taken up was ineffective and led to financial loss to the Authority. The Authority did not also pay adequate attention to provision of basic amenities in the already established townships. Financial management was poor and record maintenance was abysmal. Internal controls were inadequate and lax especially in cash book maintenance, collection of fees/development charges, disposal of applications for land regularisation and building penalisation schemes, accountal of demand drafts, etc.

9.11 Recommendations

- The Authority should establish effective coordination with all the departments/agencies concerned to achieve the targets envisaged in the Master Plan/Zonal Development Plans. Sanctity of the Master Plan/Zonal Development Plans should be ensured.

- Agreements should be devised in such a manner as to safeguard the interests of the entity, especially where entrustment of mega township/satellite township/housing colonies under PPP mode are involved.
- The Authority should take immediate steps to provide adequate infrastructure to the already established townships to ensure development of the region.
- Government should ensure optimal utilisation of funds for development projects, proper investment of surplus funds, proper maintenance of records and timely finalisation of accounts by the Authority by instituting adequate internal controls. Immediate steps should also be taken to establish Internal Audit in the Authority.
- The Authority should put in place a proper Management Information System to obtain feedback on follow up of the decisions taken in the Board meetings.

Chapter 10 - Planning Department

10.1 Department profile

The Department of Planning is engaged in the collection, compilation, tabulation and publication of socio-economic data related to the State. The Directorate of Economics and Statistics, under this Department, is responsible for random statistical studies carried out in the State. At the district level, Chief Planning Officer (CPO) is the controlling officer of the department.

The Department is responsible for implementation of 'Member of Parliament Local Area Development Scheme (MPLADS)' a Central scheme of Ministry of Statistics and Programme Implementation, in the State. The Department is also responsible for implementation of State schemes, notable among these being 'Constituency Development Programme (CDP)'.

We have earlier reviewed the implementation of MPLADS and our findings in this regard have been featured in the C&AG's Audit Reports for the years 2006-10.

As part of our audit, during the year 2010-11, we have reviewed the implementation of ***'Assembly Constituency Development Programme' (ACDP)/'Constituency Development Programme' (CDP)*** since inception in April 2005 to March 2011 through a test-check of the relevant records in the offices of the Principal Secretary to Government in Planning Department, CPOs of four[1] districts covering 68 constituencies of MLAs and 22 constituencies of MLCs. Replies of the CPOs have been taken into account while arriving at audit conclusions.

Audit scrutiny revealed that the issues flagged in CAG's Audit Reports during the last five years with regard to implementation of MPLADS have not been addressed and the lacunae persisted in implementation of the ACDP/CDP in the State. Our audit findings are discussed below.

10.2 Constituency Development Programme

10.2.1 Introduction

Government of Andhra Pradesh launched "Assembly Constituency Development Programme (ACDP)" in April 2005 to enable the Members of Legislative Assembly (MLAs) to initiate developmental works within their constituencies. The scheme was implemented during 2005-08 and was revived in 2010-11 after a gap of two years, as "Constituency Development Programme (CDP)" extending it to Members of Legislative Council (MLCs). The annual allocation under the scheme was ₹ 50 lakh per constituency during 2005-06 and was enhanced to ₹ 1 crore per constituency[2] with effect from 2006-07. The works under the

[1] Chittoor: MLA constituencies: 15, MLC constituencies: 5; East Godavari: MLA constituencies: 21, MLC constituencies: 7; Guntur: MLA constituencies: 19, MLC constituencies: 6; Visakhapatnam: MLA constituencies: 13, MLC constituencies: 4

[2] ₹ 50 lakh under MLA/MLC quota and ₹ 50 lakh under District in charge Minister quota

scheme should be developmental in nature based on locally felt needs and the emphasis is on creation of durable assets.

Audit of implementation of ACDP/CDP was carried out to assess whether funds allotted were utilised economically, effectively and efficiently for achieving the scheme objectives and proper books of accounts were maintained by the district authorities as prescribed in the scheme guidelines.

10.2.2 Allocation and expenditure

10.2.2.1 Annual releases and expenditure

The scheme guidelines stipulate that funds released by the State Government should be credited to the Personal Deposit (PD) Account of CPO and not parked in any bank account at any stage. Funds released under the scheme are non-lapsable, i.e. unutilised funds of a particular year can be carried forward to the subsequent year without detracting from next year's allocation. The CPO, after administrative sanction of the works by the District Collector, should allocate and release funds to various executing agencies[3].

As per the quantum of annual allocation provided for in the scheme guidelines, for 295 MLA constituencies and 90 MLC constituencies in the State, an amount of ₹ 1,122.50 crore[4] was to be released by the State Government to the CPOs during the years 2005-08 and 2010-11 under ACDP/CDP. However, the State Government released only ₹ 1,017.38 crore. Year-wise details of releases and expenditure as booked in Finance Accounts of the relevant years are given below.

Table-10.1

Details of funds released and expended

(₹ in crore)

Year	Budget allocation	Funds Released	Expenditure
2005-06	147.50	110.63	110.63
2006-07	295.00	221.25	221.25
2007-08	351.76	351.76	351.76
2008-09	44.99	44.99	0.00
2009-10	0.00	0.00	0.00
2010-11	385.00	288.75	209.25
Total	**1224.25**	**1017.38**	**892.89**

Source: Information furnished by Planning Department; expenditure booked by PAG (A&E), Andhra Pradesh

Note: *Releases during 2007-08 include ₹ 56.76 crore relating to payments of 2005-06 and 2006-07 works. ₹ 44.99 crore released during 2008-09 also relates to payments pertaining to 2005-06 and 2006-07*

The actual funds released for the programme had fallen short of budgeted expenditure in all years except 2007-08. Though the expenditure booked was at par with funds released during the period 2005-06 to 2007-08, it was almost 72 *per cent* during 2010-11 (release of funds remained suspended during 2008-09 and 2009-10). Our examination revealed that booked

[3] Engineering Divisions of Panchayat Raj, Rural Water Supply and Public Health Departments, Zilla Parishads, Municipal Corporations, Municipalities

[4] ₹ 50 lakh x 295 (₹ 147.50 crore) during 2005-06, ₹ 1 crore x 295 x 2 (₹ 590 crore) during 2006-08 and ₹ 1 crore x 385 (₹ 385 crore) during 2010-11

expenditure merely reflected the amounts transferred from the Government account to PD Accounts of the CPOs and not the amounts spent on works actually executed on the ground. The latter had exercised no control over actual expenditure and thereby not in a position to monitor actual utilisation of funds and ensure remittance of unspent balances by the executing agencies. In the absence of actual expenditure figures, we are unable to vouch for the expenditure stated to have been incurred on implementation of this programme.

Government attributed (December 2011) the short releases to the financial crunch and severe drought situation existing in the State during 2005-08.

In the four districts test checked, out of ₹ 169.94 crore released to the CPOs during the three year period 2005-08 for 68 constituencies under ACDP, the CPOs had released only ₹ 149.93 crore to the executing agencies, retaining an amount of ₹ 20.01 crore in their PD accounts. District-wise details are given below.

Table-10.2

ACDP Funds lying idle with CPOs

(₹ in crore)

District	Number of Constituencies	Funds received from Government	Funds released to executing agencies	Balance available with CPOs
Visakhapatnam	13	32.39	28.14	4.25
East Godavari	21	52.50	43.31	9.19
Guntur	19	47.55	43.22	4.33
Chittoor	15	37.50	35.26	2.24
Total	**68**	**169.94**	**149.93**	**20.01**

Source: Information furnished by CPOs

Similarly, out of ₹ 47.07 crore released to the CPOs by the Government during 2010-11 under CDP for 87 constituencies[5] (including MLCs), the CPOs released only ₹ 12.02 crore to the executing agencies and retained a balance of ₹ 35.05 crore in their PD accounts as can be seen from the details tabulated below.

Table-10.3

CDP Funds lying idle with CPOs

(₹ in crore)

District	Number of Constituencies	Funds received from Government	Funds released to executing agencies	Balance available with CPOs
Visakhapatnam	19	9.00	2.68	6.32
East Godavari	26	13.00	4.67	8.33
Guntur	23	11.50	1.11	10.39
Chittoor	19	13.57	3.56	10.01
Total	**87**	**47.07**	**12.02**	**35.05**

Source: Information furnished by CPOs

[5] after delimitation of Assembly Constituencies in 2008, total number of constituencies in the four sampled districts were 65 (Chittoor: 14; East Godavari:19; Guntur: 17 and Visakhapatnam:15)

Thus, an amount of ₹ 55.06 crore was lying unutilised (March 2011) in the PD accounts of the four CPOs whose accounts were test checked by us. The CPOs justified (March - April 2011) retention of funds in PD accounts stating that funds could not be released owing to abnormal delays in submission of estimates by the executing agencies.

10.2.2.2 Non-remittance of unspent balances

Our scrutiny further revealed that eight executing agencies in the sampled districts of East Godavari, Guntur and Visakhapatnam, had not remitted the unspent balances amounting to ₹ 73.96 lakh in respect of completed works and the interest of ₹ 13.73 lakh to the respective CPOs. The latter also did not have the details of unspent balances lying with the executing agencies in respect of completed works and interest accrued thereon. Government confirmed (December 2011) this position and stated that the executing agencies had been instructed to remit the unspent balances along with interest.

10.2.2.3 Parking of funds

As per the scheme guidelines, funds released by the Government should not be parked in any bank account at any stage. In violation of this stipulation, the Executive Engineer, Panchayat Raj Division (EE, PR), Rajahmundry parked (September 2006) an amount of ₹ 85 lakh pertaining to ACDP works in various banks as fixed deposits. Government accepted the audit observation and explained (December 2011) that, as the executing agencies had no PD account during that period, the amounts were kept in FDRs initially. Government, however, confirmed that at present all the funds are kept in PD account of the executing agencies.

10.2.2.4 Expenditure from ACDP interest funds for works not related to the scheme

The EE, RWS Kakinada and the CPO, East Godavari released ₹ 0.81 lakh (December 2008) and ₹ 4.75 lakh (November 2009) respectively out of the interest accumulations of ACDP funds, for execution of works not related to the programme. Government in its reply stated (December 2011) that the funds were released in public interest to bring the incomplete works into public usage. The reply is not acceptable, as the guidelines prohibit utilisation of interest accrued on ACDP funds for other works/items.

10.2.2.5 Diversion of funds

The CPO, Visakhapatnam diverted ₹ 2.45 lakh towards beneficiary contribution for works under Prime Minister Announcement Programme in Pendurthy and Madugula constituencies. The CPO stated (March 2011) that the above releases were made in public interest. Any diversion of scheme funds is not permissible under the guidelines and hence the contention of the CPO is not acceptable.

10.2.2.6 Utilisation certificates

As per the guidelines, district authorities should handover the assets created to user organisation and submit utilisation certificate (UC) to the Planning Department within a period of one month from the date of completion of the work.

In respect of ACDP funds of ₹ 114.67 crore released by CPOs to the executing agencies, final UCs and expenditure particulars were not received by the CPOs of East Godavari (₹ 43.31 crore), Guntur (₹ 43.22 crore), and Visakhapatnam (₹ 28.14 crore) districts. Thus, actual expenditure under the Scheme was not available either with the CPOs or the Government.

Government in its reply stated (December 2011) that instructions were issued to the executing agencies for submission of UCs.

10.2.3 Execution of Works

10.2.3.1 Delay in sanctions

Guidelines of the scheme stipulate that sanction should be accorded for works within a period of 30 days from the date of receipt of proposals in the office of the District Collector. In the four sampled districts, sanctions were delayed up to 36 months in respect of 1,388 (11 *per cent*) out of 13,117 works in 63 (out of 68) constituencies. District-wise details are given in Table-10.4.

Table -10.4

District-wise details of delays in sanction

District	Number of Constituencies	Number of works	Delay in number of days		Estimated Cost (₹ in crore)
			From	To	
Visakhapatnam	13	178	20	352	2.06
East Godavari	19	256	15	732	4.07
Guntur	19	715	15	1107	11.38
Chittoor	12	239	22	280	2.30
Total	**63**	**1388**			**19.81**

Source: Information furnished by CPOs

Government attributed (December 2011) the delays to administrative constraints. The contention of the Government cannot be accepted, as the purpose of introducing this programme was to overcome inherent administrative constraints/gaps and to fulfill the immediate requirements of the local public.

10.2.3.2 Status of Works

Guidelines stipulate that proposals received from the MLAs/MLCs should be scrutinised by the District Collectors and if found in order, sanction should be accorded for works within a period of 30 days from the date of receipt of proposals and the works should be completed within nine months thereafter. The CPOs had not maintained any data about the number of proposals received and those rejected. Out of 56,977 works sanctioned under ACDP in 295 Assembly Constituencies during 2005-08 (estimated cost: ₹ 640 crore), 6,393 works (estimated cost: ₹ 76.68 crore) were not completed and another 2,034 works (estimated cost: ₹ 23.97 crore) have not even started as of March 2011. Further, 6,872 works (estimated cost: ₹ 120.59 crore) sanctioned during 2010-11 under CDP, had not been taken up as of 31 March 2011. The year-wise details are given in Table 10.5.

Table-10.5

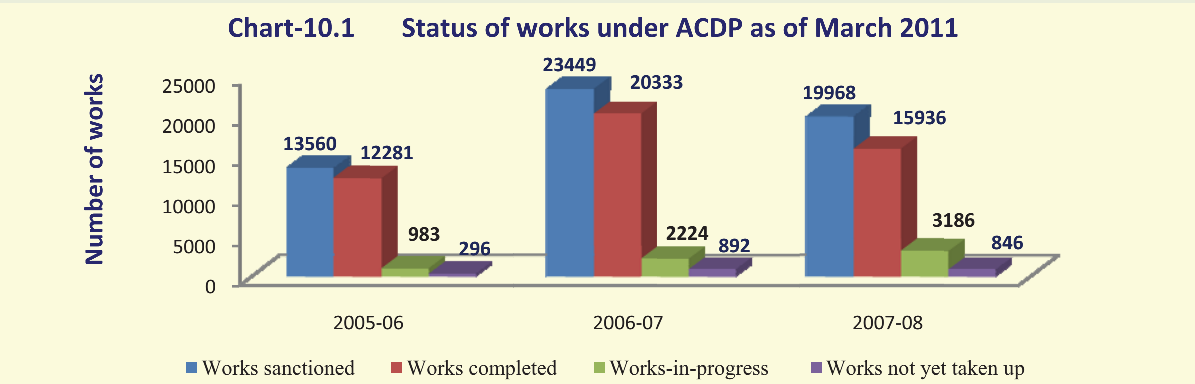
Status of works under ACDP and CDP in the State

(₹ in crore)

Year	Works Sanctioned		Works Completed		Works in progress		Works not yet taken up	
	No of works	Estimated Cost	No of works	Estimated Cost*	No of works	Estimated Cost	No of works	Estimated Cost
2005-06 (ACDP	13560	129.07	12281	116.22	983	10.86	296	1.98
2006-07 (ACDP)	23449	263.58	20333	227.48	2224	25.23	892	10.87
2007-08 (ACDP)	19968	247.29	15936	195.59	3186	40.59	846	11.12
2008-09	Programme was not implemented							
2009-10	Programme was not implemented							
2010-11 (CDP)	18497	252.49	4907	44.74	6718	87.16	6872	120.59
Total	**75474**	**892.43**	**53457**	**584.03**	**13111**	**163.84**	**8906**	**144.56**

*Actual cost of completed works is not available

Source: Information furnished by Planning Department



The status with regard to the works sanctioned in the sampled districts is given inTable-10.6.

Table-10.6

Status of works under ACDP in test checked districts

(₹ in crore)

District	Number of constituencies	Sanctioned		Completed		In progress		Not started	
		No. of works	Estimated Cost	No. of works	Estimated Cost*	No. of works	Estimated Cost	No. of works	Estimated Cost
Visakhapatnam	13	3002**	33.75	2596	26.30	406	7.44	0	0.00
East Godavari	21	3501	51.38	2625	40.91	726	8.73	150	1.74
Guntur	19	3002	47.03	2493	40.14	373	5.04	136	1.85
Chittoor	15	3612	36.46	3600	36.25	12	0.22	0	0
Total	**68**	**13117**	**168.62**	**11314**	**143.60**	**1517**	**21.43**	**286**	**3.59**

*Actual cost of completed works is not available since expenditure figures are not available

** includes works of two constituencies of Vizianagaram district

Source: Information furnished by CPOs

In the four sampled CPOs covering 68 constituencies, we observed that, out of 13,117 works sanctioned under ACDP during 2005-08, 11,314 works were completed. Of the 1,803 incomplete works (14 *per cent*), 286 works (estimated cost: ₹ 3.59 crore) in 40 constituencies had not been started and 1,517 works (estimated cost: ₹ 21.43 crore) sanctioned in 68 constituencies were still in progress as of March 2011.

Table-10.7

Status of works under CDP in test checked districts

(₹ in crore)

District	Number of constituencies	Sanctioned		Completed		In progress		Not started	
		No. of works	Estimated Cost	No. of works	Estimated Cost*	No. of works	Estimated Cost	No. of works	Estimated Cost
Visakhapatnam	19	1061	13.27	53	0.31	44	0.97	964	11.99
East Godavari	26	809	16.41	21	0.26	428	8.81	360	7.34
Guntur	23	833	17.10	15	0.29	345	5.96	473	10.85
Chittoor	19	702	7.87	130	1.29	378	4.36	194	2.22
Total	**87**	**3405**	**54.65**	**219**	**2.15**	**1195**	**20.10**	**1991**	**32.40**

*Actual cost of completed works is not available

Source: Information furnished by CPOs

Under CDP, in 87 constituencies of the four sampled districts, out of 3,405 works (estimated cost: ₹ 54.65 crore) sanctioned in 2010-11, 219 works (estimated cost: ₹ 2.16 crore) were completed, 1,991 works (estimated cost: ₹ 32.40 crore) (58 *per cent*) have not even started and the remaining 1,195 works (estimated cost: ₹ 4.36 crore) were in progress as of March 2011. Photographs of some of the incomplete works in the sampled districts are given below.


(11July 2011)
Incomplete community hall in Kodavali village, Pithapuram constituency of East Godavari district (Delay: 25 months)


(12 July 2011)
Incomplete community hall in Vedanthapuram, Tirupathi constituency in Chittoor district (Delay: 28 months)


(11July2011)
Incomplete community hall in Venturu village, Anaparthi constituency in East Godavari district (Delay: 50 months)


12-07-2011
Provision of pump set and pipeline not being completed in Sri Kalahasti constituency, Chitoor district (Delay: 35 months)

Note: Date on photographs indicate the date on which photographs were taken

Thus, there were inordinate delays in completion of works, resulting in blocking of scheme funds with the executing agencies for long periods and depriving the benefit of those works to the public at large.

Government attributed (December 2011) the delay in commencement/completion of works to (a) non-submission of technically sanctioned estimates on time by the executing agencies, (b) site problems, (c) proposal of alternative works by MLAs by cancelling already proposed works, etc. Government however, assured that instructions were issued to the executing agencies to speed up the works.

10.2.3.3 Inadmissible Works

We observed that, in 66 (out of 68) constituencies, out of 13,117 works taken up for execution 1,189 inadmissible works (ACDP portion of estimated cost: ₹ 16.14 crore) like construction of ratchabanda[6], erection of electrical poles, construction of shopping complex at shadikana[7], construction of welcome arch to residential colony, levelling of house sites, repairs and maintenance works, execution of incomplete works of other schemes, etc. were sanctioned by the Collectors and executed in violation of the scheme guidelines. The district-wise details of ineligible works executed are given below in Table-10.8.

Table-10.8

District-wise details of ineligible works

District	No. of Constitue-ncies	No. of ineligible works	Estimated Cost (₹ in crore)
Chittoor	15	169	2.20
East Godavari	21	456	5.70
Guntur	18	310	5.08
Visakhapatnam	12	254	3.16
Total	**66**	**1189**	**16.14**

Source: Information furnished by CPOs

The CPOs stated (March-April 2011) that these works were sanctioned by the District Collectors on the recommendation of the people's representatives. As the works were not eligible under the scheme guidelines, the contention of CPOs is not acceptable. Government in its reply stated (December 2011) that, Community Halls which were inadmissible under the scheme earlier were permitted subsequently under the rules.

During the period April 2005 to October 2007 which was under review, expenditure on Community Halls was not admissible.

10.2.3.4 Entrustment of works on nomination basis

As per the guidelines of the scheme, entrustment of works on nomination basis should be avoided. The State Government also directed (November 2005) that execution of works up to ₹ 5 lakh can be entrusted to village level works committees, self help groups/user groups consisting of stake holders, etc.

[6] a meeting place usually under a tree in villages is called 'ratchabanda' in Telugu
[7] marriage hall

In five constituencies in East Godavari and Visakhapatnam districts, we observed that 10 major works (estimated cost: ₹ 76.15 lakh) involving amounts more than ₹ 5 lakh were entrusted on nomination basis. In five of these cases, works were split to avoid the upper ceiling, thus facilitating allotment on nomination basis. Details are given in Table-10.9.

Table-10.9
Details of works entrusted on nomination basis

Name of Constituency	Number of Works	Amount (₹ in lakh)
Visakhapatnam-II	4	34.00
Kadiam	2	12.00
Kakinada	2	17.15
Peddapuram	1	6.00
Yellavaram	1	7.00
Total	10	76.15

Source: Information furnished by CPOs

Government in its reply stated (December 2011) that explanation had been called from the executing agencies to explain violation of rules.

10.2.3.5 Overlapping works

Apart from ACDP Scheme, the CPOs are also responsible for implementation of similar nature of works with the funds released by GoI under Member of Parliament Local Area Development Scheme (MPLADS). We observed that, in 12 constituencies in three districts, 25 works were shown as executed both under ACDP (2005-08) (estimated cost: ₹ 49.90 lakh) as well as MPLAD scheme (estimated cost: ₹ 51.55 lakh) with same/similar nomenclature. Details in this regard are given in Table-10.10.

Table-10.10
Details of works shown as executed both under ACDP and MPLADS

District	Number of Assembly Constituencies	Number of works	Releases from ACDP (₹ in lakh)	Releases from MPLADS (₹ in lakh)
East Godavari	6	14	31.55	30.15
Guntur	5	10	18.10	21.25
Chittoor	1	1	0.25	0.15
Total	**12**	**25**	**49.90**	**51.55**

Source: Information furnished by CPOs

The CPOs stated (March-April 2011) that there was no mechanism with them to verify the overlapping works among different schemes.

The CPOs' contention points to lack of expenditure control in implementation of the scheme and the possibility of using/diverting the funds provided under one scheme to other scheme cannot be ruled out. Had the CPOs been monitoring actual expenditure on such works the possibility of such overlaps would have been minimal. The State Government needs to investigate the matter and fix accountability for diversion of earmarked funds under a scheme to other schemes.

Government confirmed (December 2011) that there was no mechanism with the district authorities to verify the overlapping works among different schemes. Government further stated that the audit observation would be complied with scrupulously in future.

10.2.4 Maintenance of Assets Registers

The scheme guidelines provide for maintenance of a constituency-wise asset register by the district authorities for the works executed with the ACDP funds. Further, district authorities should hand over the assets created to user organisations and submit utilisation certificates to the Planning Department within a period of one month from the date of completion of the works.

Scrutiny in the four sampled districts revealed that asset registers were not maintained by any of the CPOs. Moreover, assets were not handed over to user organisations and relevant utilisation certificates were not on record with the CPOs in all the four districts.

No system of ensuring effective monitoring of implementation of the scheme was in existence. Since verification of assets created was not possible, potential risk of non-existence of assets can not be ruled out. Also, since in many cases assets had not been handed over to the actual users there was no assurance about future maintenance of such assets which defeats the basic objective of creating durable assets under the scheme.

Government stated (December 2011) that necessary instructions were issued to the executing agencies to maintain assets registers in future.

10.2.5 Inspections of Works

As per the scheme guidelines, 10 *per cent* of the works taken up under the programme are to be inspected by the nodal agency/district authorities. In East Godavari district, only 5 *per cent* of works were inspected. In all the other sampled districts, information regarding conduct of inspections was not on record with the CPOs. While confirming that no inspections had been conducted so far, the CPOs of these districts assured that inspection of works would be taken up in future.

In the absence of regular inspection of works, the correctness of works taken up, their commencement, completion and quality could not be verified.

Government accepted (December 2011) the audit observation and stated that instructions were issued for inspection of works by the departmental officers.

10.2.6 Conclusion

The CPOs had exercised no control over actual expenditure and thereby not in a position to monitor actual utilisation of funds and ensure remittance of unspent balances by the executing agencies. This also led to financial misreporting. There was inordinate delay (up to 36 months) in sanction of works after recommendation by the MLAs. As against 75,474 works sanctioned under ACDP (2005-08) and CDP (2010-11) only 53,457 were completed and about 15 per cent of works under ACDP, which were due for completion within nine months of sanction, remained incomplete as of March 2011. Consequently, huge funds were locked up for long periods with the executing agencies. Sanction of inadmissible works and overlapping works under different schemes were also noticed. Asset registers were not being maintained and assets created were not being handed over to the user agencies. Inspection of works, which is crucial to assess compliance with rules

and procedures and ensure quality, was neglected in three out of the four sampled districts. Several lacunae in the implementation of the scheme involving ₹ 118.13 crore thus denied the envisaged benefits to the public at large.

10.2.7 Recommendations

- Proper expenditure control mechanism needs to be put in place at each stage. The implementing agencies should desist from parking funds in fixed deposits and instead, utilise these for implementation of the scheme.
- Government should also put in place appropriate monitoring mechanism to ensure that the sanctioned works are completed within the stipulated timeframe of nine months for immediate fulfillment of the requirements of the local people.
- District authorities need to sanction works recommended by the people's representatives within the prescribed period, if found eligible.
- The CPOs should ensure that the programme guidelines are complied with both in letter and spirit.
- District authorities should conduct inspections at regular intervals to facilitate timely remedial action wherever necessary.

Government accepted (December 2011) the audit observations and assured necessary remedial action.

Chapter 11 - School Education Department

11.1 Department profile

The pattern of School Education in Andhra Pradesh is 5+2+3 i.e., 5 years of Primary Education, 2 years of Upper Primary Education and 3 years of Secondary Education. The Directorate of School Education deals with all the matters relating to School Education and caters to the educational needs of children up to Class-X. The main objective of the department is to ensure enrolment of all the children in the age group of 6-15 years.

11.2 Organisational setup

The Department carries out its activities to achieve the above objectives through several Directorates involving various projects. The Commissioner and Director of School Education (Commissioner) at the State level, and the District Educational Officers (DEOs) at the district level are responsible for implementing the projects under the overall supervision of the Principal Secretary to Government in School Education Department. The Headmasters of the schools concerned supervise at school level.

11.3 Implementation of ICT Policy

The 'Information and Communication Technology' (ICT) policy of GoI relative to school education aims to devise, catalyse, support and sustain ICT and ICT enabled activities and processes in order to improve access, quality and efficiency in the schooling system. The State Government initially implemented (June 2002 – June 2007) a project for 'computer education in 1000 schools' for imparting computer education to children of classes VI to X[1]. Execution of the project was entrusted to various agencies[2] on Build, Own, Operate and Transfer (BOOT) basis. The project was extended twice, i.e., from December 2007 to December 2008 and from December 2008 to December 2009. In continuation of this project and in accordance with the ICT policy of GoI, the State Government also took up (June 2008 and November 2009) implementation of two Centrally sponsored projects viz.,'ICT-5000' (project period: 2008-13) and 'ICT-1300' (project period: 2009-14). Out of the total 10,331 high schools[3] under its control, the State Government envisaged coverage of 7,300 schools as part of these three projects. The schools were selected by the Government, based on the availability of buildings and infrastructure in the schools. Scrutiny revealed that the implementation of the projects suffered in the State due to poor planning, lack of compliance with tendering procedures, lack of synchronization of implementation schedule with academic years, etc.

---

[1] Zilla Parishad, Residential (SW/TW), Municipal and Government schools

[2] (i) 1000 schools - NIIT, EVERONN and APTECH; (ii) ICT-5000 NIIT (2,005), IEG (1,031), Educomp (890), Everonn (405), ECIL (186),Terrasoft (280) and Social Computers (203) and 1300 schools - NIIT (468), IEG (255), Educomp (254), EVERONN (130), ECIL (63), Terrasoft (66) and Social Computers (64)

[3] Government (703), Zilla Parishad (8,201), Municipalities (305) and others (APREIS, etc.: 1,122)

11.4 Audit objectives

Audit of implementation of computer education in schools was taken up with the objective of assessing whether

- the objective of initiating these projects was achieved;
- adequate funds were released by the GoI/State Government and whether these were in accordance with the assured levels;
- selection of firms for implementing the projects was fair and transparent;
- agreements entered into with the agencies for implementation of the projects were fool proof and safeguarded the financial interests of Government; and
- upgradation and continuing education of teachers was achieved and guidance, counselling and academic support was provided to students.

11.5 Audit Scope and Methodology

As part of our audit, during the year 2010-11, implementation of Computer Education in schools (especially the Centrally sponsored ICT-5000 and ICT-1300 Projects) by the School Education Department was specifically focussed upon to assess the scheme in a comprehensive manner.

Implementation of 'Computer Education Project in 1000 schools' was earlier reviewed in Audit and the findings were included in the C&AG's Audit Report for the year ended 31 March 2004. Some of the important observations included therein related to incorrect selection of firms, avoidable extra cost, deficient selection of schools, non-provision of internet access as envisaged, undue benefit to firms which did not develop websites, and deficiencies in implementation of the scheme. Follow up action to address these deficiencies in implementation had not been reported to us so far (November 2011).

The current review of implementation of the ICT-5000 and ICT-1300 projects in schools for the period 2008-11 was carried out during July - November 2010 through a test-check of the records in the offices of the Commissioner and the DEOs in six[4] districts. Records of 543 schools[5] (out of 1,359 schools[6]) in these six districts in which the ICT projects were implemented were also scrutinised on a sample basis. Our examination revealed that the concerns brought out in the Audit Report for the year ended March 2004 were not fully addressed by the State Government and similar shortcomings continued in the implementation of the new projects.

[4] East Godavari (Kakinada), Karimnagar, Khammam, Krishna, Vizianagaram and YSR

[5] East Godavari (132); Karimnagar (77); Khammam (96); Krishna (79); Vizianagaram (88) and YSR (71)

[6] East Godavari (321); Karimnagar (277); Khammam (224); Krishna (226); Vizianagaram (143) and YSR (168)

Audit findings

11.6 Financial Management

11.6.1 Allocation and expenditure

The ICT-5000 and ICT-1300 schools projects are funded by the Central and the State Governments on 75:25 basis. Details of the project cost, funds released *vis-à-vis* expenditure incurred as of March 2011 are shown in Table-11.1.

Table-11.1

(₹ in crore)

Name of project	Project cost	Funds to be released to end of 2010-11		Funds actually released		Expenditure	
		GoI	State	GoI	State	GoI share	State share
ICT-5000	335.00	225.00	75.00	141.00	34.50	136.22	14.27
ICT-1300	87.10	48.75	16.25	15.00	5.00	9.75	Nil
Total	**422.10**	**273.75**	**91.25**	**156.00**	**39.50**	**145.97**	**14.27**

Source: Information furnished by Commissioner and Director of School Education

Both the Central and the State Governments were tardy in releasing their share of funds. A sum of ₹ 10.03 crore released by the GoI to the State Government has not been released to the implementing agencies. Consequently, pending utilisation of funds released earlier, the GoI had not released further instalments of its share. The State Government had also not released about 57 *per cent* of its share of funds, as of 31 March 2011.

11.7 Project Implementation

11.7.1 Selection of Implementing Agencies

ICT-5000 Project: Engagement of private sector agencies for providing IT education was one of the core activities under the project. Government, therefore, constituted a Tender Evaluation Committee[7] in January 2008 to open and evaluate bids and to submit its recommendations for consideration and approval of the Tender Approval Committee[8] constituted (June 2008) for the purpose. The Tender Approval Committee identified six agencies[9] after following due tendering process. All six were awarded contracts for implementing the project in 3,969 schools. However, in addition to these six firms, Government, in gross violation of rules, awarded a contract (June 2008) for implementation of the project in 1,031 schools in six[10] districts to another agency *viz*., Institute for Electronic Governance (IEG), **which had not tendered for the project**. Government justified (August 2011) selection of IEG on nomination basis on the ground that it was a society promoted by the Department of Information Technology and Communication. The reply is not acceptable since the selection of IEG was outside the purview of tender process.

[7] comprising Additional Secretary to Government, School Education Department, Director/SCERT, Additional Director of School Education, Centre for Good Governance, a representative of Secretary to Government, Information Technology and Communication Department and CAO/Office of DSE

[8] comprising Principal Secretary, School Education Department, Secretary, IT&C Department, Director of School Education, Director/SCERT and a representative of the Finance Department

[9] ECIL, Educomp, EVERONN, NIIT, Terrasoft and Social Computers

[10] Hyderabad, Khammam, Nizamabad, Ranga Reddy, Srikakulam and Vizianagaram

ICT-1300 Project: For implementation of this Project, Government had not called for any tenders for selection of agencies. However, Government entrusted (November 2009) the implementation of ICT-1300 Project also to the agencies to whom contracts had been awarded under ICT-5000, without following the tendering process. The selection was done on the basis of performance reports of these agencies from all the DEOs. Although shortcomings were reported by the DEOs of four districts[11] with regard to performance of these agencies, those were ignored. It is pertinent to note that deficiencies like non-installation of computers in schools, non-appointment of instructors, etc. attributable to IEG during the implementation of ICT-5000 had been reported by the DEOs. Despite this, IEG was again selected for implementation of ICT-1300 project along with the other agencies.

Government replied (August 2011) that, in view of the GoI stipulation that the project was to be commissioned by 2009 and could, in no case, be allowed to spillover to the next financial year, the contracts under ICT-1300 had to be allotted to agencies including IEG already entrusted with the implementation of the ICT-5000 Project. The contention of the Government in regard to IEG was not acceptable as IEG should not have been selected keeping in view its poor performance in ICT-5000 Project. The selection of IEG both under ICT-5000 Project and ICT-1300 Project as a strategic ally was misconceived and injudicious, and ultimately impacted adversely the entire computer literacy of children at large, as discussed in paragraph 11.8.1.

11.7.2 Deficiencies in Agreements

An assessment of the agreements with the agencies selected for implementation of the projects revealed the following:

- Specific milestones were not fixed and incorporated in the agreements in respect of all components of the projects.
- The agreements did not include component-wise details of cost of equipment and services, which is fraught with the risk of non-performance by the vendors as it did not involve any penalty for failure to comply with the terms of the agreements.
- Penalty clause was restricted only to two components, viz., (a) absence of instructors, and (b) downtime of computers. The agreements did not provide for any penalties or other remedies for non-performance in other important aspects such as non-supply of course material, provision of power back up, internet facility, training of teachers and Headmasters, etc. In the absence of penalty clause covering all aspects, no action could be taken by the department against the executing agencies for aforementioned failures/ shortcomings.

Government while accepting the audit observation stated (August 2011) that action would be taken for modification of MoU to impose penalty for non-provision of all the services mentioned above. Government also stated that component-wise cost details and services would also be incorporated in the MoU with the contracting agencies.

[11] Hyderabad, Nizamabad, Srikakulam and Vizianagaram

11.7.3 Procurement of hardware/software

As per the terms of the contract with the implementing agencies/firms, the latter were to provide the hardware and the State Government was to procure the software. However, since the Government did not specify the operating system and the applications to be installed on the computers while inviting bids, the Technical Evaluation Committee could not prescribe any specifications relating to the software to the agencies. Consequently, the software initially **procured by the State Government** (June - July 2008) **at a cost of ₹ 26.60 crore** proved incompatible with the hardware supplied by the implementing agencies and had to be **abandoned**. The project was thus, implemented with Windows Operating System available with the implementing agencies.

The Government accepted the audit observation but contended that lower versions of the operating software were automatically available as part of higher level operating software procured by it. The contention is incorrect because hardware and software must have compatibility irrespective of its level.

The Tender Evaluation Committee requested the Government to get an acceptance test conducted by APTS[12] to check the hardware and software installed in the schools. However, permission was not accorded by the Government, for reasons not on record. As a result, hardware was installed in the schools without any acceptance test. Government did not indicate as to how the risks/consequences of not conducting the acceptance test were being addressed and at what cost.

11.7.4 Selection of the same 1000 schools under ICT 1300 Project

'Computer Education in 1000 schools project' was a State project wherein it was proposed to impart computer education in 1000 schools. The project was initially implemented for five years (2002-07). As the academic years generally end in March/April, any extension of the project period should be concurrent with the academic year. The project was however, extended[13] for one year from December 2007 and another year thereafter till December 2009 and was abruptly closed in the middle of the academic year. By delaying the initial extension from June to December 2007, a cycle of extensions was established which was not in synchronization with the academic calendar of the State Education Department.

Further, while conceiving the ICT-1300 Project, the Tender Approval Committee recommended that 1000 schools of 'computer education in 1000 schools' project be included in ICT-1300 schools project as '1000 schools project' which was started in 2002 with 100 *per cent* State funds would end by December 2009 and if included in ICT-1300 Project these 1000 schools could continue to receive ICT education for next five years. As the Computer Education Project (1000 Schools) had been implemented through private firms in a project mode, it was imperative that the Government made arrangements for continuation of computer education in these schools even after completion of the project period.

[12] AP Technology Services, a State PSU
[13] at an annual maintenance cost of ₹ 22.92 crore

We however, observed that, Government had not made any arrangements for training the teachers or appoint faculty during the entire project period. Consequently, computer education in these schools could not be sustained after closure of the project particularly when computers, transferred by the private agency under the BOOT arrangement adopted for implementing the project, were already available. Due to this lacuna, ***the same 1000 schools had to be selected once again*** under the GoI sponsored ICT-1300 Project also ***thereby depriving 1,000 new schools of the benefit of computer education.***

Further, while awarding contracts to the agencies/firms under 'ICT-1300 Project', availability of computers in the 1000 schools was not factored in by the department and the new agencies contracted under ICT-1300 installed their own computers in these 1000 schools. ***This resulted in not only foregoing the benefit of using the existing equipment, but also avoidable expenditure on procurement of new computers.*** Since the contract was awarded on a lump sum basis exact amount of avoidable expenditure could not be worked out.

In five[14] sampled districts, it was observed that, all the 2,504 computers installed in the 212 schools covered under 'Computer education in 1000 schools project' had been dumped (December 2009) aside (as illustrated by the photograph of one of the sampled schools in Khammam district given alongside) to facilitate installation of computers under 'ICT-1300 Project'.

Government High School, Shantinagar, Khammam (30 July 2010)

Government while confirming the audit finding stated that action would be taken to use/dispose of the old computers duly following the existing procedure.

Thus, due to lack of planning and deficiencies in preparing tenders, the objective of extending computer education to 1000 new schools under 'ICT-1300 Project' as envisaged in GoI guidelines, had not been achieved. As against the envisaged coverage of 7,300 schools, only 6,300 schools could be covered under the three projects.

11.7.5 Penal clause not enforced

As per clause 18.2 of the agreement entered into with the agencies, if the equipment was down for more than three calendar days in a month, penalty could be levied at the rate of 1.5 times of notional amount payable to the executing agency per day. In 466 out of 543 schools in the five[15] (except Karimnagar) sampled districts, 2.08 lakh days of downtime were recorded in respect of 5,091 out of 5,927 computers. This was attributed to theft, non-installation, non-working of computers, etc. The agencies had not addressed the problems within the stipulated time of three days. Scrutiny of the payments made to the implementing agencies however, revealed that, penalty imposed on them for the downtime were not actually recovered/adjusted. Since the Headmasters were not reporting these shortcomings

[14] Karimnagar, Khammam, Krishna, Vizianagaram and YSR
[15] East Godavari (Kakinada), Khammam, Krishna, Vizianagaram and YSR

in the Monthly Performance Reports submitted to DEOs, there is every possibility of similar deficiency having occurred in all the schools across the State, thereby involving huge drain on the resources.

Government in its reply stated that penalties were imposed on the agencies. We however, observed that the amount of penalties have not yet been recovered/adjusted against the defaulting firms as of August 2011.

11.8 Implementation of the projects in the test checked schools

11.8.1 Districts entrusted to IEG

IEG had been entrusted with the implementation of ICT-5000 and ICT-1300 projects in six districts. Of these, two districts viz., Khammam (96 schools) and Vizianagaram (88 schools) were test checked in audit and the following were observed:

- Although the projects commenced in December 2009, computers were not installed in any of the schools as of August 2010. Thus, though the same schools in which the 1000 schools project was implemented were again identified under ‘ICT-1300 Project’ also, the objective to continue computer education without interruption had been defeated, since the hardware supplied under the earlier project was removed and new systems had not been installed (August 2010).
- Of the 1,975 computers installed in 184 schools, as many as 690 computers (about 35 *per cent*) were not functional.
- Eighty two *per cent* of the total downtime (2.08 lakh days) of computers in 543 schools in the six districts was in the schools where IEG implemented the two projects.
- As against 1,840 teachers to be trained in 184 schools test checked in Khammam and Vizianagaram districts during the two year period 2008-10, only 219 teachers (12 *per cent*) were actually trained.
- In 46 *per cent* of schools (85 out of 184 schools), internet access was either not provided or was not functional.

Government replied (August 2011) that the DEOs had been instructed to take action on the deficiencies pointed out in Audit.

11.8.2 Non–maintenance of log book

As per the agreement, the contractor firm was to maintain a log book for recording downtime of the computers and other accessories. In majority of the schools test checked, log book duly recording downtime was not maintained.

We also observed that, none of the Headmasters/DEOs in the 543 schools test checked in the six districts reported the downtime to the Commissioner. As a result, no penalty was imposed on the agencies leading to excess payment of ₹ 1.62 crore to the agencies.

Government replied that the DEOs had been asked to issue instructions to all the Headmasters to ensure that agencies maintain log books in the computer lab.

11.8.3 Training to teachers

The agreements stipulate that the agency should impart training in each school to at least five teachers including the Headmaster in each year. In 466 schools test checked in five out of six districts (except Karimnagar), out of 2,330 teachers to be trained per year, the agencies had trained only 1,267 teachers (short fall: 46 *per cent*).

As these projects were implemented on BOOT basis and the computers were to be handed over to the schools after completion of the project period, there is a risk of discontinuation of the projects beyond the project period due to lack of teaching faculty/maintenance of infrastructure, as already observed in the case of 1000 schools project.

Government while accepting the audit observation stated that DEOs would be directed to issue instructions to all the Headmasters to ensure that 5 teachers per year undergo the requisite training.

11.8.4 Non-replacement of stolen computers

The agreements with the agencies also stated that, no equipment should be down for more than 3 calendar days over a one month period and that a penalty of 1.5 times of notional amount would be payable by the executing agency per day, if the equipment is down for more than three calendar days in a month. Scrutiny revealed that in a majority of the test checked schools, the agencies had not replaced the computers that had been stolen and where replaced, it was done after prolonged delays (ranging from a minimum of 42 days to a maximum of 651 days). This in turn adversely affected computer training to the students due to reduced availability of computers.

In many cases further, theft of computers was not reported by the Headmasters/DEOs in the Monthly Performance Reports. Thus, there is an inherent risk of overpayment to the agencies in respect of computers actually not being available.

Government stated that, DEOs would be instructed to mention the theft cases in the monthly reports.

11.8.5 Internet Access

The agreements also stipulated that internet connection should be provided by the contracting agency in each school under both the ICT-5000 and ICT-1300 projects. We noticed that, in 20 *per cent* of the schools (103[16] out of 543 schools) test checked in the six districts, internet connection was not provided. In another 39 schools[17], although internet connection was provided, it was not working. There is no evidence on record to show that payments to the implementing agencies/firms were reduced to that extent.

Government in its reply stated that penalties were imposed on the agencies. We however, noticed that amounts of penalties were yet to be recovered/adjusted from the defaulting agencies as of August 2011.

[16] East Godavari: 21, Karimnagar: 17, Khammam: 33, Krishna: 3, Vizianagaram: 16 and YSR: 13
[17] Khammam: 6, Krishna: 1, Vizianagaram: 30 and YSR: 2

11.8.6 Monthly Progress Reports

As per the guidelines, the Headmasters (HMs) of the schools are responsible for close monitoring for effective implementation of the projects. Monthly Performance Reports (MPRs) form the basis for making deductions/imposing penalties on the contractor agencies. In all the test checked schools in Vizianagaram and YSR districts, it was observed that facts regarding the deficiencies were not reflected in the MPRs both by HMs and the DEOs, leading to excess payments to the contracting agencies/firms as there is no scope of imposing penalties in such cases. There were also adverse press reports about the incorrect projection of details of implementation of the scheme in the Monthly Progress Reports by the authorities concerned.

Government accepted the audit observation and assured that instructions would be issued to all DEOs to recheck the MPRs and initiate action for recovery of any excess paid amounts to the agencies.

11.8.7 Evaluation of performance of students

One of the important aspects while implementing a scheme is to obtain feedback regarding the scheme from an agency other than the executing agency. In the instant case, the task of obtaining feedback was entrusted to the executing agency/firm itself instead of to an independent agency. As a result, the accuracy of feedback cannot be vouchsafed. Further, the Headmasters of the schools concerned were not involved in this important exercise.

Government stated that based on the remarks of Audit, a decision would be taken in the matter.

11.9 Conclusion

Though the initiatives taken by the State Government in the area of Computer Education to School children are laudable, implementation of the projects in the State suffered due to poor planning, lack of compliance with tendering procedures, non- synchronization of implementation schedule with academic years, failure to ensure continued computer education after closure of the project, poor monitoring, etc. State Government had not addressed many of the concerns raised in earlier Audit Report of 2004, resulting in a repeat of all the major shortcomings pointed out in that Report. Consequently, the envisaged objective of the ICT policy of GoI to impart computer training to students early on, to bridge the digital divide in the country and to prepare the youth for greater participation in the socio-economic development and creation of a knowledge based society in the country remained largely unachieved.

11.10 Recommendations

- Specific milestones with clear timelines should be fixed and incorporated in the agreements in respect of each component of the project duly entailing penalties for non-performance by vendors.

- State Government should ensure strict compliance with the goals of GoI's ICT policy and formulate a comprehensive plan to continue the computer education in schools even after the closure of the project.
- Feedback about the implementation of the project by the agencies should invariably be obtained through an independent agency not associated with the project.

Chapter 12 - Tribal Welfare Department

12.1 Department profile

Tribal Welfare Department is responsible for implementation of all tribal developmental programmes in the State. The department is also responsible for ensuring constitutional safeguards provided to the scheduled tribes and scheduled areas in the State. Principal Secretary to Government, Tribal Welfare, being the administrative head of the department, assists the Government in formulating, implementing and in reviewing tribal welfare policies and programmes.

Tribal Welfare Engineering Department is responsible for speedy and effective execution of road works, educational building works, drinking water works and other works undertaken by the Government in Tribal Areas in the State. The Department is headed by the Engineer-in-Chief at the State level and consists of one QC division at State level, three circles (Hyderabad, Visakhapatnam and Warangal) and nine divisions supported by sub-divisions and sections.

During the year 2010-11 we reviewed the ***'Provision of road connectivity in tribal areas'*** while conducting audit of Tribal Welfare Engineering Divisions. Our audit revealed that road works were taken up without obtaining the mandatory forest and other requisite clearances, which led to closure of works mid-way after incurring an expenditure of ₹ 2.88 crore thus, resulting in denial of the intended benefit of all weather road connectivity in tribal areas. Detailed audit findings are given below.

12.2 Road connectivity works in tribal areas

State Government accorded administrative sanction in April 2005 for 45 road works in tribal areas at an outlay of ₹ 42 crore. The works were funded through loan from NABARD[1] (₹ 32.78 crore) and the State budget (₹ 9.23 crore). The works involved provision of all weather BT road facility and were to be completed by March 2007. Superintending Engineers (SEs) at Circle level and Executive Engineers (EEs) at Division level were responsible for timely execution of the works under the overall supervision of the Chief Engineer (CE), Tribal Welfare (TW) Engineering Department. The special terms and conditions of NABARD loan specified that the Government should comply with the conditions required for environmental and forest clearances.

Scrutiny (May 2010-September 2010) of the records of Tribal Welfare Engineering Divisions under the jurisdiction of all the three circles in the State, viz., Hyderabad, Visakhapatnam and Warangal, revealed that, nine out of forty five of these works remained incomplete as of August 2011, involving a time over run of over four years in each work. Of these nine works, eight works[2] were foreclosed midway, after incurring an expenditure

[1] Under Rural Infrastructure Development Fund (RIDF-X)

[2] One road work (Pippaldhari to Chichdhari – Khanapur, Utnoor Division) was revived and balance works sanctioned under another scheme

of ₹ 2.88 crore (estimated cost: ₹ 8.18 crore) and one work was not even taken up (expenditure: ₹ 0.24 lakh), resulting in the expenditure becoming largely unfruitful. Out of the eight works where contracts were foreclosed, BT as envisaged was not laid in respect of seven works; in respect of one work it was laid on 7 out of 15 km proposed. Details of these nine works are given in *Appendix-12.1.* In the mean time, NABARD's financial assistance (under RIDF-X) was closed in March 2009.

As per the codal provisions, SEs at Circle level and EEs at Division level are also responsible for obtaining all the requisite clearances before the estimates are submitted for technical sanction. Further, Chief Engineer (CE) should accord technical sanction after satisfying himself about the suitability of land, adequacy of designs, correctness of estimates, permissions/clearances from GoI/Ministries and preparedness for immediate execution. We however, observed that such diligence was lacking at both the EEs and the SEs level; yet the CE had accorded technical sanction. The EEs had taken up the road works without obtaining forest and other requisite clearances and, after commencement of works, failed to get the necessary forest-clearances due to their non-compliance with the mandatory requirement of giving non-forest land for compensatory afforestation. This led to closure of the works midway.

Road from Mallampeta to Nakkapally (Adilabad district) (24 August 2011)

The Engineer-in-Chief (ENC) contended (June 2011) that the incomplete roads were being used by the tribal people.

The contention of ENC is not acceptable, as (i) the roads were not laid to the specifications originally contemplated and (ii) the roads laid up to WBM stage cannot be treated as traffic worthy in all weather conditions. Moreover, the reply of ENC contradicts his own proposals submitted to Government for sanction of BT (all weather) roads in tribal areas.

Further, as per the administrative sanction for the works accorded by Government, the Commissioner, TW and Project Officers, Integrated Tribal Development Agencies (ITDAs) were responsible for overall monitoring of the progress of works. It was observed that effective monitoring had not been done over these works.

Road from NH7 to Boregaon (Adilabad district) (25 August 2011)

Thus, commencement of road works by EEs, TW engineering divisions, without obtaining mandatory forest and other requisite clearances led to closure of the works midway and the works remained incomplete even after the lapse of over four years. This resulted in denial

of the intended benefit of all weather road connectivity in the tribal areas. Further, the Government had to forego funding from NABARD due to delay in completion of these works.

Government stated (August 2011) that action was being taken to restart the works by calling for fresh tenders and the balance works would be completed by March 2012. It is not clear as to how these works can be restarted without complying with the provisions of Forest Conservation Act, 1980 and obtaining the requisite clearances from forest and other departments.

Chapter 13 - Youth Advancement, Tourism & Culture (Sports) Department

13.1 Department profile

The department has three wings viz., Culture, Youth Services & Sports and Tourism, each headed by a Principal Secretary/Secretary to the Government.

Sports Authority of Andhra Pradesh (SAAP) which is an executive arm of the department in the field of sports was created in 1988 by replacing the erstwhile Andhra Pradesh Sports Council and other Sports Councils for promotion of games and sports in the State and functions under the administrative control of Principal Secretary to Government (Youth Services and Sports). SAAP implements the sports development programmes/schemes of Government of India/Sports Authority of India, constructs stadia, sets up Sports Academies/Sports Schools, conducts various coaching camps, and hosts State, National and International tournaments in various disciplines.

During 2010-11, we reviewed[1] the ***'Construction of Sports Hostel building at Gachibowli, Hyderabad'*** taken up by SAAP. Our audit revealed that SAAP saddled itself with unwarranted loan burden while constructing a sports hostel by taking an injudicious decision in obtaining loan on unfavourable terms. The detailed audit findings are discussed below.

13.2 Unwarranted loan burden in construction of Sports Hostel

India was slated to host the Military World Games in 2007. Consequent to Government of India's decision (September 2003) to hold the event at Hyderabad in Andhra Pradesh, SAAP was tasked (June 2005) to organise the event. To accommodate the participants State Government, in February 2006 handed over 9.16 acres of land at Gachibowli, Hyderabad to SAAP for construction of a nine-storeyed (basement + ground + 7 floors) sports hostel building. The land to SAAP was alienated without fixing any specific terms and conditions. The estimated cost of the project was ₹ 40 crore[2]. The work was entrusted (October 2006) to a Hyderabad based firm[3] at an agreed value of ₹ 32.64 crore[4]. The hostel building (up to nine floors) was completed in October 2007 at a cost of ₹ 69.73 crore[5] and the Games were conducted as planned in the same month. Thereafter, the completed portion (up to nine floors) of the building was not put to any use.

[1] under Section 14 of C&AG's (Duties, Powers and Conditions of service) Act 1971
[2] Administrative sanction: ₹ 40 crore; Technical Sanction: ₹ 30 crore
[3] Nagarjuna Constructions Company Limited
[4] at 33 *per cent* excess over estimated value
[5] including expenditure for framed structure from 10 to 15 floors

Audit scrutiny of the relevant records of SAAP revealed the following:

(i) Government of Andhra Pradesh offered initially to finance the construction of a games village at Gachibowli. The Government, at a later stage, reversed this position and instructed the SAAP to commence work using ₹ 12 crore available with the Authority. Vice Chairman and Managing Director, SAAP decided to approach HUDCO[6] to secure a loan to fund the construction. Since Government could not back SAAP request with a guarantee the Authority, under advice from the Government, approached Punjab National Bank (PNB) for a commercial loan which it did (January 2007).

(ii) PNB offered the loan subject to the condition that SAAP would add another six floors to the building to make the project commercially bankable. ***SAAP accepted this condition without, however, independently assessing the viability of the project with its scope enhanced.***

(iii) To obtain the loan (₹ 48 crore), SAAP was obliged to mortgage its entire equipment and other fixed assets to PNB. Though the bye-laws of SAAP did not provide for mortgaging its assets, ***SAAP mortgaged (February 2007) its assets without actually amending its bye-laws. Though the amendment proposed (January 2007) by it had been approved by the Government, it was not formally processed and given effect. The mortgage of assets was, therefore, not legally valid.***

(iv) Due to its precarious financial condition, SAAP could not repay the loan installments on time. Therefore, the loan payment was got rescheduled twice at the request of SAAP. This attracted 2 *per cent* additional interest on the defaulted amount. As of March 2011, SAAP repaid an amount of ₹ 23.52 crore to the bank (principal: ₹ 8.71 crore, interest: ₹ 14.81 crore). ***The balance principal amount of loan of ₹ 39.29 crore along with the interest is yet to be repaid (November 2011).***

(v) Construction of additional six floors was taken up after the games event and was scheduled to be completed by January 2008. However, this portion of work is not yet completed due to non-payment of bills to the contractor on account of paucity of funds. ***As of August 2011, pending bills amounting to ₹ 9.71 crore were yet to be paid to the contractor and a further amount of ₹ 3.50 crore was required to complete the balance works viz., external electrification, external painting to the entire building, installation of lifts, etc.***

Considering that it was the first time that Military World Games were being held outside Europe and the State Government had consented to host the games in Hyderabad, the decision of the State Government not to fund the construction of the hostel and to leave SAAP in a situation where it had to obtain loan from PNB on unfavourable terms, pushed SAAP into financial crisis saddled, as it is, with a debt burden of ₹ 58.14 crore (principal: ₹ 39.29 crore and interest: ₹ 18.85 crore) as of end of March 2011.

[6] Housing & Urban Development Corporation

The additional portion (six floors) of the building, which was scheduled for completion by January 2008, was not completed even after the lapse of four years. Inexplicably, even the built up space is lying unused thus, further accentuating the financial burden of SAAP. Government in its reply stated (July 2011) that it had decided to own the property by taking over the servicing of the debt in the interest of the State.

(VANI SRIRAM)
Accountant General (Civil Audit)
Andhra Pradesh

Hyderabad
The

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The

Appendix-1.1

(Reference to paragraph 1.6 page 3)

Year-wise break-up of outstanding Inspection Reports and Paragraphs

Year	Number of IRs/Paragraphs as of 30 June 2011		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
2007-08	1734	7442	49	1068
2008-09	1311	6840	8	172
2009-10	977	6352	27	580
2010-11	1410	9055	363	2276
Total	5432	29689	447	4096

Appendix-1.2

(Reference to paragraph 1.6 page 4)

Number of paragraphs where Explanatory Notes were not received from Government for the years 2007-08 to 2009-10 (as of November 2011)

Department	2007-08	2008-09	2009-10	Total
Agriculture and Cooperation	-	-	1	1
Animal Husbandry and Fisheries	-	-	1	1
Backward Classes Welfare	-	-	1	1
Energy	-	-	1	1
Finance	-	1	1	2
Health, Medical and Family Welfare	1	1	-	2
Higher Education	1	1	-	2
Irrigation and Command Area Development	-	-	5	5
Municipal Administration and Urban Development	1	1	6	8
Minorities Welfare	-	-	1	1
Planning	-	-	1	1
Revenue	-	-	2	2
School Education	1	-	3	4
Tribal Welfare	-	-	1	1
Women Development, Child and Disabled Welfare	-	-	1	1
Youth Advancement, Tourism and Culture	-	2	1	3
Total	4	6	26	36

Appendix-5.1
(Reference to paragraph 5.2.2 page 51)

Blood banks in which blood was extracted from ineligible donors

Sl. No.	Name of the district	Area of Drug control Inspector	Name of the blood bank	Government/ Private	Under aged	Under weight	HB < 12.5%
1	Anantapur	DI, DCA, Hindupur	IRCS, RCH-II , Kadiri, ATP district	Private	13		0
2			Sri Satya Sai Institute of Medical Sciences, Puttaparthi	Private			18
3		AD, DCA, Anantapur	Government General Hospital, Anantapur	Government	6	1	0
4			Rural Development Trust Blood bank , Batthalapalli, ATP district	Private			4
5			IRCS , Anantapur	Private			58
6	Chittoor	AD, DCA, Tirupati	TTD Central Hospital , Tirupati	Private	2		22
7			Ashwini Hospital , Tirumala	Private	1		37
8			Sri SVS Charitable Trust	Private	1	10	7
9			SVIMS, Tirupati	Government	2		8
10			Government Maternity Hosp , Tirupati	Government	23	6	49
11			SVRRG, Tirupati	Private	11	8	44
12		AD, CA, Chittoor	IRCS, Chittoor	Private	10		46
13			IRCS Area Hospital, Madanapalle	Private			25
14			District Hq Hospital , Chittoor	Government	83	4	25
15			PES Institute of Medical Sciences & Research , Kuppam	Private	2		43
16	Guntur	DI, DCA, Narsaraopet	IRCS, Narsaraopet	Private	10		8
17			Blesed Blood bank, Narsaraopet	Private			25
18		AD,DCA, Guntur	IRCS, Guntur	Private			69
19			Government General Hospital Guntur	Government	4		1891
20			Municipal Hospital , Guntur	Government			15
21			NRI Academy of sciences , Medical college , Hospital , Guntur	Private			0
22		DI, DCA, Tenali	District HQ Hospital , Tenali	Government	9		115
23			IRCS ,Repalle	Private			74

Sl. No.	Name of the district	Area of Drug control Inspector	Name of the blood bank	Government/ Private	Under aged	Under weight	HB < 12.5%
24	Krishna	AD,DCA, Vijayawada	Government Blood bank, Vijayawada	Government			8
25		DI, Machilipatnam	Area Hospital , Gudivada	Government	2		70
26			District Hospital , Machilipatnam	Government	7		51
27			Dr. Patabhi Red cross, Machilipatnam	Private	53		37
28	Kurnool	DI, DCA, Nandyal	Santhiram Medical College & Hospital , Nandyal	Private			40
29			Government District Hospital , Nandyal	Government			78
30		AD, DCA , Kurnool	IRCS, Kurnool	Private	2		55
31			Government General Hospital Kurnool	Government		1	27
32			Viswa Bharathi Super specialty Hospital , Kurnool	Private			27
33			RR Hospital , Kurnool	Private			6
34	Medak	DG , DCA, Hyderabad	Government District (Hq) Hospital , Sangareddy	Government	1		0
35	Hyderabad		Gandhi Hospital, Secunderabad	Government			37
36			NIMS, Hyderabad	Government			265
37			IPM , Hyderabad	Government	22	1	46
38			MNJ Institute of Oncology & Regional cancer Centre, Hyderabad	Government			3
39			ESI Hospital , Hyderabad	Government			6
40			Government Maternity Hosp , Koti, Hyderabad	Government			11
41			Modern Government Maternity Hospital , Hyderabad	Government	14	1	81
42			Nilofer Hospital , Hyderabad	Government		5	57
43	YSR	AD, DCA, YSR	RIMS , Kadapa	Government			57
44			IRCS, Kadapa	Private	9		17
45			Government Area Hospital , Proddutur	Government	4	34	55
				Total	291	71	3617

Source: Information obtained and consolidated during the test-check of Blood banks

Appendix-5.2

(Reference to paragraph 5.3.2 page 55)

Details of funds released in respect of civil works, funds placed at the disposal of APHMHIDC and expenditure incurred thereon, etc.

(₹ in crore)

Name of the Hospital/ District	Year of sanction/ Level	Projected Cost	Funds released	Funds released for civil works	Amount released to APHMHIDC	Expenditure incurred on construction	Balance funds available with APHMHIDC	Remarks, if any
King George Hospital, Visakhapatnam	2004-05/ 2007-08 Level II	9.65	6.60	0.80	0.80	0.60	0.20	Building completed
RIMS, Srikakulam	2007-08 Level II	9.65	4.44	0.80	0.80	0.80	0	Construction merged with RIMS Hospital building
District Hospital, Rajahmundry	2006-07 Level II	9.65	4.44	0.63	0.63	0.90	(-) 0.27	Building completed
GGH, Guntur	2008-09 Level II	9.65	6.59	0.80	0.80	0.80	0	Construction merged with PPGMCANA hospital
District Hospital, SPS Nellore	2004-05/ 2007-08 Level II	9.65	6.60	0.80	0.80	Details not available*	Details not available*	Building not yet completed
RIMS, Adilabad	2008-09 Level II	9.65	0.80	0.80	0.80	0.72	0.08	Construction merged with RIMS Hospital building
District Hospital, Nizamabad	2008-09 Level II	9.65	0.80	0.80	0.80	0.02	0.78	TCC proposed to be changed to Area Hospital, Armoor
GGH, Kurnool	2004-05/ 2008-09 Level II	9.65	6.60	0.63	0.63	0.63	0	Building completed
GGH, Anantapur	2008-09 Level II	9.65	0.80	0.80	0.60	0	0.60	Land yet to be identified
District Hospital Tekkali, Srikakulam	2008-09 Level III	4.80	0.65	0.65	0.65	0.61	0.04	Building completed
Area Hospital Tuni, East Godavari	2008-09 Level III	4.80	2.82	0.65	0.65	0.65	0	Building completed
District Hospital Eluru, West Godavari	2007-08 Level III	4.80	2.24	0.63	0.63	0.67	(-) 0.04	Building completed
District Hospital (RIMS) Ongole	2008-09 Level III	4.80	3.10	0.65	0.65	0.65	0	Building completed
Community Health Centre, Naidupet, SPS Nellore	2008-09 Level III	4.80	0.65	0.65	0.65	0	0.65	Building not yet completed
Area Hospital, Kamareddy, Nizamabad	2008-09 Level III	4.80	0.65	0.65	0.65	0	0.65	Building not yet completed
District Hospital Mahboobnagar	2008-09 Level III	4.80	0.65	0.65	0.65	0	0.65	Building not yet completed
Community Health Centre, Penukonda, Anantapur	2008-09 Level III	4.80	0.65	0.65	0.65	0	0.65	Building not yet completed
	Total	125.25	49.08	12.04	11.84	7.05		

*Details of expenditure incurred and balance funds available with the executing agency are not available in the records

Source: Information obtained from the respective hospitals

Appendix-5.3
(Reference to paragraph 5.3.3 page 56)

Details of funds released in respect of equipment, funds placed at the disposal of APHMHIDC and expenditure incurred thereon, etc.

(₹ in crore)

Name of the Hospital/ District	Year of sanction/ Level	Total Cost	Funds released	Funds released equipment	Amount released to APHMHIDC	Expenditure incurred on equipment	Balance funds available with APHMHIDC	Remarks, if any
King George Hospital, Visakhapatnam	2004-05/ 2007-08 Level II	9.65	6.60	5.01	5.00	3.80	1.20	
RIMS, Srikakulam	2007-08 Level II	9.65	4.44	2.94	2.94	0.41	2.53	
District Hospital, Rajahmundry	2006-07 Level II	9.65	4.44	2.85	2.85	0.51	2.34	
GGH, Guntur	2008-09 Level II	9.65	6.59	5.00	5.00	0.00	5.00	Equipment not supplied till date
District Hospital, SPS Nellore	2004-05/ 2007-08 Level II	9.65	6.60	4.95	4.95	2.76	2.19	
GGH, Kurnool	2004-05/ 2008-09 Level II	9.65	6.60	5.02	5.02	5.27	(-) 0.25	
Area Hospital Tuni, East Godavari	2008-09 Level III	4.80	2.82	2.17	0.00	0.00	0.00	Funds kept in banks as fixed deposits
District Hospital Eluru, West Godavari	2007-08 Level III	4.80	2.24	1.61	0.61	0.45	0.16	
District Hospital (RIMS) Ongole	2008-09 Level III	4.80	3.10	2.00	2.00	0.00	2.00	Equipment not supplied till date
			43.43	31.55	28.37	13.20	15.17	

Source: Information obtained from the respective hospitals

Appendix-5.4
(Reference to paragraph 5.3.4 page 57)

Details of staff prescribed for functioning of Trauma Care Centres and number of personnel recruited in the hospitals

Details of staff to be provided as per the norms	As per norms Level II	As per norms Level III	KGH, VSP Level II	RIMS, SKLM Level II	District Hospital, EG Dist Level II	GGH, Guntur Level II	District Hospital SPS Nellore Level II	GGH, Kurnool Level II	District Hospital, Ongole Level III
General Surgeon	3	3	-	-	-	-	-	-	-
Orthopaedic Surgeon	3	3	-	-	-	-	-	1	-
Anesthetist	3	3	-	-	-	-	-	-	-
Casualty Medical Officers	8	4	-	-	-	-	-	1	-
Staff Nurses	40	25	-	-	-	-	-	5	-
Nursing Attendants	16	13	10	10	-	-	-	6	6
O.T Technicians	5	5	-	-	-	-	-	-	-
Lab Technicians	2	2	2	3	-	-	3	-	1
Radiographer	4	4	-	-	-	-	-	4	-
Sweepers		13	-	-	-	-	-	-	-
	84	75	12	13	-	-	3	17	7

Source: Information obtained from the respective hospitals

Appendix-5.5
(Reference to paragraph 5.5 page 61)

Pay and allowances fraudulently drawn

Sl. No.	Name and designation of the individual in whose name pay and allowances were drawn Sri/Smt	Month in which transferred out from the PHC/LPC issued	Period during which pay and allowances/GPF and other advances were fraudulently drawn	Amount fraudulently drawn (₹)		
				Pay and allowances and other advances	GPF withdrawn without sufficient balance	Total
1	M. Gangaraju, APMO	June 2008	July 2008 to June 2010	744475[#]	-	744475
2	M. Naga Malleswari, Staff Nurse	March 2009	March 2009 to May 2010	255543[$]	-	255543
3	N. Rajakumari, Medical Officer	January 2010	January 2010 to June 2010	241255[@]	-	241255
4	D. Mariamma, PHN	September 2009	September 2009 to February 2010	182670	-	182670
5	P. Nirmala Kumari	-	November 2009	-	70000	70000
6	K. Veeraiah	-	November 2009	-	52000	52000
7	A. Bullabbai	-	November 2009	-	10000	10000
8	P. Chandra Mohan	-	March 2010	-	60000	60000
9	I.V. Krishna Rao	-	March 2010	-	67000	67000
10	ANVS Deva Kumar	-	March 2010	-	90000	90000
	Total			1423943	349000	1772943

[#] Pay and allowances: ₹ 4,29,421; Fixed travelling allowance: ₹ 13,350; Festival advance: ₹ 7,000; Surrender leave: ₹ 26,120; DA arrears: ₹ 7,463; PRC arrears: ₹ 11,936; Others: ₹ 9,185; Motor cycle advance: ₹ 40,000; and House building advance: ₹ 2,00,000

[$] Pay and allowances: ₹ 2,44872; Surrender leave: ₹ 6,859; and DA arrears: ₹ 3,812

[@] Pay and allowances: ₹ 2,19,456; Surrender leave: ₹ 14,829; and DA arrears: ₹ 6,970

Appendix-7.1
(Reference to paragraph 7.2.5.1 page 69)

Funds released by GoI and its release by State Government for clusters under IHDS

(₹ in crore)

Year of sanction of DCH	Number of clusters	Amount released by GoI			Central share released by State Government	Matching State share released
		1st Installment	2nd Installment	Total		
2007-08 (Phase II & III)	25	3.82	3.97	7.79	1.58	0.66
2008-09 (Phase IV)	10	1.63	0	1.63	3.87	0.24
2009-10 (Phase V)	2	0.36	0	0.36	0.36	0.02
2010-11 (Phase VI)	13	1.89	0	1.89	1.89	0.22
Total	50	7.70	3.97	11.67	7.70	1.14

Source: Information furnished by the Commissioner of Handlooms and Textiles

Appendix-7.2
(Reference to paragraph 7.2.5.1 page 70)

Funds released by GoI and its release by State Government for groups under IHDS

(₹ in lakh)

Year/Phase	Number of groups sanctioned	Number of benefi-ciaries	Outlay				Release of funds by State		
			Central share	State Share	Benefi-ciary share	Total	Central share	State share	Total
2008-09 (I)	73	1349	230.76	31.91	15.96	278.63	180.85	0.00	180.85
2008-09 (II)	26	478	102.30	5.94	2.97	111.22	78.12	5.94	84.06
2008-09 (III)	28	535	107.48	15.19	7.60	130.27	86.72	15.19	101.91
2009-10 (IV)	109	1096	274.00	0.00	0.00	274.00	205.50	0.00	205.50
2009-10 (V)	26	520	76.24	6.78	3.39	86.41	62.38	0.00	62.38
Total	262	3978	790.78	59.82	29.92	880.53	613.57	21.13	634.70

Source: Information furnished by the Commissioner of Handlooms and Textiles

Appendix-9.1
(Reference to paragraph 9.4.1 page 89)

Zone-wise anticipated investment (up to 2011) in respect of VGTMUDA

(Figures in crore of rupees)

Sl. No	Zone	Roads	Water Supply	Drainage	SWM	Street Lights	Education	Health - care	Other Amenities	Total
1	Vijayawada	22.50	84.43	240.76	2.35	11.25	7.40	21.00	40.25	429.94
2	Gannavaram	65.57	0.78	15.69	0.06	0.72	27.00	11.50	2.65	123.97
3	Gollapudi	48.02	1.20	6.06	0.05	0.11	59.83	-		115.27
4	Kanuru	57.94	4.47	26.26	0.15	1.69	112.50	13.60	36.18	252.79
5	Kondapalli	71.14	0.86	27.12	0.12	0.00	33.50	8.30	11.49	152.53
6	Nidamanuru	-	-	-	-	-	-	-	-	-
7	Nunna	10.86	38.67	14.44	0.05	0.23	64.00	3.60	1.99	133.84
8	Guntur	35.18	32.07	104.49	14.85	7.15	3.36	2.09	1.81	201.00
9	Ankireddipalem	85.26	0.69	3.86	0.05	0.54	9.50	4.20	4.33	108.43
10	Kathevaram	73.85	0.81	3.61	0.05	0.82	9.50	3.20	7.49	99.33
11	Kaza	43.77	0.35	3.15	0.02	0.46	23.50	3.10	6.99	81.34
12	Mangalagiri	70.11	51.24	41.64	23.90	1.97	4.08	0.56	0.12	193.62
13	Namburu	119.51	1.81	21.69	0.11	1.65	44.50	18.50	9.83	217.60
14	Perecherla	51.70	1.81	4.74	0.04	1.44	12.50	5.70	10.99	88.92
15	Tadepalli	28.43	1.95	3.91	0.16	0.03	54.50	11.90	16.15	117.03
16	Tenali	19.77	23.43	39.95	6.50	0.74	24.60	8.50	5.30	128.79
17	Chebrolu	23.60	1.13	4.23	0.02	0.29	8.75	3.50	1.86	43.38
18	Duggirala	28.91	1.51	1.16	0.03	0.48	18.00	7.80	9.53	67.42
19	Mandadam	13.03	0.47	1.96	0.02	0.05	-	3.00	2.05	20.58
20	Pedavadlapudi	29.32	1.48	5.87	0.03	0.42	11.00	4.00	10.31	62.43
21	Sekuru	23.32	0.84	5.40	0.02	0.24	8.00	2.10	0.95	40.87
22	Tadikonda	29.92	0.33	6.93	0.02	0.07	20.00	2.00	4.38	63.65
23	Vejendla	31.09	0.56	5.56	0.02	0.18	10.00	2.80	0.40	50.61
24	Extended area	46.39	7.17	8.33	0.14	2.32	48.00	21.60	6.59	140.54
25	Amaravathi	11.56	0.82	1.51	0.04	0.36	7.00	4.20	3.22	28.71
26	Tulluru	6.66	0.41	1.48	0.02	0.43	5.00	7.60	0.45	22.05
27	Kankipadu	16.63	5.01	3.24	0.07	1.32	24.00	8.80	2.05	61.12
28	Ketankonda	5.31	0.49	2.11	0.02	0.21	12.00	1.00	0.87	22.01
Total		1069.35	264.79	605.15	48.91	35.17	662.02	184.15	198.23	3067.77
Grand Total : ₹ *3,067 crore*										

Source: Information obtained from the Zonal Development Plans (Vol. I & II) of the Authority

Appendix-9.2
(Reference to paragraph 9.5.2 page 91)

Change of land use approved by VGTMUDA/Government though not permissible

Sl. No	Name of the applicant	Area	land originally earmarked in ZDP	Change of land use
1	P. Ramanjanuyulu, Gollapudi Zone	405.26 sq mts.	Residential	Commercial
2	G .Venkata Srinivasa Sarma, Kondapalli Zone	Ac1.88 cents or 7610.21 sq mts.	Residential	Industrial
3	K. Venkata Krishna, Nunna Zone	3075.72 sq mts	Residential	Industrial
4	U .Uma Maheswara Raju and three others Nidamanuru Zone	2204.17 sq mts.	Industrial	Commercial
5	P. Sai Gopala Rao and Smt P Vijay Lakshmi, Penamaluru, Krishna district	1183.37 sq mts.	Residential	Commercial
6	D. Subba Rao, Jakkampudi, Krishna district	3541.12 sq mts.	Recreational (park)	Residential
7	S. Lakshmi Kumari, Rayanapadu	309.68 sq mts.	Residential	Industrial
8	Farmers and Sarpanch, Nunna Village	Ac 678.42 cents	Residential	Agricultural
9	G.V. Ravi Prasad, Gunadala (VMC)	51 & 4.27 sq mts.	Public and Semi Public	Residential
10	N. Narayana Reddy, Rayanapalem	Ac 3.46 cents	Residential	Commercial

Source: Information extracted from the records of the Authority

Appendix-9.3
(Reference to paragraph 9.8.1 page 103)

Receipts of the Authority during the years 2006-07 to 2010-11

(₹ in crore)

Sl. No	Funds received from	2006-07	2007-08	2008-09	2009-10	2010-11
1	State Government	0.05	0.02	3.71	Nil	Nil
2	Central Government	0.61	Nil	9.28	Nil	Nil
3	Contributions from local bodies	0.24	0.66	0.69	2.41	0.89
4	HUDA Loan	5.00	Nil	Nil	Nil	Nil
5	Internal receipts					
(i)	*Development charges*	7.47	17.20	9.66	8.36	10.39
(ii)	*Compounding fees*	0.20	0.41	0.51	0.40	0.45
(iii)	*Application fee*	0.70	1.07	0.66	0.41	0.54
(iv)	*Open space charges*	0.81	2.21	0.85	0.90	0.85
(v)	*conversion fees*	0.88	1.31	0.57	0.27	0.60
(vi)	*Sale of plots, houses, etc.*	1.22	0.78	3.72	0.18	0.62
(vii)	*Interest realized*	0.45	1.35	6.28	11.35	9.28
(viii)	*Misc. General advances*	13.90	0.92	0.71	0.47	
(ix)	*Other receipts*	3.62	7.63	3.76	22.17	0.45
(x)	*BPS/LRS*	Nil	2.44	22.77	9.81	14.37
(xi)	*Scheme receipts*	Nil	27.67	19.39	1.30	1.73
	Total	*29.25*	*62.99*	*68.88*	*55.62*	*39.28*
	Grand Total	35.15	63.67	82.57	58.03	40.17

Source: Annual Accounts of the Authority

Appendix-9.4

(Reference to paragraph 9.8.3 page 105)

Details of funds parked in Short Term Deposits (STDs) during the period 2006-07 to 2010-11 (VGTMUDA)

(₹ in crore)

Year	Range of interest rates in *per cent*	Range of invest-ment period	Number of STDRs during the year	Number of banks	Funds kept under STDs to the end of the year	Maturity value (M.V.) of the STDs	Interest earned	Calcu-lation of M.V. at higher rate of interest	Calcul-ation of interest at higher rate	Loss of interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) (7) - (6)	(9)	(10) (9) - (6)	(11) (10) - (8)
2006-07	6.50 to 7.75	6 months	57	20	15.40	15.92	0.52	16.00 (7.75%)	0.60	0.08
2007-08	6.5 to 9.5	6 months to 1 year	154	36	61.08	65.43	4.35	65.91 (9.50%)	4.83	0.48
2008-09	7.50 to 10.00	1 year	212	42	121.10	132.07	10.97	133.67 (10.00%)	12.57	1.60
2009-10	6 to 8.25	1 year	247	36	126.60	135.53	8.93	137.37 (8.25%)	10.77	1.84
2010-11	4 to 7.50	46 days to 1 year	124	33	68.43	72.53	4.10	73.71 (7.50%)	5.28	1.18
Total					392.61	421.48	28.87	426.66	34.05	5.18

Source: Information obtained from the Annual Accounts and Statement of investments of the Authority

Appendix-12.1
(Reference to paragraph 12.2 page 131)

Status of road connectivity works in tribal areas taken up with NABARD (RIDF-X) funding

Sl. No.	Name of the road work	Length of the road (in km)	Estimated Cost/ expenditure (₹ in lakh)	Status of Work	Audit Findings/ Reasons for non-completion
Hyderabad Circle - Srisailam Division					
1	BT road from Mailaram thanda to Kotha thanda	3.2	59.50/ 17.89	Only Earth work formation was done. Work was closed in September 2006	For want of clearance from Forest and Railway Departments
Visakhapatnam Circle - Paderu Division					
2	Providing BT to the road from Edulapalem to Madugula	15.0	174.00/ 83.03	BT was laid for 7 km only. The work was closed in March 2010	For want of Forest Clearance
3	Providing BT road from PL R&B road to Tajangi	14.9	175.00/ 13.93	Work was executed departmentally. WBM was laid for 4.9 km only and the work was closed in April 2010	Due to non-response from bidders, Government accorded (September 2007) permission to take up the work departmentally
Warangal Circle - Bhadrachalam Division					
4	Providing BT road from PWD road to Mamidigundala	10.0	138.00/ 32.29	WBM (1st layer only) was laid for 7 km. Work was closed in June 2008	Contractor abandoned the work. No response from bidders for subsequent tenders due to extremists' threats
5	Providing BT road from Asupaka to Guntimadugu	3.8	52.00/ 16.81	WBM (2nd layer) was laid for 2.16 km. Work was closed and agreement cancelled	For want of Forest Clearance
6	Providing BT road from R.Kothagudem to Kurnapalli	12.0	178.00/ 0.24	Contractor could not commence the work due to extremists' threats. Government accorded (September 2007) permission to take up the work departmentally	The work was not commenced till the closure (March 2009) of RIDF-X. Engineer-in-Chief attributed it to extremists' activities and other practical problems.
Warangal Circle - Utnoor Division					
7	BT road from Mallampeta to Nakkalapally	3.0	31.00/ 1.24	Earth work formation partially completed. Work was closed in May 2010	For want of Forest Clearance
8	BT road from NH7 to Boregaon	4.0	54.00/ 19.69	WBM (1st layer) was laid for 3.7 km (WBM 2nd layer laid for 2.8 km). Work was closed in August 2008	For want of Forest Clearance

Sl. No.	Name of the road work	Length of the road (in km)	Estimated Cost/ expenditure (₹ in lakh)	Status of Work	Audit Findings/ Reasons for non-completion
9	BT road from Pippaldhari to Chichdhari-Khanapur	7.5	134.00/ 102.66	WBM 1st layer was completed. WBM 2nd layer was laid for 1km only. Work was closed in August 2010. Balance works were sanctioned (October 2008) under Article 275(1) Grants★. The details of cost escalation were not furnished to Audit	For want of Forest Clearance
Total expenditure			287.78		

★Grants meant for improvement of rural infrastructure in tribal areas as per the provision under Article 275 (1) of the Constitution of India

AAY	:	Anthyodaya Anna Yojana
A&E	:	Accounts and Entitlements
AC Bill	:	Abstract Contingent Bill
ACA	:	Andhra Cricket Association
ACDP	:	Assembly Constituency Development Programme
AD	:	Assistant Director
ADA	:	Assistant Director of Agriculture
AEO	:	Agricultural Extension Officer
AIC	:	Agriculture Insurance Company of India Limited
AMC	:	Annual Maintenance Contract
ANGRAU	:	Acharya N G Ranga Agricultural University
AO	:	Agricultural Officer
APCO	:	Andhra Pradesh State Handloom Weavers Co-operative Society Limited
APCOB	:	Andhra Pradesh State Co-operative Bank Limited
APCPDCL	:	AP Central Power Distribution Corporation Limited
APHMHIDC	:	Andhra Pradesh Health and Medical Housing and Infrastructure Development Corporation
APITCO	:	AP Industrial and Technical Consultancy Organization Limited
APREIS	:	Andhra Pradesh Residential Educational Institutions Society
APSAIDC (APAGROS)	:	Andhra Pradesh State Agro Industries Development Corporation Limited
APSRTC	:	Andhra Pradesh State Road Transport Corporation
APSSCA	:	Andhra Pradesh State Seed Certification Agency
APSSDCL	:	Andhra Pradesh State Seed Development Corporation Limited
APTS	:	AP Technology Services Limited
APUFIDCL	:	AP Urban Finance and Infrastructure Development Corporation Limited
AR	:	Adarsha Rythu (Model farmer)
ASO	:	Assistant Statistical Officer
ATMA	:	Agriculture Technology Management Agency
BARC	:	Bhabha Atomic Research Centre
BG	:	Bank Guarantee
BIAS	:	Bureau of Internal Audit and Surveillance
BOOT	:	Build, Own, Operate and Transfer
BPL	:	Below Poverty Line

BPS	:	Building Penalisation Scheme
BRIT	:	Board of Radiation and Isotope Technology
C&DA	:	Commissioner and Director of Agriculture
CAO	:	Chief Accounts Officer
CATD	:	Computer Aided Textile Design
CCA	:	City Compensatory Allowance
CCE	:	Commissionerate of Collegiate Education
CCE	:	Crop Cutting Experiment
CDP	:	Constituency Development Programme
CEO	:	Chief Executive Officer
CESS	:	Centre for Economic and Social Studies
CFC	:	Common Facility Centre
CHC	:	Community Health Centre
CIG	:	Commodity Interest Group
CII	:	Confederation of Indian Industry
CIPET	:	Central Institute of Plastics Engineering & Technology
CPDA	:	Citrate-Phosphate-Dextrose-Adenine
CPO	:	Chief Planning Officer
CRH	:	Combine Rice Harvester
CS	:	Certified Seed
CT Scan	:	Computed Tomography Scan
DC Bill	:	Detailed Contingent Bill
DCA	:	Drug Control Administration
DDA	:	Deputy Director of Agriculture
DDHPY	:	Dayal Hathkargha Protsahan Yojana
DDO	:	Drawing and Disbursing Officer
DEO	:	District Education Officer
DEOs	:	District Employment Officers
DES	:	Directorate of Economics and Statistics
DET	:	Director of Employment and Training
DG	:	Director General
DIE	:	Director of Intermediate Education
DME	:	Director of Medical Education
DoA	:	Department of Agriculture
DPR	:	Detailed Project Report

DSE	:	Commissioner and Director of School Education
DSO	:	District Supply Officer
EGMM	:	Employment Generation and Marketing Mission
ENC	:	Engineer-in-Chief
EOI	:	Expression of Interest
FCI	:	Food Corporation of India
FIB	:	Farm Implements Bank
FPSs	:	Fair Price Shops
FS	:	Foundation Seed
FTC	:	Farmers' Training Centre
GGH	:	Government General Hospital
GHMC	:	Greater Hyderabad Municipal Corporation
GLP	:	Good Laboratory Practices
GMP	:	Good Manufacturing Practices
GoI	:	Government of India
GPF	:	General Provident Fund
GSDP	:	Gross State Domestic Product
ha	:	hectare
Hb	:	Haemoglobin
HM	:	Headmaster
HMV	:	Heavy Motor Vehicle
HRA	:	House Rent Allowance
HUDCO	:	Housing & Urban Development Corporation
ICT	:	Information and Communication Technology
IEG	:	Institute of Electronic Governance
IHCDS	:	Integrated Handloom Cluster Development Scheme
IHDS	:	Integrated Handloom Development Scheme
IHTP	:	Integrated Handloom Training Project
IRR	:	Inner Ring Road
IRs	:	Inspection Reports
ISOPOM	:	Integrated Scheme of Oilseeds, Pulses, Oil palm and Maize
IT SEZ	:	Information Technology Special Economic Zone
IT&C	:	Information Technology and Communications
ITDA	:	Integrated Tribal Development Agency
ITeS	:	Information Technology enabled Services

ITI	:	Industrial Training Institutes
JDA	:	Joint Director of Agriculture
JLG	:	Joint Liability Group
JNAFU	:	Jawaharlal Nehru Architecture and Fine Arts University
JNNURM	:	Jawaharlal Nehru National Urban Renewal Mission
LCD	:	Liquid Crystal Display
LIG	:	Lower Income Group
LMV	:	Light Motor Vehicles
LoA	:	Letter of Acceptance
LPC	:	Last Pay Certificate
LPG	:	Liquefied Petroleum Gas
LRS	:	Land Regularisation Scheme
MAUDD	:	Municipal Administration and Urban Development Department
MBB	:	Mother Blood bank
MEPMA	:	Mission for Elimination of Poverty in Municipal Areas
MGS	:	Minimum Guaranteed Sum
MIG	:	Middle Income Group
MLA	:	Member of Legislative Assembly
MLC	:	Member of Legislative Council
MoU	:	Memorandum of Understanding
MP	:	Master Plan
MPLADS	:	Member of Parliament Local Area Development Scheme
MPR	:	Monthly Performance Report
MPS	:	Marine Police Station
MROs	:	Mandal Revenue Officers
MSP	:	Minimum Support Price
MT	:	Metric Tonne
NABARD	:	National Bank for Agriculture and Rural Development
NAC	:	National Academy of Construction
NAIS	:	National Agricultural Insurance Scheme
NBP	:	National Blood Policy
NCCF	:	National Calamity Contingency Fund
NCCP	:	National Cancer Control Programme
NCLP	:	National Child Labour Project
NFSM	:	National Food Security Mission

NGO	:	Non-Government Organisation
NHDC	:	National Handloom Development Corporation
NIIT	:	National Institute of Information Technology
OMCAP	:	Overseas Manpower Company of Andhra Pradesh
PAC	:	Public Accounts Committee
PACS	:	Primary Agricultural Co-operative Society
PASMA	:	Programme of Assistance for Small and Marginal Farmers in Agricultural production
PD	:	Project Director
PD Account	:	Personal Deposit Account
PHC	:	Primary Health Centre
PHN	:	Public Health Nurse
PNB	:	Punjab National Bank
QC	:	Quality Control
RCY	:	Rythu Chaitanya Yatra (Awareness programmes for farmers)
RD	:	Regional Director
RFP	:	Request for Proposals
RIDF	:	Rural Infrastructure Development Fund
RIMS	:	Rajiv Institute of Medical Sciences
RKVY	:	Rashtriya Krishi Vikas Yojana
RLB	:	Rural Local Bodies
RMG	:	Rythu Mitra Group
RMM	:	Reuse Methodology Manual
ROB	:	Road Over Bridges
RUS	:	Rajiv Udyogasri Society
SAAP	:	Sports Authority of Andhra Pradesh
SAMETI	:	State Agricultural Management Extension and Training Institute
SBTET	:	State Board of Technical Education and Training
SCERT	:	State Council of Educational Research and Training
SCR	:	South Central Railway
SDBP	:	Standardisation Division, Biological Products
SHG	:	Self Help Group
SLSC	:	State Level Sanction Committee
SMF	:	Small and Marginal Farmers
SPU	:	Seed Processing Unit

SRR	:	Seed Replacement Rate
SSF	:	State Seed Farm
STD	:	Short Term Deposits
STL	:	Seed Testing Laboratory
STO	:	Sub Treasury Officer
STs	:	Scheduled Tribes
SVP	:	Seed Village Programme
SW	:	Social Welfare
SWM	:	Solid Waste Management
TCC	:	Trauma Care Centre
TW		Tribal Welfare
UCs	:	Utilisation Certificates
ULBs	:	Urban Local Bodies
VBRIs	:	Veterinary Biological Research Institutes
VMC	:	Vijayawada Municipal Corporation
WHO	:	World Health Organisation
ZDPs	:	Zonal development Plans
ZP	:	Zilla Parishad