

# Chapter-1

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## Overview

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## **1.1 About this Report**

The Comptroller and Auditor General of India (CAG)'s audit arrangements in respect of the Government of Andhra Pradesh were restructured with effect from April 2012 with the aim of integrating audit efforts and presenting a sectoral perspective. Audit of Government offices, special purpose agencies, local bodies, Public Sector Undertakings, etc., has been integrated on suitable sectoral lines, such as 'Social', 'Economic', 'Revenue' and 'General'.

Pursuant to this restructuring, this year onwards, Audit Reports covering sector-wise State Government departments are being prepared separately by the CAG for submission to the Governor as per the provisions of the Constitution of India.

This Report of the 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 local bodies and autonomous bodies of the State pertaining to General and Social Sector.

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.

Compliance audit refers to examination of the transactions 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. On the other hand, Performance audit, besides including compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically, efficiently and effectively.

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

## **1.2 Profile of General and Social Sector**

A summary of the expenditure incurred during the last five years by the Departments of Government of Andhra Pradesh falling within the General and Social Sector is given below.

Table 1.1

(₹ in crore)

Sl. No.	Name of the Department	2007-08	2008-09	2009-10	2010-11	2011-12
<b>A</b>	<b>General Sector</b>					
1	Finance and Planning	19936.26	19769.25	23079.94	28572.35	30529.86
2	General Administration	353.76	594.14	717.03	444.09	705.90
3	Home	2190.04	2536.26	3068.72	3916.43	4412.53
4	Law	284.47	326.71	415.47	612.53	603.63
5	Revenue	975.95	1098.14	2132.93	1964.19	2412.21
6	State Legislature	49.40	54.09	53.56	51.08	84.69
	<b>Total (A)</b>	<b>23789.88</b>	<b>24378.59</b>	<b>29467.65</b>	<b>35560.67</b>	<b>38748.82</b>
<b>B</b>	<b>Social Sector</b>					
1	Backward Classes Welfare	497.24	1088.91	1181.74	1996.34	2758.53
2	Consumer Affairs, Food and Civil Supplies	1001.51	2771.67	2546.13	2415.79	2450.69
3	Health, Medical and Family Welfare	2529.28	3006.66	3323.02	4140.35	4980.25
4	Higher Education	1423.78	1334.60	1731.51	2551.16	2669.73
5	Housing	3207.60	4083.13	1398.34	1626.77	1743.33
6	Labour, Employment, Training and Factories	254.63	325.36	287.43	347.29	465.67
7	Minorities Welfare	123.33	195.72	197.88	324.62	370.33
8	Municipal Administration and Urban Development	2291.83	3527.45	3139.85	4054.53	4108.89
9	Panchayat Raj	3022.01	3768.10	2758.32	3533.15	2987.51
10	Rural Development	1982.83	2563.08	3159.24	3921.78	4855.68
11	School Education	5207.60	5827.19	6690.92	9906.66	12250.18
12	Social Welfare	1451.08	1448.93	1245.12	1776.64	1941.74
13	Tribal Welfare	565.86	705.10	765.45	961.50	1143.23
14	Women, Child, Disabled and Senior Citizens	831.98	1146.37	995.99	981.29	1513.03
15	Youth Advancement, Tourism and Culture	191.98	139.27	101.29	188.18	214.38
	<b>Total (B)</b>	<b>24582.54</b>	<b>31931.54</b>	<b>29522.23</b>	<b>38726.05</b>	<b>44453.17</b>
	<b>Grand Total (A+B)</b>	<b>48372.42</b>	<b>56310.13</b>	<b>58989.88</b>	<b>74286.72</b>	<b>83201.99</b>

Source: Appropriation Accounts of Government of Andhra Pradesh for the relevant years

### 1.3 Office of the Principal Accountant General (G&SSA), Andhra Pradesh

Under the directions of the CAG, the Office of the Principal Accountant General (General & Social Sector Audit), Andhra Pradesh conducts the audit of 21 departments and local bodies/PSUs/autonomous bodies thereunder 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 (DPC Act). CAG conducts audit of expenditure of the General and Social sector departments of the Government of Andhra Pradesh under Section 13<sup>1</sup> of the DPC Act. CAG is the sole auditor in respect of autonomous bodies/local bodies which are audited under sections 19(2)<sup>2</sup> and 20(1)<sup>3</sup> of the DPC Act. In addition, CAG also conducts audit, under Section 14<sup>4</sup> of DPC Act, of other autonomous bodies which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

### 1.5 Planning and conduct of audit

Audit process commences with the assessment of risk of the department/organisation/autonomous body/scheme, etc. based on the expenditure incurred, criticality/complexity of activities, priority accorded for the activity by the Government, 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. During 2011-12, 2042 units falling under General and Social Sector were audited.

After completion of audit of each unit, Inspection Report (IR) containing audit findings is issued to the head of the unit with a request to furnish replies within one

<sup>1</sup> Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Account and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts kept in any department of a State

<sup>2</sup> Audit of 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

<sup>3</sup> 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

<sup>4</sup> Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) 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

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

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 September 2012, 7163 IRs containing 43,595 paragraphs pertaining to the years upto 2011-12 were pending settlement as detailed below. Of these, first replies had not been received in respect of 716 IRs (8,711 paragraphs). The department-wise details are given in *Appendix 1.1*.

**Table 1.2**

Year	Number of IRs/Paragraphs as of 30 September 2012		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
2008-09 and earlier years	4971	24932	252	4234
2009-10	636	5586	-	-
2010-11	1044	7752	121	873
2011-12	512	5325	343	3604
<b>Total</b>	<b>7163</b>	<b>43595</b>	<b>716</b>	<b>8711</b>

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/ services, 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 January 2013, six departments have not submitted Explanatory Notes in respect of 13 paragraphs/reviews that featured in the Audit Reports for the years 2005-06 to 2010-11. The details are given in *Appendix 1.2*.

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 2012-13, twelve thematic/

draft paragraphs and four 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 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, one department<sup>5</sup> did not furnish reply to compliance audit paragraph. 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 13 departments of the Government of Andhra Pradesh during 2011-12. Audit focus during the year has been primarily on evaluating the implementation of specific Government programmes and initiatives in Social and General sectors so as to aid the Government in taking necessary corrective action to improve service delivery levels to the citizens. Initially, four Performance Audit reviews of schemes/department, one thematic paragraph and 11 draft paragraphs have been issued to Government. Of the 11 draft paragraphs initially proposed, in six cases, Government/department took remedial/rectificatory action on the points raised by Audit and hence these paragraphs have been withdrawn/not included in this report.

Significant results of audit that featured in this Report are summarised below:

### **1.7.1 Functioning of State Disaster Response and Fire Services Department**

*The State Disaster Response and Fire Services Department has been identified as a multi hazard first responder and entrusted with the task of safeguarding life and property during fire, floods, cyclones, earthquakes, etc. The Department is responsible for preventing and combating contingencies arising out of fire related incidents/disasters, and sensitising the public about fire hazards and preventive measures. Considering the inadequate priority accorded to it by the State Government, and the meagre budgetary resources allocated to it, the Department has been doing a yeoman service to the State in containing the impact of fire accidents. However, there are far too few fire stations in the State and the infrastructure and equipment with the Department is inadequate to ensure its efficient and effective functioning.*

*A comprehensive audit of the Fire Services Department was carried out in 2002-03 and the findings were included in the CAG's Report on the Government of Andhra Pradesh for the year ended 31 March 2003. Significant lacunae in the functioning*

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<sup>5</sup>Higher Education (in respect of Audit paragraph about 'Delay in construction of Multipurpose Auditorium')

of the Department were highlighted in that Report and various measures were recommended to streamline the procedures. This is a follow up audit to see the extent of improvement in the functioning of the Department during the last ten years. The current audit of the Department covered the period 2007-12 and the seven<sup>6</sup> test checked districts included four<sup>7</sup> out of the five districts which formed part of the earlier audit sample.

Significant audit findings are given below:

- *State Government has not implemented any of the major recommendation of the Sub-Committee constituted by the State Government despite the lapse of over three years (November 2012). State Government has also not accorded adequate priority to the Department in terms of budgetary allocation to fulfill the envisaged role. Further, non-release of funds from Calamity Relief Fund as prescribed by the Government of India, hampered the modernisation process in the Department. (Paragraphs 2.3.3, 2.4 and 2.4.1)*
- *The Department has not complied with the norms of SFAC<sup>8</sup> with regard to infrastructure and was ill equipped to handle fire related exigencies in the State. There was no fire station in 875 (out of 1,128) Mandals and 89 (out of 294) Assembly constituencies. No new fire station was set up during the period 2007-12 despite specific recommendations by Audit and the Sub-Committee constituted by the State Government. The shortfall in this regard stood at 95 per cent. This had a cascading effect on the response time, which went upto 70 minutes and 152 minutes in urban and rural areas respectively, in the major fire incidents reviewed in Audit. The response time was above 30 minutes and above 60 minutes in 20 urban and 60 rural major and serious fire incidents respectively reviewed in Audit in the seven sampled districts. (Paragraphs 2.5.1.1, 2.5.1.2 and 2.5.2.1)*
- *Infrastructure in the existing fire stations was inadequate. Out of 85 fire stations test checked in Audit, six had no shelters for fire tenders and 17 were in a dilapidated condition. There was a huge gap between the requirement and availability of equipment like fire tenders, rescue vans, etc. The Department did not also utilise the equipments already procured such as Very High Frequency radio sets, etc. Availability of water source within the vicinity of fire stations was not ensured. (Paragraph 2.5.1.2)*
- *Awareness programmes were not conducted in the sampled districts (except YSR (Kadapa) district and some cases in Hyderabad district) to sensitise the public about the fire safety and prevention aspects. Auxiliary services have not been constituted in any of the seven sampled districts. (Paragraph 2.5.2.2)*

<sup>6</sup> Chittoor, Hyderabad, Krishna, Mahbubnagar, Ranga Reddy, Visakhapatnam and YSR districts

<sup>7</sup> Chittoor, Hyderabad, Krishna and Visakhapatnam districts

<sup>8</sup> Standing Fire Advisory Council

- *Hazardous premises were only partially identified to enforce fire safety code/ norms and the District Fire Officers (DFOs) did not take action against the defaulters despite violation of specific fire safety norms and non-enforcement of fire precautionary measures. Joint physical verification of public places such as Government buildings, hospitals, educational institutions, theatres, etc. by Audit and the department officials revealed several violations of fire safety norms.*

*(Paragraph 2.5.2.2)*

- *There was considerable shortfall in key posts such as fireman and driver operator, and firefighting operations were carried out without full strength in all seven sampled districts. In 207 out of the 293 cases of major fire incidents reviewed, there were only one or two firemen as against three required.*

*(Paragraphs 2.6.1. and 2.6.2)*

- *Training and skill development programmes were not given adequate thrust. The State Training School did not have specific action plan for imparting training courses during the period 2007-12. None of the 811 Home Guards who were taken on deputation to the Department, was trained in firefighting. Departmental inspections did not take place at regular intervals and expenditure controls were also weak. Internal audit of the district offices (except Visakhapatnam district) was not conducted during the period 2007-12.*

*(Paragraphs 2.6.3.1, 2.6.3.2, 2.7.1, 2.7.3 and 2.7.4)*

### **1.7.2 Scholarship schemes for SC, ST, BC and Minority students**

*Scholarship schemes represent an important social welfare measure initiated by the Central and State Governments to increase the enrolment and ensure retention of Scheduled Caste (SC), Scheduled Tribe (ST), Backward Classes (BC) and Minority community students in educational institutions. Government of Andhra Pradesh has been implementing these schemes through the Departments of Social Welfare, Tribal Welfare, Backward Classes Welfare and Minorities Welfare. The benefits of these schemes are provided to pre-matric as well as post-matric students based on the parameters specified by the Government from time to time.*

*Performance Audit of implementation of Scholarship schemes was taken upto assess if all the eligible students are being provided with timely scholarship. Significant findings that emerged from this audit are summarised below:*

#### **Planning**

*Scholarship is provided on saturation basis<sup>9</sup> and the Government is required to identify the eligible students before sanctioning the scholarship amount. While the departments were not ensuring compliance with the prescribed format with regard*

<sup>9</sup> Saturation basis implied that all the students who are eligible for sanction of scholarship are sanctioned. In case the student is not sanctioned during the current year, he is sanctioned scholarship on priority basis in the subsequent year



*to income level of parents, there is no mechanism with the Government to derive assurance about the other details of students like proof of address, etc. Audit compared the data in the ePASS system (scholarship application) with the civil supplies database, which revealed that there are numerous cases where ration card details given in scholarship database do not exist in civil supplies database. This is further reinforced by the fact of inability of the nodal banks in crediting the scholarship amounts to the students' accounts in some cases due to absence of the requisite details.*

*(Paragraph 3.3.1)*

### **Budget Releases and Expenditure**

- *About 24 per cent of allocated funds remained unutilised during 2008-12 with regard to post-matric scholarships, due to freezing of budget by the Government.*
- (Paragraph 3.4.2)*
- *Government introduced payment of scholarships through Nodal Banks, which were to furnish the drawal particulars of scholarships and the details of inoperative accounts of students college-wise every quarter to the District Officer. Huge amounts (₹176.83 crore) remained undisbursed with the nodal banks, Corporate Internet Banking (CINB) and PD accounts.*
- (Paragraph 3.4.2.4)*
- *Release of funds by the Government without any inputs from the Corporations resulted in ₹99.60 crore pertaining to various scholarship schemes funded by GoI and State Government being accumulated with these Corporations<sup>10</sup> (APSMFC: ₹80.70 crore, APSCMFC: ₹10.44 crore, UAAP: ₹8.46 crore) as of March 2012.*
- (Paragraph 3.4.2.1)*
- *4,156 eZpay/ATM cards were stolen during November 2010 to December 2011 in four divisions of District BC Welfare Officer, Hyderabad and an amount of ₹17.25 lakh (90 per cent of the total amount of ₹19.12 lakh credited into these accounts) was fraudulently withdrawn from 471 bank accounts.*
- (Paragraph 3.4.2.6)*
- *Utilisation certificates for 70 per cent of the funds (₹1,122 crore) released were yet to be furnished by the District Welfare Officers/educational institutions.*

*(Paragraph 3.4.2.8)*

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<sup>10</sup> Andhra Pradesh State Minority Finance Corporation Limited (APSMFC), Andhra Pradesh State Christian (Minority) Finance Corporation (APSCMFC) and Urdu Academy of Andhra Pradesh (UAAP)

### Pre-matric scholarship schemes

- *Though GoI had released ₹16.93 crore during 2008-10 as its share for implementation of the schemes, State Government did not provide its matching share including the committed liability during the period. As a result, GoI did not release any further funds during 2010-12.* (Paragraph 3.5.1)

### Post-matric scholarship schemes

- *There were numerous errors in ePASS system. Due to inadequate validation controls, ePASS application permitted processing of several irregular/excess payments/bogus claims involving an amount of ₹64.71 crore.*

(Paragraphs 3.6.3.2 to 3.6.3.4 and 3.6.3.6 to 3.6.3.8)

- *There were enormous delays in sanction/disbursement of scholarship to students. Upto 19 per cent students were not sanctioned Maintenance Fees (MTF) and Reimbursement of Tuition Fee (RTF) in the same academic year during 2009-11, which resulted in the college managements collecting the fee during the year coercively from the students.* (Paragraph 3.6.3.5)
- *RTF and MTF amounting to ₹6.18 crore was irregularly sanctioned to students who were admitted under Management Quota in Engineering/MBA/MCA/B. Ed courses for the year 2009-10.* (Paragraph 3.6.5.2)
- *State Government enhanced the rates of scholarship of students belonging to Minority communities on par with Backward Classes from 2008-09 onwards. However, while sanctioning scholarships, the enhanced rates were not applied, thereby depriving the minority community students of the payment of enhanced rates of scholarship involving an amount of ₹2.70 crore.* (Paragraph 3.6.5.5)
- *Verification Officers did not exercise due diligence in verification of scholarship applications and this resulted in sanction of scholarship at higher rates in some cases. Due to non-maintenance of the records relating to the attendance of the students, scholarships were being sanctioned without ensuring the prescribed checks.* (Paragraphs 3.6.5.1, 3.6.5.6 and 3.6.5.7)
- *Huge variations in the tuition fee structure were observed for the same course offered by different colleges of different Universities resulting in payment of different rates for the same course.* (Paragraph 3.6.5.10)

### Beneficiary Survey

*Beneficiary survey conducted by visiting the selected colleges in the sampled districts and through information received from 3,061 students online by Audit disclosed that:*

- *66 per cent students received scholarship with delays ranging from one year to three years.*

- 34 per cent students were facing problems in submitting the application.
- 21 per cent students were facing problems in obtaining sanction of scholarship.
- 9 per cent students were forced to pay RTF in advance to the college.
- 15 per cent students have not received their full scholarship.
- 11 per cent students stated that their eZpay cards were retained by the College management. (Paragraph 3.7.5.1)

### **1.7.3 Implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM)**

GoI launched the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in December 2005 with the aim of encouraging reforms and fast tracking planned development of identified cities, with focus on efficiency in urban infrastructure and service delivery mechanism, community participation and accountability of Urban Local Bodies (ULBs) toward citizens. Out of the 65 'Mission cities' identified under JNNURM, four - Hyderabad, Visakhapatnam, Vijayawada and Tirupati are from the State. As of March 2012, GoI had approved 251 projects, with a total project cost of ₹11,907 crore, for Andhra Pradesh.

Performance audit of the implementation of JNNURM was carried out to ascertain whether the stipulated reforms agenda was achieved effectively, requirements for infrastructural development of cities were comprehensively assessed, and individual projects were planned appropriately and executed economically and efficiently, and achieved their intended objectives. 74 projects with a total approved project cost of ₹6,352 crore (53 per cent) in all four Mission cities and 38 Non-Mission cities were selected for detailed audit scrutiny. Significant findings of this Performance Audit are summarised below:

#### **Implementation of Reforms**

JNNURM was envisaged as a national level reform linked investment initiative. While State level reforms were implemented, there were delays in implementation of reforms in most of the ULBs vis-à-vis the targeted milestones. The reports to GoI on successful achievement of reforms by the State Level Nodal Agency (SLNA) and the ULBs in respect of shift to accrual based double entry accounting system were inappropriate. Ninety per cent collection efficiency of property tax and 100 per cent cost recovery for water supply and solid waste management as stipulated, was not achieved in all the ULBs. (Paragraph 4.3)

#### **Programme Implementation**

- Out of 74 projects of different categories viz., Sewerage, Water Supply, Storm Water Drains, Housing and Urban Transport selected for detailed scrutiny, only 28 (38 per cent) projects were completed and commissioned as of June 2012. The main reasons for delay in completion of the projects, as seen from a test-check, were faulty planning in laying of pipe lines with regard to

*sewerage and water supply, change of technology, non-finalisation of land, non-identification of water source prior to initiation of water supply projects, delay in obtaining permission from other departments, etc.*

*(Paragraphs 4.7.1 and 4.7.2)*

- *16 sewerage projects sanctioned during 2005-09 with an approved cost of ₹1,781 crore were taken up for detailed audit scrutiny. Even though, ₹1,090 crore was incurred on these projects, only one project was completed. Likewise, out of 35 water supply projects sanctioned during 2005-09 with an approved cost of ₹2,457 crore taken up for detailed scrutiny in audit, only 11 projects were commissioned as of June 2012. (Paragraphs 4.7.3 and 4.7.5)*
- *None of the five sampled housing projects sanctioned during 2005-08 were completed as of June 2012, even after incurring an expenditure of ₹1,159 crore. The status of completion of houses in Tirupati was particularly poor. The main reasons for delay were non-availability of land and paucity of funds. (Paragraphs 4.7.7, 4.7.7.2 and 4.7.7.3)*
- *Tendering process involved several irregularities. Established procedures for evaluation of tenders were not followed and contracts were awarded to single bidders. There were instances of splitting of works into multiple packages and award on nomination basis. (Paragraph 4.6)*

### **Monitoring and Evaluation**

*Third Party Inspection and Monitoring Agencies/Independent Review and Monitoring Agencies (TPIMAs/IRMAs) to be appointed for monitoring the implementation of the projects of some of the test checked projects were appointed after the projects were conceived. Consequently, their role could not cover the pre-construction stages of the projects concerned. (Paragraph 4.8)*

### **Impact assessment**

*In order to assess the impact of the implementation of the project, beneficiary survey was conducted in Audit. 1,528 beneficiaries of 20 projects were surveyed at random to gauge their perception about related projects. About 85 - 90 per cent of the beneficiaries surveyed in respect of sewerage projects, expressed satisfaction and stated that water logging in their area had been reduced after implementation of these projects. However, beneficiary perception with regard to water supply, storm water drains and housing was mixed. While some of the beneficiaries expressed satisfaction with regard to unclogging of drains and quality of amenities in general post execution of projects, beneficiaries in Hyderabad and Tirupati expressed dissatisfaction on the size of dwelling units, lack of water/drainage facilities, improper/poor conditions of roads and stink from the decayed garbage from the dumping yard. Impact assessment carried out by Audit reinforced the need to implement the projects expeditiously and reap the envisaged benefits.*

*(Paragraph 4.9)*

#### **1.7.4 Implementation of Rural Water Supply Schemes**

*The National Rural Drinking Water Programme (NRDWP) is one of the flagship programmes of GoI for rural drinking water supply. Originally introduced as the Accelerated Rural Water Supply Programme (ARWSP) in 1972-73, this programme was modified/re-designated as the National Drinking Water Mission (1986) and the Rajiv Gandhi National Drinking Water Mission (1991), before being revised with effect from April 2009 as the NRDWP.*

*A performance review of the ARWSP was carried out in 2007 covering the implementation of rural water supply schemes in the State during 2002-07 and the findings featured in the Audit Report of the CAG of India on the Union Government for the year ended 31 March 2008. This report brought out several lapses in the implementation of rural water supply schemes in the areas of planning, execution of schemes, financial management, sustainability issues, O&M related aspects and monitoring. Five years down the line, it was decided to carry out another performance audit of rural water supply schemes to assess whether the State Government has taken adequate corrective measures to improve the implementation of the Scheme in its latest version as NRDWP. Audit scrutiny revealed that the lacunae pointed out in the earlier report of CAG on this subject have not been addressed adequately and several lapses continue to persist. Significant audit findings on various issues are given below:*

- No survey has been carried out during the recent past/during the audit review period to validate the details of coverage of habitations as reflected in the State MIS. Lack of adequate attention to sustainability of water sources led to several habitations slipping back from FC to PC status. During the period 2007-12, 15,988 PC habitations (49 per cent) were slipped back habitations from FC status. (Paragraph 5.4.1)*
- Annual Action Plans (AAPs), which were to be prepared as per ARWSP/NRDWP guidelines to provide a definite direction to the programme and ensure regular monitoring of the physical and financial progress, were not prepared by the Government for the period (2007-11) covered in audit. (Paragraph 5.5.1)*
- As per the guidelines, priority should have been accorded for completion of incomplete works as well as problem habitations. Twenty seven incomplete projects out of 66 test checked in Audit indicated non-compliance with this requirement, as these were all sanctioned way back between 2002-2010. (Paragraph 5.5.1)*
- Out of 538 CPWS schemes sanctioned by the Government to the end of March 2012, only 292 (54 per cent) were taken up for execution. Of these, 56 schemes have been completed and 236 schemes are in progress. (Paragraph 5.7)*

- *Audit scrutiny revealed numerous deficiencies in execution and implementation of works of selected schemes. These included cases of non-completion/delayed completion of works, time and cost overrun, incorrect prioritisation of works, and other cases of unfruitful expenditure. The main reasons for non-completion of schemes are lack of forest clearance for laying of pipes, delay in obtaining water drawal permission from Irrigation Department and non-acquisition of land.* (Paragraph 5.7)
- *Out of 2,975 sustainability-related works sanctioned during 2006-11 at a cost of ₹162.56 crore by the State Government, only 734 works costing ₹2.62 crore (2 per cent) were taken up for execution.* (Paragraph 5.8)
- *Quality of water was not given due importance as reflected in inadequate infrastructure for testing at the district level and non-compliance with the periodic testing requirements. Field testing kits distributed at the village level remained idle for want of chemicals/vials.* (Paragraph 5.9)

## **1.7.5 Compliance Audit observations**

### **1.7.5.1 Functioning of Polytechnics**

*Audit of 21 (out of 115) Government Polytechnics revealed that there was no action plan for setting up of new polytechnics and the courses introduced did not match the seats available in various engineering courses. Second shift was introduced in polytechnics although hostel facilities were poor and there was dearth of staff and infrastructure in these institutions. Under the scheme of “Sub-mission on Polytechnics under Coordinated Action of Skill Development” only a meagre 18 per cent of GoI releases (₹11.44 crore out of ₹61.69 crore) made in 2009-12 was utilised by the concerned polytechnics, leaving the remaining funds unutilised with the Principals (₹12.80 crore/21 per cent) and State Government (₹37.45 crore/61 per cent). Audit observed deficiencies in the test checked polytechnics with regard to availability of infrastructure such as laboratory/workshop facilities, LAN facilities, non-functional equipment, toilet facilities, etc. Huge vacancies existed in the categories of staff that were essential for functioning of the polytechnics. Out of the total 24,769 students who passed out during the years 2008-09 to 2010-11, only 4,672 (19 per cent) were provided apprenticeship and only 3,770 (15 per cent) were employed. This is an area of concern which has to be addressed at the earliest.*

(Paragraph 6.1)

### **1.7.5.2 Delay in completion of Multipurpose Auditorium**

*Delay in providing drawings and designs by Jawaharlal Nehru Technological University College of Engineering, Anantapur and change in designs mid-way, coupled with non-award of contract for completion of balance work resulted in unproductive expenditure of ₹1.87 crore in construction of multipurpose Auditorium, with time over run of six years and cost escalation by ₹3.19 crore as of October 2012.*

(Paragraph 6.2)

### **1.7.5.3 Five Star Hotel project at Shilparamam**

*Due to non-adoption of the prevalent market value while fixing lease rentals for the land allotted to set up a five star hotel for promoting tourism at Shilparamam, Hyderabad, under Public Private Partnership mode, there is a revenue loss of at least ₹29.36 crore for the lease period of 33 years thereby conferring an undue benefit to the developer to that extent.* (Paragraph 6.3)

### **1.7.5.4 Bay Park Resorts project at Rishikonda**

*Non-allotment of full extent of agreed land to the Developer, coupled with lack of urgency and initiative in renegotiating Development and Management Agreement by the Department (consequent upon refusal of de-notification of 13 acres of forest land by Ministry of Environment & Forests in February 2009) resulted in the Bay Park Resorts Project on the Visakhapatnam - Bheemili road not being completed even after the lapse of over 11 years, thereby defeating the objective of promoting the coastal city of Visakhapatnam as an international tourist destination.*

(Paragraph 6.4)

### **1.7.5.5 Excess payments of dental treatment claims**

*Non-compliance with Government orders of April 2007 relating to medical reimbursement (dental treatment) claims by the Drawing & Disbursing Officers while admitting medical claims, and failure of the treasury officers in exercising due diligence while passing the bills, resulted in excess payment of ₹1.06 crore on account of dental treatment claims.* (Paragraph 6.5)

### **1.7.5.6 Functioning of AP Building and Other Construction Workers' Welfare Board**

*Absence of an appropriate mechanism to ensure that all the construction workers are identified and registered, and the correct amount of Cess is levied and collected from all the building construction employers, resulted in the objective of setting up the AP Building and Other Construction Workers' Welfare Board not being fully achieved.* (Paragraph 6.6)