

Chapter I

Overview

1.1 About this Report

This Report of the Comptroller and Auditor General (CAG) on General and Social Sectors of Government of Andhra Pradesh relates to matters arising from Performance Audits of ‘National Rural Drinking Water Programme’ and ‘Right of Children to Free and Compulsory Education’; and compliance audit of various Government Departments.

This Chapter provides the audited entity’s profile, planning and extent of audit and a synopsis of the significant audit observations. Chapter II of this Report deals with the findings of Performance Audit; and Chapter III deals with compliance audit of various Departments.

1.2 Audited Entity’s Profile

There are 30 Departments in the State at the Secretariat level headed by Special Chief Secretaries/ Principal Secretaries/ Secretaries. They are assisted by Commissioners/ Directors and Sub-ordinate Officers. Of these, 20 Departments are coming under General and Social Sectors. This Report includes the results of audit of nine Departments out of 20 Departments dealt with in General and Social Sectors.

1.3 Authority for audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, (CAG’s DPC Act) 1971. The CAG conducts audit of expenditure of General and Social Sector Departments of Government of Andhra Pradesh under Section 13¹ of the CAG’s DPC Act, 1971. In addition, the CAG conducts audit of autonomous bodies substantially financed by the State Government. Principles and methodologies for various audits are prescribed in Auditing Standards and Regulations on Audit and Accounts, 2007 issued by the CAG.

1.4 Planning and conduct of audit

Audit process starts with the risk assessment of the Department/ organisation as a whole and that of each unit. The assessment was based on expenditure incurred, criticality/ complexity of activities and level of delegated financial powers and assessment of internal controls. Previous audit findings were also considered in this exercise. Based on this risk assessment, the frequency and extent of audit were decided. An Annual Audit Plan was formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to Heads of the entities. The entities are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies were received, audit findings were either settled or further action for compliance was advised. The important audit observations made in the Inspection Reports/Performance Audit were processed for inclusion in the Audit Reports. These are submitted to the Governor

¹ Audit of (i) all transactions from Consolidated Fund of State, (ii) all transactions relating to 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

of Andhra Pradesh under Article 151 of the Constitution of India for being laid before the Legislature of the State.

1.5 Response to Audit

Heads of offices and next higher authorities are required to respond to observations contained in Inspection Reports (IRs) and take appropriate corrective action. Audit observations communicated in Inspection Reports are also discussed in meetings at district/ State levels by officers of the Accountant General's office with officers of the Departments concerned.

As of 30 September 2017, 3019 IRs containing 24,505 paragraphs pertaining to the years up to 2016-17 were pending settlement as detailed in **Table-1.1**. Of these, no replies have been received in respect of 328 IRs (5,853 paragraphs). Department-wise details are given in *Appendix-1.1*.

Table-1.1

Year	Number of IRs/Paragraphs as of 30 September 2017		IRs/Paragraphs where no replies have been received	
	IRs	Paragraphs	IRs	Paragraphs
2012-13 and earlier years	2434	15605	71	1228
2013-14	51	1093	1	38
2014-15	159	2740	28	685
2015-16	189	2662	98	2022
2016-17	186	2405	130	1880
Total	3019	24505	328	5853

Lack of action on audit Inspection Reports and paragraphs is fraught with risk of perpetuating serious financial irregularities pointed out in these reports.

1.5.1 Follow up action on Audit Reports

As per instructions issued by Finance and Planning Department in November 1993, administrative Departments were required to submit Explanatory Notes on paragraphs and performance audits included in Audit Reports within three months of their presentation to Legislature. The Explanatory Notes were to be furnished without waiting for any notice or call from Public Accounts Committee, duly indicating action taken or proposed to be taken. However, as of 30 September 2017, 13 Departments have not submitted Explanatory Notes in respect of 44 paragraphs/ Performance Audits that featured in the Audit Reports for the years 2006-07 to 2015-16. Details are given in *Appendix-1.2*.

Further, all Departments were required to send their responses to draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India, within six weeks of their receipt. During 2017-18, two Performance Audits and nine draft paragraphs were forwarded to the Special Chief Secretaries/ Principal Secretaries/ Secretaries of the Departments concerned. Government replies have been received from

six Departments² in respect of two Performance Audits and five paragraphs as on the date of finalisation of this Report. The responses of the Departments have been appropriately incorporated in the Report.

1.6 Overview of audit observations on Performance Audits

1.6.1 National Rural Drinking Water Programme

National Rural Drinking Water Programme (NRDWP) is a centrally sponsored scheme. NRDWP aims to provide every rural person with adequate safe water on sustainable basis. The Performance Audit of implementation of NRDWP in the State was conducted covering the period 2012-17. The following significant observations were made in the Performance Audit of the scheme.

Institutional mechanism

State Water and Sanitation Mission (SWSM) headed by Principal Secretary to Government did not review the activities as envisaged in the guidelines during the review period.

(Paragraph 2.1.4)

Fund Management

An amount of ₹110.57 crore remained unspent at the end of March 2017 due to delay in completion of schemes and schemes not started.

(Paragraph 2.1.6)

Short / delayed release of funds

State Government had short released (2014-17) an amount of ₹178.87 crore towards its matching share. Delays ranging from 12 days to 249 days were noticed in transfer of funds of ₹655.27 crore by State Government to SWSM during 2015-17.

(Paragraphs 2.1.6.2 and 2.1.6.3)

Status of schemes

State Government could not avail GoI contribution of ₹455.02 crore due to non-starting of schemes, even though preliminary works such as investigation, survey, preparation of Detailed Project Reports (DPRs) were completed.

(Paragraph 2.1.7.3)

Water Quality Testing

All drinking water sources should be tested at least twice a year for bacteriological contamination and once a year for chemical contamination. However, SWSM did not achieve the targets fixed in respect of water samples tested during the period 2012-17.

(Paragraph 2.1.7.8(b)(i))

Commissioning of schemes

Seven schemes were not commissioned after completion of works and seven schemes were stopped mid-way. This resulted in unfruitful expenditure of ₹491.83 crore.

(Paragraphs 2.1.7.9 (a)(i) & (iii))

² Higher Education, Home, Panchayat Raj and Rural Development, Revenue, School Education and 'Youth Advancement, Tourism and Culture'

Conclusion

The State Government did not ensure supply of adequate quantity of water. This resulted in increase in number of partially covered habitations. Government did not introduce water metering and did not conduct water and energy audits to reduce the unaccounted/wastage of water. Schemes were functioning with over dependence on ground water.

1.6.2 Right of Children to Free and Compulsory Education

The Right of Children to Free and Compulsory Education (RTE) Act, 2009 became operational with effect from 01 April 2010 to make elementary education a right of all children. The RTE Act provides right to free and compulsory education to all children in the age group of 6-14 years in a neighbourhood school from class 1 to class 8. Government of Andhra Pradesh notified the AP Right of Children to Free and Compulsory Education Rules (RTE Rules), 2010.

Performance Audit of implementation of the RTE Act in the State was conducted covering the period from inception (2010-11) to 2016-17. An overview of findings of this Performance Audit is given below:

Conduct of Survey

RTE Rules, 2010 stipulated that Local authority should maintain a record of all children through a household survey from their birth till they attain the age of 14 years and the data should be updated each year. Scrutiny of records in the test-checked schools revealed that no household survey was conducted during 2010-17 to identify all the children in the age group of 6-14 years.

(Paragraph 2.2.4.1)

School mapping and neighbourhood schools

RTE Rules provided for Mapping of schools to identify and establish Primary and Upper Primary schools within the neighbourhood (i.e., one and three km respectively from the habitation). Government had not conducted mapping of schools.

(Paragraph 2.2.4.2)

Targets for Enrolment and Trends of enrolment

Government organised programmes like *Badi Bata*, *Badi Pilustondi*, *Mana Vuru-Mana Badi* to enroll students in Government Schools. However, the Gross Enrolment Ratio in respect of Primary classes decreased from 91 *per cent* in 2010-11 to 83 *per cent* in 2016-17.

(Paragraphs 2.2.4.4 and 2.2.4.5)

Dropout rate of children

Child tracking system to monitor retention and academic progress of children, which the State Government had committed in 2010-11, was still not in place.

(Paragraph 2.2.4.8)

Pupil-Teacher Ratio

There were no teachers in 1,014 Primary schools and 37 Upper Primary schools during 2016-17. Services of teachers from neighbouring schools/ Vidya Volunteers were being utilised in these schools. Audit observed in sampled schools that shortage of teachers was mainly in Mathematics, Science and Social Studies subjects which affected the performance of the children.

(Paragraph 2.2.4.11)

Supply of Uniforms

Uniforms were to be supplied to children during June-August every academic year. Audit observed that uniforms were not supplied to 37 per cent of children in the test-checked schools. Audit observed in test-checked districts that during 2010-17, school uniforms were supplied during the months of December-April.

(Paragraph 2.2.4.17)

Appointment of Chartered Accountants

A Selection committee was to select Chartered Accountant (CA) firm and the Executive Council of Sarva Shiksha Abhiyan (SSA) was to approve it. However, the Principal Secretary, School Education approved the appointment of Chartered Accountants without committee's involvement from 2011-12.

(Paragraph 2.2.5.7)

State Advisory Council

RTE Rules, 2010 envisaged constitution of a State Advisory Council chaired by the Minister for School Education to advise the State Government on implementation of the provisions of the Act in an effective manner. The Council was to meet once in every three months. Government constituted the Council belatedly in 2014, after four years of implementation of the Rules/Act. However, the Council had not conducted any meeting as of July 2017 due to pre-occupation of Council members.

(Paragraph 2.2.6.1)

Conclusion

Comprehensive household survey of children in the age group of 6-14 years was not conducted. Government had not designed Geographical Information System (GIS) mapping to identify the availability of schools in the neighbourhood of habitations as stipulated. There was shortage of teachers at both Primary and Upper Primary levels. Infrastructure deficiencies continued. Department had not taken adequate steps to improve the learning levels and performance of students. Government was yet to achieve the objective of the 'Right of Children to free and compulsory education' Act.

1.7 Overview of audit observations on Compliance Audit

1.7.1 Implementation of Economic Support Schemes for Scheduled Castes

The Andhra Pradesh Scheduled Castes Cooperative Finance Corporation Limited (Corporation) implemented Economic Support (ES) Schemes (i) with bank linkage wherein banks provide loan assistance and (ii) without bank linkage where loan facility is directly provided by Corporation itself. The aim of the ES Schemes was to ensure

economic empowerment of poor Scheduled Castes (SC) families through creation of sustainable livelihood by giving priority to poorest of the poor. An audit of implementation of Economic Support schemes revealed the following deficiencies:

- The Corporation had not conducted survey to identify the poorest of the poor beneficiaries. Database of eligible beneficiaries was not obtained.
- The achievement of targets stood at 53 *per cent* in respect of bank linked schemes. Timelines were not adhered to, leading to delay in implementation of the schemes.
- Audit teams, during joint survey, could not meet / locate 31 *per cent* of the beneficiaries. Further, 59 *per cent* of the units sanctioned by the Corporation were not started.
- The software package lacked validation controls to check eligibility norms and control the repetition of beneficiary data.

Thus, there was no assurance that the Economic Support schemes had achieved the objective of providing sustainable livelihood to the poorest of the poor among SCs.

(Paragraph 3.1)

1.7.2 Implementation of Economic Support Schemes for Scheduled Tribes

Andhra Pradesh Scheduled Tribes Cooperative Finance Corporation Limited (TRICOR) is responsible for monitoring the implementation of the Economic Support Schemes in the State. The Economic Support Schemes are intended for the socio-economic development of Scheduled Tribes (STs). Audit of implementation of Economic Support Schemes revealed the following deficiencies:

- There were delays in processing of applications leading to delay in starting the units.
- Subsidy amount was lying in personal deposit account due to entry of invalid bank account numbers.
- Committee had not recorded any reasons for not selecting the beneficiaries, in cases of applications rejected. This indicated that selection of beneficiaries was not transparent.
- Non-release/delayed release of loans to the beneficiaries resulted in non-starting of the units.
- There were system control lapses in Online Beneficiary Management and Monitoring System (OBMMS) package. These lapses led to accepting the applications without Aadhaar number and without ensuring eligibility norms stipulated.
- TRICOR had not fully utilised the loan obtained from National Scheduled Tribes Finance and Development Corporation.
- During joint survey in SPS Nellore district, beneficiaries were not available at given address in 18 cases in which units were stated to have started functioning during 2014-16.

Thus, it was not ensured that the Economic Support schemes had achieved the objective of socio-economic development of Scheduled Tribes.

(Paragraph 3.2)

1.7.3 Follow-up on Performance Audit of Functioning of State Disaster Response and Fire Services Department

Performance Audit of functioning of the Department covering the period 2007-12 featured in the Report of the Comptroller and Auditor General (CAG) of India for the year ended March 2012. In the Performance Report, CAG had made five recommendations to the Government. Audit of follow-up on recommendations revealed that:

- Of the five recommendations, Government had implemented three recommendations partially.
- There was no progress in implementation of the remaining two recommendations as of July 2017.

(Paragraph 3.3)

1.7.4 Excess payment

Contrary to agreement conditions, Jawaharlal Nehru Technological University (JNTU), Anantapur allowed extra lead to the contractor on conveyance of materials procured during execution of work. An excess payment of ₹ 3.94 crore was made to the contractor in construction of University College of Engineering at Kalikiri (Chittoor district).

(Paragraph 3.4)

1.7.5 Construction of women's hostel buildings in Polytechnics

Injudicious selection of Government Polytechnics for construction of buildings for women's hostels without need analysis resulted in idle infrastructure and wastage of resources. The expenditure of ₹ 5.65 crore incurred on eight hostel buildings remained unfruitful. Two other buildings constructed at a cost of ₹ 1.78 crore were being used for other purposes defeating the objective of the scheme.

(Paragraph 3.5)

1.7.6 Avoidable expenditure on supply of kerosene to the Hudhud cyclone victims

Government intended to supply kerosene free of cost to *Hudhud* cyclone affected families during non-restoration of electricity. However, District Administration supplied 2,268 kilo litres of kerosene after restoration of electricity rendering the expenditure of ₹12.92 crore incurred on procurement of kerosene avoidable.

(Paragraph 3.7)

1.7.7 Mini Sports Complex stalled mid-way

Sports Authority of Andhra Pradesh had not released the funds for the work 'Construction of Mini Sports Complex at Pulivendula (YSR district)'. The work had stalled mid-way due to lack of funds. The work remained incomplete for over four years after incurring expenditure of ₹ 2.11 crore.

(Paragraph 3.8)