

CHAPTER IV

AUDIT OF TRANSACTIONS

4.1 Infertuous/wasteful expenditure and overpayment

EDUCATION DEPARTMENT Osmania University

4.1.1 Improper outsourcing of IT application

Due to defective agreement with the firm and negligence of Special Officer (Infrastructure) the entire expenditure of Rs 72.11 lakh on computerisation of Osmania University administration proved to be wasteful.

The Registrar of Osmania University invited (February 2001) quotations on a Build, Operate and Transfer (BOT) basis for (i) development and maintenance of administrative application software, (ii) website development, hosting, maintenance and content management and (iii) provision and maintenance of 512 kbps internet access for a period of five years. An earlier decision (August 1999) to get these done through University Computer Centre was annulled to avoid technological obsolescence and the burden of maintenance of IT infrastructure. The University invited quotations from those firms which are in IT business for the past 10 years, but it did not mention the requirement of experience in software development, which was essential for developing the required software.

Though the lowest bidder¹ did not claim any experience in software development unlike the other bidders, the work was entrusted (June 2001) to it at a monthly payment of Rs 3.50 lakh for a period of five years. As per the agreement entered into by the Registrar, the firm was supposed to develop all the modules of software and make them operational within a period of six months from the date of contract (June 2001). The firm provided (July 2001) 512 kbps internet access to the University but did not complete the development of administrative software. Nevertheless, the University continued to release monthly payments to the firm for 14 months up to August 2002 aggregating to Rs 49 lakh based on the satisfactory performance certificate issued from time to time by the Special Officer (Infrastructure). The University stopped payments in September 2002 and asked the firm to operationalise the modules as

¹ Samtech Infonet Limited

per the terms of contract. The firm, however, abandoned (October 2002) its services including the internet facility and removed all the software. In the meantime, the University purchased (February 2002) SDSL equipment² from the same firm at a cost of Rs 12.19 lakh though it was required to be supplied by the firm as per the agreement. The University also paid (May 2001) Rs 10.92 lakh to another firm³ towards digitization process⁴ which however, could not be used in the absence of software that was to be developed by the firm.

The Committee constituted (October 2002) to review the progress of computerisation in the University observed (January 2003) that the Special Officer (Infrastructure) did not have the necessary technical expertise to evaluate, verify and confirm the performance of the firm; that the firm had not given any evidence of significant software development by it and recommended to terminate the contract with the firm immediately and take legal steps to recover the money paid so far. The Committee also reported that the final agreement did not contain the clause for premature termination of the contract in the event of unsatisfactory progress/non-performance by the firm, though it was included in the draft agreement circulated to the Standing Council of the University. The Registrar stated (October 2004) that reasons for not incorporating the protective clause in the agreement were under investigation.

Thus, monthly payments were released to the firm although it did not develop the software modules as expected. In the absence of specific provisions in the agreement legal steps could not be taken against the firm to recover the money. The entire expenditure of Rs 72.11 lakh on the computerisation of University Administration proved to be wasteful.

The matter was referred to Government in July 2004; reply had not been received (October 2004).

4.1.2 Surplus staff in aided colleges

Surplus staff identified in three private aided colleges were not adjusted in other colleges as of May 2004. Expenditure of Rs 63.58 lakh (by way of grants) on the surplus staff proved to be wasteful.

With a view to verifying the student strength and work load vis-a-vis the lecturers working in the colleges and to identify the surplus staff so as to adjust them, the Regional Joint Director, College Education, Rajahmundry, conducted inspection during December 2002-January

² equipment related to the modules in the agreement

³ M/s Zircon Digital Data Services (P) Limited

⁴ to archive all the files in University administrative office for on-line retrieval

2003. He identified certain surplus staff⁵ in three private aided colleges which did not have the required number of students. Though he sent proposals in January and March 2003 to the Director of College Education (DCE) for adjusting the surplus staff, no action was taken as of May 2004. The surplus staff⁵ were retained in the colleges without any work since February 2002/December 2002/January 2003. Salaries paid to the twenty surplus staff for the idle period February 2002 to May 2004 amounted to Rs 63.58 lakh.

Thus delay of over 18 months on the part of the DCE in adjusting the surplus staff resulted in wasteful expenditure of Rs 63.58 lakh on staff whose services were not utilised gainfully.

The matter was referred to Government in June 2004; reply had not been received (October 2004).

~~HEALTH, MEDICAL AND FAMILY WELFARE DEPARTMENT~~

~~4.1.3 Infructuous expenditure on Health Equipment Repair Units~~

~~Expenditure of Rs 54.43 lakh incurred on pay and allowances of the staff of three Health Equipment Repair Units in Hyderabad was largely infructuous as there was no outturn during 1997-2004.~~

~~Mention was made in Para 3.13 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 about uneconomical functioning of four Health Equipment Repair (HER) units (three at Hyderabad and one at Guntur) and consequential wasteful expenditure of Rs 45.95 lakh on pay and allowances of 11 staff⁶ of three HER units in Hyderabad and five staff⁶ at Guntur up to March 1997.~~

~~The three units at Hyderabad under the control of the Regional Director of Medical and Health Services, Zone VI (RD) attended to only 35 minor repair works per year on an average during the calendar years 1997 to 2001. Only minor repairs were done at Sangareddy and Mahboobnagar during 2001-03 for keeping the cold chain system intact. Nevertheless, as of July 2004, ten out of the 11 staff were continued on the rolls of these three units.~~

⁵ ~~Twenty (teaching : 17 and non-teaching : 3) – Syed Appala Swamy College, Vijayawada (Teaching : 3); VMC Mahila Vidya Peeth, Visakhapatnam (Teaching : 11 – December 2002 to March 2003); SCS Kalasala, Gudlavalleru, Krishna District (Teaching : 3 – upto April 2003 and Non-Teaching : 3 – two upto April 2003 and one post upto May 2004)~~

⁶ ~~Junior Engineers (2), Mechanical Supervisors (3), Electrical Supervisors (3) – one upto June 1996 only, Drivers (4) and Helpers (4)~~