

OVERVIEW

This Report includes two chapters on Finance and Appropriation Accounts of the Government of Andhra Pradesh for the year 2004-05 and three others comprising six reviews and 15 paragraphs dealing with the results of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit Samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for certain programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and audit comments on the performance of the government in implementation of certain programmes and schemes as well as internal control mechanism in a government department along with recommendations is given below:

Financial Position of the State Government

During 2004-05, there was improvement in mobilisation of State's own resources. As a result, revenue deficit came down to Rs 3387 crore from Rs 3771 crore in 2003-04. However, fiscal deficit (Rs 8192 crore) recorded an increase of Rs 742 crore over the previous year. The capital expenditure and the development expenditure were 12 per cent and 61 per cent respectively of the total expenditure. The Government did not depend on Ways and Means Advance. As of March 2005, outstanding loans given by the State was Rs 9639 crore. Fiscal liabilities and its ratio to GSDP and revenue receipts had been steadily rising endangering the debt sustainability.

Return on the Government's investment in statutory corporations, rural banks, companies and co-operatives was negligible. During 2000-05, the gap between the interest on borrowings involved in investments and the return therefrom was Rs 533.90 crore, which was an implicit subsidy.

Against the total budget provision of Rs 53710.50 crore the expenditure was Rs 46339.49 crore. However, under five grants and one appropriation the expenditure exceeded the budget provision by Rs 14.58 crore and Rs 0.25 crore respectively.

Pradhan Mantri Gram Sadak Yojana (PMGSY)

Audit findings

Pradhan Mantri Gram Sadak Yojana (PMGSY) launched in December 2000 sought to connect all habitations with a population of 1000 persons and above by 2003 and those with 500 persons and above by 2007 by all weather roads. The Chief Engineer, Panchayat Raj wrongly treated 5224 habitations as already connected and this resulted in reduction of Central assistance by Rs 725 crore which affected the success of the programme.

The CE, PR violated the GOI guidelines on several issues. In the seven sample districts, Rs 22.60 crore was spent on formation of 166 Water Bound Macadam/gravel roads instead of Black Topped roads resulting in the outlay becoming largely wasteful as these roads were no longer fit for upgradation to Black Topped roads.

Audit noticed flawed execution as well as, ineligible, unauthorised, avoidable, wasteful expenditure including misutilisation and diversion of funds outside the scope of the programme involving Rs 21.87 crore. While connectivity to a very large number of habitations was left over, many ineligible habitations were covered. Audit also noticed, during joint physical verification of a few works, substandard execution of several road works requiring re-laying of roads. Quality control mechanism was ineffective and the monitoring of execution of PMGSY roads was found to be inadequate.

Recommendations

Quality control mechanism should be strengthened. Project Implementing Units (PIUs) in the districts as well as the State Level Standing Committee should be revamped for effective monitoring of execution of PMGSY road works.

Implementation of Acts and Rules relating to Consumer Protection

Audit findings

The Consumer Protection Act, 1986 was enacted by Government of India to provide simple, speedy and inexpensive redressal to the Consumers' grievances. Overall, the implementation of the Act in the State suffered from lack of adequate funds, staff and other infrastructure facilities including buildings for the State Commission and the District Forums, and inadequate monitoring by those concerned.

Recommendations

Government need to provide adequate funds and staff as well as other infrastructure facilities to the State Commission and the District Forums for effective implementation of the Act.

During 2001-04, the State Commission and 25 District Forums disposed of 28 to 45 per cent cases and 35 to 54 per cent cases respectively and the State still has pendency of 227 cases in the State Commission and 7446 cases in the District Forums as of June 2005. Only 17 per cent of the cases in the State Commission and 21 per cent in the District Forums were disposed of within the prescribed time limit of 90/150 days. A large number of warrants issued by the State Commission and the District Forums had not been executed by the Police Department for over three years.

Government did not take serious initiatives to create awareness amongst the populace about consumer rights, the provisions of the Act and the consumer redressal machinery as also disclosed by the results of a survey by ORG-MARG. Consumer Voluntary Organisations were not adequately involved in awareness campaigns.

No evaluation was conducted to assess the efficiency of the adjudication mechanism and the implementation of the Act in the State.

Government should take steps for execution of warrants (issued by Consumer Forums) to ensure protection of consumer rights.

Government need to take initiatives to create awareness about consumer rights, provisions of the Act, and consumer redressal machinery. Involvement of Consumer Voluntary Organisations also needs to be ensured.

National Oilseeds Production Programme

Audit findings

The Centrally sponsored scheme of National Oilseeds Production Programme (NOPP) had been under implementation in Andhra Pradesh in order to accelerate self-reliance in oilseeds and vegetable oils. Implementation of NOPP in the State was poor. The State Government did not release Central funds as well as its own share in full. Even the funds actually released were not fully utilised.

Five-year seed multiplication plan, though crucial for the success of the programme, was not prepared. The seed agencies failed to supply the targeted quantity of certified seeds and mostly supplied traditional varieties mainly because procurement of breeder seeds was low. Important components of the scheme such as providing sprinkler sets and the seed village programme, etc. were not implemented as envisaged. As a result, the production declined by 24 per cent during the period 2000-05, although there was increase in the crop area. Thus, implementation of the scheme was deficient in the State and failed to achieve its objectives.

Recommendations

Government should ensure adequate funding for effective implementation of the scheme.

Government should ensure supply of adequate quantities of certified seeds to the farmers before the sowing season.

Indira Kranthi Patham (VELUGU)

Audit findings

State Government launched the District Poverty Initiatives Project (DPIP) in June 2000 for implementation in six poorest districts and the Rural Poverty Reduction Project (RPRP) in 2003 covering 16 other districts under the scheme called 'VELUGU' with financial assistance from the International Development Association. The project could finance only 41 per cent of the poor households in Phase-I (DPIP). In Phase-II (RPRP), 2.42 lakh households were covered as of March 2005 out of 20 lakh households targeted for six years 2002-08 for taking up income generating sub-projects.

It was found that the required supervision, guidance and scrutiny by the CEO, SERP¹ was inadequate. Besides, building of self managed and financially sustainable community based organisations (Village Organisations – VOs), which was a pre-requisite for their registration, was not adequately arranged. As a result, the CEO, SERP and the DPMUs² at district level failed to properly organize bank linkages for funding the sub-projects of SHGs³. Due to insufficient bank linkages, CIF⁴ was utilised in excess which led to denial of the benefit of the projects to other eligible SHGs. Moreover, the inadequate monitoring at SERP and DPMU level also led to non-recovery of the dues of the CIF thereby resulting in short availability of funds with the VOs.

The objective of educating girl children as well as the elimination of child labour had not also been fully achieved.

Recommendations

It is recommended that Government should ensure registration of VOs to facilitate bank linkages to SHGs. A system of proper monitoring of the activities under the project at all levels has to be put in place.

Computerisation in Municipal Corporation of Hyderabad (MCH)

Audit findings

The MCH has decided to develop Integrated On Line Information Processing System as a part of *e-governance* to enhance the quality of civic services to the citizens.

Recommendations

¹ Society for Elimination of Rural Poverty

² District Project Monitoring Units

³ Self Help Groups

⁴ Community Investment Fund

Critical issues like logical and physical access control measures, systematic software development procedures, back up and business continuity as well as disaster recovery procedures, etc. were not addressed. While the environmental and application controls were weak, no documented policy including security policy existed with the MCH. It had no proper database design and maintenance causing lot of inconvenience to people in payment of taxes. The computerised system suffered from inadequate input and processing controls and procedures and poor validation, integrity and safety checks resulting in generation of incomplete and inaccurate data.

Proper Business Continuity Plan and Disaster Recovery Plan should be developed, tested and implemented. Proper Password policy should be framed, documented, circulated and maintained.

Data relating to Property Tax, Birth and Deaths, Trade licences, and Advertisement fee were incomplete and incorrect in most cases causing generation of faulty MIS reports rendering decision making risky.

Adequately trained IT personnel were not associated with development of programmes. The computing facilities of hardware/software available with it was not effectively used. All these shortcomings has resulted in short collections of taxes, etc. as pointed out by Audit.

Internal Control Mechanism in Family Welfare Department

Audit findings

An evaluation of the internal controls and internal audit system in Family Welfare Department revealed the weakness of the system. The Department was not able to ensure that the financial interests and resources were safeguarded and reliable information on various Family Welfare schemes and programmes was available to the administration. There was no manual for conducting internal audit. Internal Audit was in arrears in respect of 55 institutions (out of 100) for the five-year period 2000-05 alone. There was no mechanism to ensure timely action on internal audit reports. Thus Internal audit was inadequate and ineffective in the Department.

Recommendations

The Internal controls in Family Welfare Department should be strengthened to ensure that budget preparation system, cash management system, and mechanism for expenditure control are effective.

The Department should revamp the internal audit wing to ensure compliance with the departmental rules and procedures.

Transaction Audit Findings

The audit of financial transactions, subjected to test-check, in various departments of the Government and their field formations revealed

instances of losses, overpayment and wasteful expenditure, etc. of over Rs 70.61 crore as mentioned below.

- Unfruitful expenditure, idle expenditure and misutilisation of funds amounted to Rs 33.91 crore in Education Department (Rs 4.78 crore), Health, Medical and Family Welfare Department (Rs 2.56 crore), Panchayat Raj and Rural Development Department (Rs 26.57 crore).
- There were non-realisation of audit fee by the Director of State Audit, unauthorised utilisation of Government receipts and creation of avoidable liability including interest liability involving Rs 28.39 crore in Finance department, Housing Department, Irrigation and Command Area Development Department and Revenue Department.
- Wasteful expenditure and overpayments of Rs 2.41 crore were noticed in Finance Department (Rs 38.85 lakh), Health, Medical and Family Welfare Department (Rs 83.82 lakh), Irrigation and Command Area Development Department (Rs 56.98 lakh) and Transport, Roads and Buildings Department (Rs 61.26 lakh).
- There were violations of contractual obligations and undue favour to contractors amounting to Rs 5.35 crore in Transport, Roads and Buildings Department.
- There was a loss of Rs 54.76 lakh in Municipal Administration and Urban Development (Kakatiya Urban Development Authority) Department.

Some of the major findings are summarised below:

(i) Improper planning on the part of the Engineer-in-Chief and the Chief Engineer (RWS) in selecting water source for a comprehensive water supply scheme deprived the targeted habitations in Bibinagar area (Nalgonda District) of fluoride free drinking water. This also rendered the entire outlay of Rs 24.80 crore incurred on the scheme unfruitful.

[Paragraph 4.4.3]

(ii) Failure of the Engineer-in-Chief (R&B) in handing over sites to the contractors for three road works of widening and strengthening resulted in avoidable payment of escalation of Rs 5.35 crore on the works during the extended contract period.

[Paragraph 4.3.1]

(iii) District Collector, Krishna (DC) kept the sale proceeds realised on account of sale/alienation of Government lands outside the Government account. The DC also unauthorisedly utilised Rs 2.42 crore out of that for construction of various government buildings without the approval of the Government and also bypassing legislative control.

[Paragraph 4.5.3]

(iv) The unwarranted action of the Government in directing the Project Administrator and Superintending Engineer, Tarakarama Thirthasagaram Project Reservoir Circle, Vizianagaram to withhold the entrustment of the spillway work of a project to the successful tenderer, led to the tenderer backing out from his offer and resultant extra commitment of Rs 1.65 crore for Government in the recall.

[Paragraph 4.5.4]