

Overview

This Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of Andhra Pradesh for the year 2005-06 and three others comprising seven reviews/long paragraph and 31 paragraphs (including six general paragraphs) dealing with the result of performance audit of selected programmes, internal control system 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 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 the audit comments on the performance of the Government in implementation of certain programmes and schemes as well as internal control mechanism in Women Development and Child Welfare Department is given below:

1. Financial Position of the State Government

During 2005-06, the revenue deficit reduced significantly to Rs 386 crore from Rs 3387 crore in 2004-05. Revenue receipts grew by 21 *per cent* over previous year while revenue expenditure grew by 10 *per cent*. Expenditure on salaries increased by Rs 1377 crore over previous year due to implementation of revised pay scales, 2005. This also contributed to increase in primary deficit. Developmental expenditure and capital expenditure were 67 *per cent* and 17 *per cent* of total expenditure respectively. The lion's share of capital expenditure was absorbed by economic sector. Irrigation and Flood control were given top priority. The outstanding Fiscal liabilities were Rs 79549 crore which is 35 *per cent* of Gross State Domestic Product (GSDP). This year the Government was able to reduce revenue and fiscal deficit to an amount equivalent to 0.32 *per cent* and 0.25 *per cent* of GSDP over previous year. The fiscal liabilities were also maintained at 35 *per cent* of GSDP as contemplated in Andhra Pradesh Fiscal Responsibility and Management Act 2005.

Against total budget provision of Rs 58605.51 crore, the expenditure was Rs 49305.81 crore. However, there was excess expenditure of Rs 585.82 crore under 9 grants and 3 appropriations requiring regularization by the State Legislature.

2. Food Security, Subsidy and Management of Foodgrains

It was Government's intention to make available, foodgrains at affordable prices through a properly functioning Public Distribution System (PDS) as a major instrument for providing food security to the poor. The Performance

Audit review of the implementation of PDS showed that the State Government had been distributing subsidised rice to a larger number of families (1.34 crore) than those identified by GOI as BPL (0.41 crore). To cover these extra families, the State Government had been purchasing the rice (from FCI) at APL rates, leading to an extra burden of Rs 1021 crore over a five-year period. It was also found that while on the one hand, periodical reviews to weed out ineligible and bogus cards holders were not conducted allowing such people to enjoy the benefit of PDS, on the other, ration cards were not issued regularly to eligible families. In some mandals, foodgrains had not been supplied to BPL families as per the prescribed scales and less weighment was also noticed. Scrutiny also disclosed issue of rice under Sampoorna Grameena Rozgar Yojana/Food for Work programmes, on blank coupons and in large quantities to single individuals. Large quantities of rice relating to these programmes were also lying undistributed for long periods. Inspections of Fair Price Shops were altogether neglected. No action had been taken on most of the deficiencies/shortcomings reported in the Audit Report for the year ended 31 March 1999 and these continue to exist.

[Paragraph 3.1]

3. Conservation of Tiger and Eco-Development

‘Project Tiger’ is a Centrally sponsored scheme, whose main objective is to ensure the maintenance of a viable population of tiger, for scientific, economic, aesthetic, cultural and ecological values. The Performance Audit review showed that the Tiger habitat in the Rajiv Gandhi Wildlife Sanctuary (RGWS), is shrinking and that there is a real danger that the number of tigers in it is dwindling. The consolidation of the Reserve was delayed for nearly 20 years leading to continuous encroachment. No action has been taken for checking encroachment or for the translocation of people from the Sanctuary. There is a large and growing increase in the human/cattle population in the Reserve causing enormous biotic pressure on the RGWS. The Management plans were not comprehensive. The allocation and expenditure on Project Tiger was only a meagre three *per cent* of the total expenditure on all the schemes in the RGWS. There was little evidence of protection measures having been undertaken seriously and there is every likelihood that, poaching, may be seriously endangering the population of tigers. The tiger census conducted every year is unscientific, unsystematic, and therefore unreliable for verifying the actual population of tigers in the Reserve. Ineffective manpower management including lack of training of key personnel, also adversely affected the wildlife management in the Tiger Reserve. Overall, the sanctity of the Tiger Reserve was not protected and the “tiger”, an indicator of the existence of sound ecological balance, does not seem to be a priority for the State Government.

[Paragraph 3.2]

4. Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan (SSA) aimed at Universal Elementary Education was launched to provide useful and relevant elementary education to all children in the age group of 6-14 years by 2010. The primary goal was to have the children either in school, or in an education guarantee centre, or in an alternative schooling facility or back to a school camp by 2005. The implementation suffered in the State due to inadequate planning and under-utilisation of funds particularly in the first two years of implementation. There was only a marginal improvement in the accessibility to schools. The proportion of SC/ST children being out of school was considerably higher than the other social groups. There was a shortage of 6309 Upper Primary (UP) schools and a shortage of 54730 teachers (20 *per cent*). The achievement of training of teachers and community leaders was far behind the targets (shortfall: 43 to 78 *per cent*). Provision of infrastructure such as school buildings, qualified teachers, teacher learning equipment, etc. to schools was also not adequate. About 25 *per cent* of civil works relating to construction of classrooms, toilets and provision of drinking water facilities remained incomplete. The involvement of NGOs was not properly monitored. Research activity was poorly organised. Quality of education suffered due to deployment of under-qualified para teachers and due to inadequate training of teachers. With the present pace of implementation, the objective to ensure that all children complete five years of schooling by 2007, eight years of schooling and universal retention by 2010 appears to be a remote possibility. Beneficiary survey by Social and Rural Research Institute (SRI) revealed that three *per cent* of the villages and 10 *per cent* of the urban blocks were still not covered.

[Paragraph 3.3]

5. Information Technology Audit of eProcurement

The State Government as part of its e-Governance initiatives, is implementing eProcurement, identified as one of the key thrust areas, for procuring works and products, using Information Technology. The pioneering initiative of implementation of the State-wide eProcurement platform, is laudable though it did not yield all the desired results. The project suffers with many deficiencies associated with software, policies, procedures and controls of the project like standardisation of procurement processes across the user departments, implementation of Public Key Infrastructure, database design, technical documentation, archival policy, etc. Basic customisation for all departments to suit the functional requirements of individual departments was not attempted by the Vendor and the objective of bringing all departments under eProcurement platform was also not achieved. Major shortcomings like ineffective implementation of automatic bid evaluation, security problems, and failure to conduct security audit were also noticed. The objective of prevention of Cartel formation, could also not be fully achieved. Overall, the manner in which the application had been implemented, presages perpetual dependance of the IT&C Department as well as user departments, on the Vendor.

[Paragraph 3.4]

6. Tsunami Relief and Reconstruction

An earthquake induced tidal wave, called Tsunami, hit all the nine coastal districts in Andhra Pradesh on 26 December 2004 causing a loss of 107 human lives with four missing, besides loss and damages to houses, fishing boats and other infrastructural facilities. A performance audit of Tsunami Relief and Reconstruction showed that the State Government had not anticipated a disaster of the magnitude of Tsunami and therefore had not established effective institutional mechanism to meet it. The assessment of damages was not realistic and the projections were exaggerated. Final assessment was yet to be done even after 18 months of occurrence of Tsunami. Large amounts were lying unutilised with various implementing authorities. Though immediate relief was promptly provided to the victims, the delivery of rehabilitation of the affected fishermen and reconstruction envisaged, still remain to be completed (June 2006). Replacement and repairs to damaged boats had yet to be done in Krishna, East Godavari, Nellore and Prakasam Districts. Rural water sources had not been fully repaired or damaged roads restored. Unauthorised/ inadmissible/excess expenditure, etc. were also noticed in the six districts. Further, the lessons of the disaster have not been learnt as the Marine Fishermen Regulation Act has not been implemented as yet and the Coastal Zone Regulations of GOI are not being observed while providing housing to affected fishermen. Reconstruction of the damaged houses of fishermen was also neglected.

[Paragraph 3.5]

7. Rural Road Upgrading and Maintenance Project

Andhra Pradesh Economic Restructuring Project (Project), a World Bank Aided project was launched in three districts in February 1999. Rural road upgrading and maintenance, is one of the six components of the project which was aimed at providing all-weather road access to villages in the districts. As against 2750 km of road and 3058 km road sanctioned in the three selected districts under Roads and Buildings and Panchayati Raj Departments, 25 km (RBD) and 212 km (PRED) road was incomplete with another 972 km road (RBD) cancelled. The department failed to take up cost effective chip sealing works resulting in non-achievement of project objective and foregoing the World Bank assistance of Rs 45 crore. In 14 out of 73 packages (19 per cent) of RBD, works executed at a total cost of Rs 54.25 crore were not covered by the project objectives. Similarly, expenditure of Rs 191.69 crore incurred by PRED was also not in conformity with the project guidelines.

[Paragraph 3.6]

8. Internal Control Mechanism in Women Development and Child Welfare Department

Internal control system is the fundamental process by which an organisation directs its activities to effectively achieve its objectives. An evaluation of the internal controls in the Women Development and Child Welfare Department

during the period 2001-06 showed the non-working/absence of the internal controls in the Department. Non-compliance with rules, manuals, codes in general, lack of discipline in budget preparation, weak expenditure controls, poor implementation of schemes/programmes, weak procurement systems and little monitoring of settlement of misappropriation cases, etc. involving money value of Rs 13.90 crore were noticed. Internal audit was totally absent. Thus there was no independent assurance to the management on the adequacy of the existing internal controls in the Department. Overall, these adversely affected the delivery of services to targeted women and children.

[Paragraph 5.1]

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, overpayments and wasteful expenditure, etc. of over Rs 71.47 crore as mentioned below:

- Unfruitful/avoidable/idle expenditure and avoidable extra commitment amounted to Rs 9.38 crore in Animal Husbandry, Dairy Development and Fisheries Department (Rs 2.70 crore), Education Department (Rs 0.37 crore), Health, Medical and Family Welfare Department (Rs 0.30 crore), Irrigation and Command Area Development Department (Rs 4.20 crore), Revenue Department (Rs 0.41 crore) and Transport, Roads and Buildings Department (Rs.1.40 crore).
- There were non-realisation of educational cess, arrears of mess charges, unauthorised utilisation of grants, unnecessary interest burden and avoidable liability of interest on acquisition of land involving Rs 9.21 crore in Education Department (Rs 5.58 crore), Home Department (Rs 0.75 crore), Health, Medical and Family Welfare Department (Rs 0.66 crore), Municipal Administration and Urban Development Department (Rs 1.89 crore) and Revenue/Social Welfare Department (Rs 0.33 crore).
- Wasteful expenditure and overpayments of Rs 3.43 crore were noticed in Environment, Forest, Science and Technology Department (Rs 0.69 crore), Irrigation and Command Area Development Department (Rs 2.74 crore).
- There were violations of contractual obligations and undue favour to contractors/society amounting to Rs 26.01 crore in Health, Medical and Family Welfare Department (Rs 12 crore) and Irrigation and Command Area Development Department (Rs 14.01 crore).
- There was a loss of Rs 23.44 crore in Education Department (Rs 0.05 crore), Municipal Administration and Urban Development Department (Rs 23.14 crore) and Youth Advancement, Tourism and Culture Department (Rs 0.25 crore).

Some of the major findings are summarised below:

(i) The action of the Superintending Engineer, Sripada Sagar Project Circle, Mancherla, of changing the performance security payable clause subsequent to the conclusion of an agreement, resulted in undue benefit of Rs 14.01 crore to the contractors.

[Paragraph 4.3.1]

(ii) Hyderabad Metropolitan Water Supply and Sewerage Board, sustained a loss of Rs 18.33 crore owing to short recovery of Central Excise Duty on MS pipes from firms consequent on exempting the same by Government of India.

[Paragraph 4.1.2]

(iii) The delayed completion of the new building for the Bacterial Vaccine Production Laboratory by more than five years, and its non-utilization thereafter, has rendered the expenditure of Rs 1.68 crore unfruitful. Meanwhile, vaccines continued to be produced in laboratories declared unfit without a Drug Control Authority licence, and in contravention of its 'stop production' orders.

[Paragraph 4.4.1]

(iv) Due to improper selection of site, the Truck Terminal constructed by Vijayawada Guntur Tenali Mangalgi Urban Development Authority in January 2003 for reducing traffic congestion, had not been operationalised even as of July 2006. The whole expenditure of Rs 16.83 crore incurred on the project so far, remains unfruitful besides blocking Rs 1.89 crore.

[Paragraph 4.2.8]

(v) Short levy of water charges by different divisions of Hyderabad Metropolitan Water Supply and Sewerage Board resulted in loss of revenue of Rs 4.81 crore.

[Paragraph 4.1.3]

(vi) Delay in transmitting the required information by the Administrator-cum-Chief Engineer, Sriramsagar Project to the Commissionerate of Tenders in respect of a recommended tenderer, led to the cancellation of tenders and extra commitment of Rs 2.60 crore in the acceptance of tender in the second call.

[Paragraph 4.5.4]

(vii) Improper planning and poor monitoring of the Computerisation project by the Chief Executive Officer, AP Livestock Development Agency resulted in inordinate delay of over four and half years in the implementation of the project, rendering the whole outlay of Rs 1.02 crore incurred on the project unfruitful.

[Paragraph 4.2.1]

(viii) Audit detected fraud in collection and improper accounting of tuition fees and other receipts from students of Dr. B. R. Ambedkar Open University resulting in short account of tuition fees/examination fees of Rs 4.54 lakh in test-checked cases.

[Paragraph 4.1.1]