

CHAPTER III

PERFORMANCE AUDIT

➤ **3.1 Schemes for Development of Education for SC/ST**

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CHAPTER III

PERFORMANCE AUDIT

This chapter contains performance audit on Schemes for Development of Education for SC/ST (3.1), Godavari Water Utilisation Authority (3.2), Functioning of Andhra University (3.3), Modernisation of Police Force (3.4), Information Technology Audit of Hyderabad Metropolitan Water Supply and Sewerage Board (3.5) and Implementation of Fashion Designing Project (3.6).

SOCIAL WELFARE AND TRIBAL WELFARE DEPARTMENTS

3.1 Schemes for Development of Education for SC/ST

Highlights

One of the main objectives of the departments of Social Welfare (SW) and Tribal Welfare (TW) is to enable the Scheduled Castes (SCs) and Scheduled Tribes (STs) students studying in schools, colleges and universities to pursue their education through various schemes sponsored by Central and State Governments. The stated objectives were not achieved fully due to improper planning, non-identification of beneficiaries and lack of effective monitoring, leaving a large number of students uncovered under the schemes. Audit also found lack of basic amenities, overcrowding and/or underutilisation of hostels. Overall, the benefits of the schemes could not reach the beneficiaries to the desired level.

Seventy three per cent of releases for payment of scholarship under the scheme of Pre-matric Scholarships for children of those engaged in unclean occupations, were not utilised for the intended purpose leaving on average 19592 SC students uncovered every year under the Scheme.

[Paragraph 3.1.8.1]

Scholarships under Post Matric Scholarship scheme were not paid to 11 to 44 per cent SC/ST students during the same academic session. In four (out of seven) districts, UCs for Rs 24.81 crore for the years 2004-05 to 2006-07 were not submitted by colleges.

[Paragraphs 3.1.9.1 and 3.1.9.3]

The benefits of Book bank scheme did not reach the beneficiaries as neither the need of books was assessed nor were these distributed properly. Also, books were not supplied to students in the same academic session.

[Paragraph 3.1.10]

Both the SW and TW departments failed to implement the scheme of Upgradation of merit despite availability of Central assistance.

[Paragraph 3.1.11]

Under the scheme of construction of hostel buildings, Rs 32.24 crore was yet to be drawn by the Commissionerates. In seven districts alone, 57 SC and 10 ST hostels and seven Ashram schools buildings sanctioned were not taken up and Rs 15.84 crore were locked up with the Executive Engineers, SW/TW. Hostels were constructed without assessing actual

requirements resulting in overcrowding and/or underutilisation of hostels. Basic amenities were not provided in the hostels.

[Paragraphs 3.1.12.1, 3.1.12.2 and 3.1.12.3]

Performance of voluntary organisations running residential schools and hostels for SC/ST students was not effectively monitored either by GOI or by the State Government.

[Paragraph 3.1.15]

Low retention of ST boys and girls and low literacy rate for STs and more particularly for ST girls was noticed. Monitoring of the implementation of the schemes was poor both at Commissionerates and the district level as well. The impact of the schemes was also not evaluated.

[Paragraphs 3.1.16 and 3.1.17]

3.1.1 Introduction

The State has a constitutional responsibility for promoting education and economic interests of the weaker sections of the society and in particular, of the Scheduled Castes (SCs) and the Scheduled Tribes (STs). As per the 2001 census, SCs and STs constitute 16.2 and 6.6 *per cent* respectively of the total population (7.62 crore) of Andhra Pradesh (AP). Nine districts¹ accounted for 68 *per cent* of the State's ST population (50.24 lakh). The literacy rate in respect of SCs and STs was 53.5 and 37 respectively, against the average literacy rate of 60.5 in the State, and 64.8 *per cent* in the country. In order to enable the SC and ST students studying in schools, colleges and universities pursue education and learn skills to generate self-confidence and self-reliance, the Social Welfare (SW) and Tribal Welfare (TW) Departments implemented eleven schemes sponsored by the Central (8) and State Governments (3).

3.1.2 Organisational set up

The Principal Secretary, SW and Secretary, TW Departments exercise overall control over implementation of educational and other welfare schemes relating to SCs and STs.

The Commissioner of Social Welfare (CSW) assisted by the Additional Director, six Zonal Joint Directors at the State level and 23 Deputy Directors (DDs) at district level implemented the schemes relating to SCs. The Social Welfare residential schools are run by AP Social Welfare Residential Educational Institutions Society (APSWREIS) headed by Secretary.

Similarly, Commissioner of Tribal Welfare (CTW) assisted by two Joint Directors (JD), Chief Engineer (TW), Director of Tribal Cultural Research and Training Institute (TCRTI) and Joint Secretary of Gurukulam² at the State level and 23 District Tribal Welfare Officers (DTWO), and Project Officers

¹ Adilabad, Guntur, Khammam, Mahboobnagar, Nalgonda, Nellore, Vishakapatnam, Vizianagaram and Warangal

² Gurukulam is the AP Tribal Welfare Residential Educational Institutions Society (APTWREIS)

of nine Integrated Tribal Development Agencies (ITDA) at the district level implemented the schemes relating to STs.

3.1.3 Audit objectives

The audit objectives were to assess whether the:

- allocation, releases and utilisation of funds earmarked for various schemes were adequate;
- planning and implementation of various schemes was effective and the envisaged objectives were achieved;
- improvement in educational indicators i.e. gross enrolment ratio (GER), drop out rate and gender parity index amongst SCs and STs were adequate; and
- monitoring systems at various levels were adequate.

3.1.4 Audit criteria

The following criteria were adopted for the performance audit review:

- Budget estimates *vis-à-vis* releases and utilisation of funds;
- Census data, data of eligible SC and ST children and guidelines for various schemes; prescribed eligibility criteria and guidelines of various schemes;
- Increase/decrease in literacy rate, GER, drop out rate and Gender Parity Index; and
- Monitoring systems as prescribed in the guidelines of various schemes.

3.1.5 Scope and methodology of audit

The performance audit covered ten schemes implemented by the Departments of SW and TW and the voluntary organisations working in the area of educational development of SCs/STs in the State during the period 2002-03 to 2006-07.

The records were test checked (June - August 2006 and February - May 2007) in the offices of the CSW, CTW, Chief Engineer (TW), Director of School Education (DSE) at State level and DD/SW, DTWO, Project Officer, ITDA, District Education Officer and Executive Engineer, Tribal Welfare (EE, TW) in seven districts³. The districts were selected using the sampling technique, probability proportional to size with replacement. Five universities, 39 degree colleges, 14 junior colleges, 36 schools, 14 voluntary organisations, 28 hostels selected through Simple Random Sampling without Replacement were also test checked.

An entry conference was conducted (May 2006) with the Principal Secretary/Secretary, CSW, CTW, DSE, Commissioner of Intermediate Education and the Director of collegiate education, in which the methodology being adopted was explained. Joint physical verification of the sampled units was conducted and photographs taken wherever necessary and also used as evidence while arriving

³ Anantapur, Hyderabad, Kurnool, Mahboobnagar, Visakhapatnam, Warangal and West Godavari

at the audit conclusions. An exit conference was also held (August 2007) with the Additional Secretaries, SW and TW, Additional Director, SW and the JD (Planning), TW. The results of the review are presented in the succeeding paragraphs.

Audit findings

3.1.6 Financial outlay

3.1.6.1 Funding pattern

The funding pattern of the schemes was as under:

Name of scheme	Funding pattern
1. Upgradation of merit 2. Educational complex for ST girls	100 per cent by GOI
3. Pre-matric scholarship for children whose parents were engaged in unclean occupations	Committed liability* to be borne in full by State, 50:50 ratio over and above the committed liability by GOI and State government
4. Post-matric scholarships	100 per cent by GOI in excess of the committed liability to be borne by State government
5. Book Banks 6. Construction of hostels and ashram schools 7. Coaching and allied schemes	50:50 by GOI and State
8. Grant-in-aid to voluntary organisations	90:10 by GOI and voluntary organisation
9. Best Available School/ Bright boys scheme 10. Maintenance of hostels	Being State plan schemes, to be borne fully by the State Government
Note: In addition to the above, Residential schools for SC/ST students are also run by APSWREIS and APTWREIS with the help of government aid.	

* Committed liability is the actual expenditure incurred by the State Government under the scheme during the terminal year of ninth five-year plan i.e. 2001-02

3.1.6.2 Budget provision and expenditure

BEs were not need based and on reliable data

The Central assistance received, budget provision made by the State and funds actually made available by the State Government vis-à-vis the expenditure on the ten schemes during the years 2002-03 to 2006-07 were as under:

(Rupees in crore)

Year	Social Welfare				Tribal Welfare			
	Amount released by GOI*	Budget provision	Actual expenditure	Saving (-) Excess (+)	Amount released by GOI*	Budget provision	Actual expenditure	Saving (-) Excess (+)
2002-03	28.81	349.75	309.95	(-) 39.80	17.44	213.92	175.83	(-) 38.09
2003-04	64.89	377.91	378.88	(+) 0.97	25.51	222.18	215.37	(-) 6.81
2004-05	122.06	447.12	427.88	(-) 19.24	6.23	236.08	238.29	(-) 2.21
2005-06	40.45	564.57	387.01	(-) 177.56	42.60	259.26	272.89	(+) 13.63
2006-07	90.61	613.92	547.43	(-) 66.49	43.51	294.65	287.96	(-) 6.69
Total	346.82	2353.27	2051.15	(-) 302.12	135.29	1226.09	1190.34	(-) 40.17

* Besides the above releases, GOI had been releasing grant-in-aid to voluntary organisations also to run educational institutions and hostels (Rs 13.27 crore released to 99 NGOs during 2002-03 to 2005-06).

The schemes-wise details of funds made available and the expenditure thereon are given in *Appendix 3.1*. The following observations are made:

- The budgeted funds were not spent in full on the schemes leaving huge savings (Rs 302.12 crore in SW and Rs 40.17 crore in TW Departments) mainly as the State Government did not release funds in full as provided for in the budget especially in the post-matric scholarship scheme. Huge savings in all the years (except in 2003-04/SW and 2005-06/TW) were attributed by the district officers to non-receipt of budget authorisations besides non-identification of beneficiaries and non-issue of guidelines to district officers.
 - Substantial portion of the funds (Rs 30.61 crore out of Rs 78.38 crore made available) intended for construction of hostel buildings also remained unspent.
 - The expenditure reported was also inflated as the CSW and CTW had been debiting the schemes heads of accounts when the amounts were made available to the district officers.
 - For the scheme of upgradation of merit of SC students, the CSW was drawing funds from treasury and the amounts sent to the district officers through cheques. The receipt of funds to the extent of Rs 22.60 lakh were however, not accounted for in the monthly progress reports (MPRs) by the Deputy Directors leading to the risk of misappropriation.
- Expenditure on the schemes was inflated**
- Non-accountals of funds was also noticed**

3.1.7 Implementation of schemes

No survey was conducted. No data was available in both SW and TW Departments for the number of beneficiaries

The welfare departments were required to assess and identify the number of SC and ST students in schools/colleges and universities, and to prepare data base of all eligible beneficiaries. The CSW and CTW, however, did not conduct any such survey and prepare database. The schemes were implemented only on the basis of applications received from beneficiaries. On an average, 90377 SC students and 58506 ST students were covered per year for all the schemes put together. It was observed in the test checked districts that, due to insufficiency of funds all beneficiaries could not be covered under pre-matric and post-matric scholarship schemes.

Thus, due to the absence of survey/maintaining database, the planning and implementation of various schemes of SCs/STs suffered.

The schemes for development of education for SC/ST were not implemented effectively as discussed in the following paragraphs.

3.1.8 Pre-Matric Scholarship to children of parents engaged in unclean occupations

The scheme envisaged providing financial assistance to parents actively engaged in unclean occupations like scavengers, tanners and flayers to enable their children to pursue education up to matriculation level. Under the scheme, an annual *ad hoc* grant of Rs 500 (Rs 550 from April 2003) was to be given to the parents in addition to the scholarship to the child for ten months. On average, 29314 SC students every year were covered under scheme. The year-wise details are given in *Appendix 3.1*.

3.1.8.1 Huge diversion of scheme funds

73 per cent of the scholarship amount was not utilised for the intended purpose denying the benefit to 19592 SC students every year

Out of the total expenditure of Rs 14.21 crore during 2002-07, an amount of Rs 6.93 crore (49 per cent) was transferred to APSWREIS, for maintenance expenditure including rent of building and salaries of staff of 259 institutions run by the Society. None of the SC students studying in residential schools run by APSWREIS was paid scholarship denying the benefit of scholarship to 19592 SC students on an average every year.

Further, CSW drew (September 2006) Rs 1.57 crore meant for scholarships to eligible beneficiaries. CSW, however, without distributing the scholarship parked the amount in the Social Welfare Fund as of June 2007. It also diverted Rs 1.94 crore for payment of honorarium of tutors in SW hostels where there were no beneficiaries in the hostels in 11 districts⁴.

Thus, in all, at least 73 per cent of the scheme funds were not utilised for the intended purpose i.e. payment of scholarship to students.

3.1.8.2 Poor implementation in test checked districts

Scrutiny of implementation of the scheme in the test checked districts showed the following:

- None of the DDs, SW had conducted any survey to ascertain the eligible beneficiaries under the scheme.
- Out of Rs 89.84 lakh released to the seven districts there was an unspent balance of Rs 29.31 lakh as of March 2007 stated to be on account of non-payment of scholarships due to non-collection of applications by ASWOs in all the test checked districts except Mahboobnagar.
- Scholarships were not paid to eligible applicants during 2002-03 (1740) and 2003-04 (1933) in three districts i.e. Hyderabad (193), Mahboobnagar (400), and West Godavari (3080) due to non-release of funds by the CSW.
- In one test checked APSW residential school at Arugolanu (West Godavari District), *ad hoc* grant was not paid and special coaching was also not arranged despite availability of eligible beneficiaries.
- In Hyderabad District, the payment of *ad hoc* grant was restricted to one child per family contrary to norms. Scholarships amounting to Rs 0.35 lakh were paid (2004-06) to 20 ineligible candidates i.e. children of auto drivers, contractors, and private/government employees on the basis of recommendation of ASWO. In 111 cases, ASWOs recommended (2006-07) the renewal of scholarships without ensuring that at least one of the parents was actively engaged in unclean occupation.

In three districts, scholarship was not paid to 3673 SC students due to insufficient budget

In Hyderabad District, the *ad hoc* grant was restricted to one child per family. Also, the scholarship was paid to ineligible beneficiaries

The above irregularities indicate indifference on the part of officials responsible for supervision and monitoring both at CSW and at the district level, affecting the implementation of the scheme for children of parents engaged in unclean occupations.

⁴ Anantapur, Chittoor, Kurnool, Nalgonda, Nellore, Nizamabad, Prakasam, RangaReddy, Visakhapatnam, Warangal and West Godavari

3.1.9 Post-matric Scholarships (PMS)

The Centrally sponsored scheme aims at providing financial assistance to enable the SC/ST students studying at post-matriculation level. On an average 3.47 lakh (SC: 2.55 lakh, ST: 0.92 lakh) students were covered every year during 2002-03 to 2006-07 as shown in *Appendix 3.1*.

3.1.9.1 Abnormal delays in payment of scholarships

SC and ST students ranging between 14 to 44 per cent and 11 to 20 per cent were not paid scholarships during the same academic session

As per the guidelines, post-matric scholarships are to be paid to students from 1 April or from the month of admission which ever is later. As such funds are required to be made available at the beginning of the academic year. However, there were abnormal delays ranging from one to three years in release of funds by GOI for payment of PMS to ST students. The State Government further delayed the release of Central share to the CTW from eight to twenty months. As a result, beneficiaries ranging from 53478 (14 per cent) to 148713 (44 per cent) in SW Department and 16946 (11 per cent) to 31126 (20 per cent) in TW Department remained uncovered in the respective financial years. The delays were attributed by the DTWOs to the belated receipt of funds.

3.1.9.2 Excess releases to APSWREIS/diversion of scholarship amount

There was incorrect and excess release of Rs 15.02 crore to APSWREIS towards payment of PMS to SC/ST students

As per the guidelines, intermediate students staying in college attached hostels (without free boarding and lodging) should be paid PMS at Rs 400 per month. Students who were provided with free boarding and lodging were eligible for scholarship at 1/3 rate i.e. Rs 133 per month. Contrary to this, the DDs, SW in all the districts in the State and the CTW sanctioned scholarships for 53357 SC and 2776 ST students of the APSWREIS junior colleges at full rate, though free boarding and lodging was provided to them resulting in excess release of Rs 15.02 crore to the Society during 2001-06.

3.1.9.3 Irregularities in test checked districts

In nine districts, scholarship was not paid to ST students in 2005-06 and 2006-07 due to belated submission of bills/surrender of funds

False certificates were given by ASWOs/ATWOs in four districts

- In eight districts⁵, CSS funds amounting to Rs 78.45 lakh lapsed during the year 2005-06 due to belated submission of bills to treasury and thereby scholarship could not be disbursed to ST students during the year. Similarly, during the year 2006-07 the DTWO, West Godavari surrendered Rs 30 lakh due to delay in conducting physical verification of beneficiaries by the ATWOs depriving the benefit of scholarships to ST students.
- In four districts⁶, ASWOs and ATWOs certified physical verification and recommended (2003-06) sanction of PMS in respect of 720 discontinued students⁷ in 15 test checked colleges. The scholarship amounts thus sanctioned amounting to Rs 18.44 lakh had to be remitted back to

⁵ Visakhapatnam, East Godavari, Krishna, Mahaboobnagar, RangaReddy, Warangal, Nizamabad, and Adilabad.

⁶ Anantapur, Kurnool, Warangal and West Godavari

⁷ Anantapur: 110 SC and 32 ST in four colleges; Kurnool: 134 SC and 22 ST in three test checked colleges; Warangal: 185 SC and 139 ST in four test checked colleges, West Godavari: 61 SC and 37 ST in four colleges

government account during subsequent financial years by the colleges. Thus, false certificates were given by the ASWOs and ATWOs without conducting physical verification.

32 colleges misappropriated scholarship funds of Rs 56.19 lakh

- In West Godavari District, 32 colleges misappropriated an amount of Rs 56.19 lakh of PMS sanctioned during 2005-06, by drawing scholarships in the name of the ST students who were not admitted into the institutions. The modus operandi was false certification of the physical existence of the students by the DTWO/ATWOs, not transferring the mess charges into hostel accounts, etc. The colleges were neither asked to remit back the misappropriated amount nor was any action taken against the Principals of the colleges who were responsible for sponsoring the names of ghost beneficiaries. Moreover, no police complaint was lodged against the individuals/colleges (July 2007).

DD, SW Anantapur made an excess payment of Rs 14.39 lakh to 91 colleges towards Special fees

- Without regard to the fee structure⁸ fixed by the Commissioner of Intermediate Education, the DD, SW, Anantapur paid the special fee (rates applicable to science students) to the arts students resulting in excess payment of Rs 14.39 lakh to 91 colleges for the years 2002-03 to 2005-06.
- **The DDs, SW/DTWOs of five districts⁹ sanctioned (2003-07) scholarships to non-existent students, made payment of scholarships at higher rates, double draws of scholarships in the name of the college and hostel (Rs 0.30 lakh), and sanctioned scholarship beyond the course period (Rs 0.64 lakh). This indicated ineffective exercise of prescribed checks by ASWOs/ ATWOs.**

UCs for Rs 24.81 crore for the years 2004-05 to 2006-07 were yet to be submitted by colleges in four districts

- Against the stipulated period of ten days for submission of Utilisation Certificates, delays by colleges ranged from one month to three years in all the test checked districts. As of March 2007, acquittances for Rs 24.81 crore (2004-05: Rs 0.71 crore, 2005-06: Rs 4.80 crore and 2006-07: Rs 19.30 crore) were yet to be submitted by the colleges in respect of both SW and TW Departments in four districts¹⁰. Non- receipt of acquittances from the colleges for years together was quite alarming and misappropriation/ misutilisation of the funds cannot be ruled out.

The above irregularities indicate ineffective supervision and poor monitoring by the officials responsible for the implementation of the scheme.

3.1.10 Book bank scheme

No students were covered under the scheme in the year 2006-07 while only 52 SC students were covered during 2005-06

The objective of the scheme is to provide SC/ST students access to the latest text books and to reduce the drop outs from courses. The scheme is open to all SC/ST students studying professional courses. One set of books was to be purchased for two students of all professional courses except in respect of post-graduate courses and chartered accountancy where one set is purchased

⁸ Science: Rs 215 upto 2004-05 and Rs 249 thereafter; Arts: Rs 140 upto 2004-05 and Rs 166 thereafter.

⁹ Anantapur, Hyderabad, Mahboobnagar, Warangal and West Godavari

¹⁰ Hyderabad/SW: Rs 14.33 crore; Kurnool/ SW: Rs 0.69 crore, TW Rs 1.93 crore;

Mahboobnagar/TW: Rs 0.17 crore and Visakhapatnam/SW: Rs 4.69 crore, TW: Rs 3 crore

for each student. While the amounts spent in the years 2002-03 to 2005-06 was meagre, no expenditure was incurred in the year 2006-07 by SW Department. The year-wise details are given in *Appendix 3.1*.

- The CSW and the CTW had no information on the number of recognised colleges, beneficiaries and consequently the fund requirement under the scheme.
 - Need of the books was not assessed. Though required, State level committee to decide the textbooks for each course was not formed, leaving the implementation of the scheme to the discretion of district officers leading to lack of uniform procedure in implementation of the scheme as shown in *Appendix 3.2*.
 - No students were covered under the scheme during the year 2006-07 and 52 SC students were covered in the entire State in the year 2005-06.
- Books were not supplied to students in the same academic season**
- Though funds were to be made available to district officers at least by the end of August, GOI released the funds with delays ranging between four and eight months and the CTW further delayed the release of funds to the DTWOs ranging from ten to nineteen months.
- Books not related to courses and outdated books were supplied to students**
- In the test checked districts, belated supply of books, supply of books not related to the course and outdated books, non-adherence to cost ceiling limits, etc. were noticed during audit. The district authorities including the Principals of the colleges failed to implement the scheme effectively as evident from the observations noticed in the test checked districts as discussed in *Appendix 3.3*.

Thus, the implementation of the scheme suffered in the State due to lack of effective planning and proper direction both at State and district levels including Universities/colleges.

3.1.11 Upgradation of merit

CSW and CTW failed to implement the scheme despite availability of Central assistance

As per the guidelines of the scheme, the meritorious students under the scheme were required to be identified at 9th class level. Remedial coaching and special coaching by experts in school subjects was to be arranged up to Intermediate 2nd year to prepare the students for competitive examinations for professional courses like Engineering and Medical. The scheme provides 100 *per cent* Central assistance towards a package grant of Rs 15000 per student¹¹ per year. It was, however, noticed that no expenditure was incurred on the scheme as of March 2007 in the districts due to non-issue of instructions by CSW and the entire amount of Rs 1.74 crore released to the districts was lying unspent in bank accounts of the Deputy Directors. Balance of Rs 0.27 crore of Central grant was retained by the State Government. Despite this, the CSW furnished Utilisation Certificates to GOI for the entire amount.

¹¹ Rs 8000 to the student towards maintenance charges and Rs 7000 to the college towards honorarium to the Principal and the tutors

The scheme was not also implemented by TW Department and the entire amount of Rs 0.17 crore released (2002-03) by GOI was diverted (2005-06) by CTW towards diet charges of boarders of the TW residential schools. GOI did not release funds in the years 2003-04 to 2005-06 as no UC was furnished.

Thus, despite availability of Central assistance, the benefit of remedial/special coaching was denied to SC and ST students.

3.1.12 Construction and maintenance of hostels and Ashram schools

To enable the SC and ST students to pursue studies, GOI has formulated schemes for providing hostel facilities to them.

3.1.12.1 Construction of hostel buildings

Rs 32.24 crore was yet to be drawn by CSW and CTW for utilisation under the scheme

During the five year period 2002-07, the State Government placed an amount of Rs 99.10 crore at the disposal of the CSW (Rs 78.38 crore) and CTW (Rs 20.72 crore). Against this, only Rs 66.86 crore (SW: Rs 47.77 crore; TW Rs 19.09 crore) was spent and the remaining Rs 32.24 crore was not drawn. The year-wise details are given in *Appendix 3.1*.

57 SC and 10 ST hostel buildings were not taken up denying the improved hostel facilities

During the period, the CSW sanctioned construction of buildings for 438 hostels for SC students. Of these, 321 hostels were completed and construction was not even started for 57 hostels (51 sanctioned in 2003-04 and 2005-06) due to non-acquisition of sites and non-finalisation of tenders.

Similarly, out of 42 hostel buildings for ST students sanctioned by CTW, 22 hostels were completed, 10 were in progress and construction of 10 hostels (sanctioned in 2002-03 and 2003-04) was not taken up due to change in location, revision of estimates, etc. It was observed that:

- In the seven districts, construction of 46 SC and seven ST hostel (three were in progress) buildings was not taken up due to site disputes and non-release of State share resulting in locking of Rs 9.44 crore with EEs, SW (Rs 7.11 crore) and EEs, TW (Rs 2.33 crore).
- In Kurnool District, the CSW unnecessarily released (November 2005 and again in March 2007) Rs 25 lakh of Central share for construction of two SW hostel buildings at Pamulapadu and Ternekal which were already completed under Food for Work (FFW) programme in 2003-04. The amount however, could not be drawn due to the objection raised by treasury.
- The CTW released (October 2004) the Central and State share amounting to Rs 34 lakh for construction of two ST girls' hostels in Kurnool District. The DTWO, Kurnool immediately after drawing the funds in that month, mentioned in the monthly progress report for March 2005 that construction of two hostel buildings was completed. It was, however, seen that only one of the two hostels was constructed and the other one was not even taken up as of July 2007. The amount of Rs 17 lakh was lying in bank account of DTWO.

3.1.12.2 Construction of Ashram schools

Poor progress was noticed in construction of Ashram schools for ST boys and girls

The Centrally sponsored scheme is meant to provide necessary environment conducive to learning for educational development of STs. Although GOI released Rs 3.80 crore in 2003-04 for construction of buildings for 38 Ashram schools, the State Government released the funds along with its own share only in 2005-06. It was also observed that as of July 2007, only two buildings (5 per cent) were completed; 29 were in progress and construction of seven school buildings was yet to be taken up. As a result, an amount of Rs 6.40 crore was locked up with seven Project Officers, ITDA and EEs, TW/SW. Thus, the objectives of the scheme remained unachieved.

3.1.12.3 Maintenance of hostels

Hostels were constructed without assessing the requirement which led to overcrowding and/or under utilisation of hostels. Basic amenities were not provided to students in hostels

Maintenance of hostels includes supply of diet, uniform, notebooks, other materials, salaries of staff and other items. Rice, uniform and notebooks for hostel boarders were procured from Government agencies like Civil Supplies Corporation, Andhra Pradesh State Handloom Weavers' Co-operative Society Ltd. and State Trading Corporation. During the five-year period 2002-07, an expenditure of Rs 1752.47 crore (SW: Rs 928.92 crore and TW: Rs 823.55 crore) was reported on maintenance of the hostels and Ashram schools. Of this, diet, uniform cloth, note books for the hostel boarders and maintenance of buildings constituted 46 per cent (Rs 799.87 crore). Some of the interesting points noticed are as under:

- In the six districts, 137 (out of 459) SW hostels¹² and 47 (out of 58) TW hostels¹³ were overcrowded, some accommodating even more than 400 boarders against the sanctioned strength of 100. On the other hand 30 SW hostels did not have even 50 boarders and another 135 SW hostels had less than 85 boarders each. In four districts¹⁴ 108 SW hostels had only one to five living rooms for boarders against eight rooms required.
- In 60 SW hostels¹⁵ and seven TW hostels¹⁶, there were no bathrooms and toilets. In 138 SW hostels and 16 TW hostels there were less than ten bathrooms/ toilets, where boarders are more than 100 in each hostel. In the SW Boys Hostel at Nandyal which was accommodated in private building with a strength of 120 boarders, it was noticed that the plinth area of the building was only 1250 sq. ft as against prescribed 4712 sq. ft. Further, toilet facilities were also not provided in the hostel. In the test checked SW girls' hostel at Wanaparthi (Mahboobnagar) there were only four bathrooms for over 380 boarders and the drainage system of the bathrooms was also spoiled. Though an additional building was constructed (2003-04), bathrooms were not provided and the girls of lower age group take bath in open space. The height of the compound wall was also not raised and Rs 0.80 lakh released by the District Collector for this purpose was lying with

¹² Anantapur: 36; Kurnool: 44; Hyderabad: 3; Visakhapatnam: 27; West Godavari: 27

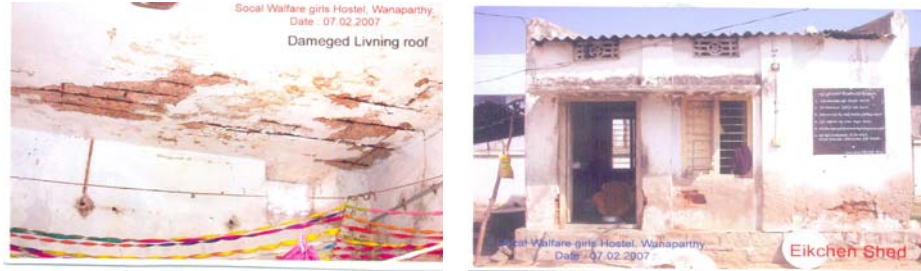
¹³ Kurnool: 10; Hyderabad: 4; Mahbobnagar: 23; Visakhapatnam: 10;

¹⁴ Anantapur (37), Hyderabad (11), Kurnool (7) and West Godavari(53)

¹⁵ Anantapur: 20; Kurnool: 22; West Godavari: 18

¹⁶ Kurnool:4; Visakhapatnam:3

the EE, SW, Mahboobnagar. Roof of five out of 13 living rooms in the hostel was damaged and leaking. Kitchen shed was also in damaged condition.



Damaged roof of living room and damaged Kitchen of SW Girls Hostel, Wanaparthy

- In Mahboobnagar District one hostel building (STBH, Padra) was constructed during 2001-02 at a cost of Rs 23.50 lakh. Even before handing over of the building to the department, it was unauthorisedly occupied by Police department. The hostel was still running in a private building incurring an avoidable expenditure of Rs 0.75 lakh.
- In Kurnool District, ten hostel buildings were constructed by the EE, SW with a plinth area of 3718 sq. ft. for each hostel against the approved type design with 4712 sq. ft. statedly due to insufficient sanction of funds. Rupees 2.02 crore was spent as against Rs 1.25 crore sanctioned, even though the plinth area was less than that approved.
- In Kurnool District, the TW department did not establish hostels in more populated mandals¹⁷ while hostels were established in less populated mandals¹⁸. Thus the hostels were established without regard to the tribal population leading to either underutilisation of capacity or overcrowding.
- **The DTWO, Bhadrachalam drew (March 2006) Rs 1.70 crore for supply of food provisions to the Tribal Welfare hostels and Ashram Schools by enclosing the 'Advance Bills' issued by a supplier and by noting the stock entries even before the supplies were actually received (September – December 2006). The DTWO did not justify the draws on advance bills containing stock entries.**
- **The APO (TW), Eturunagaram drew (March 2006) Rs 11 lakh towards supply of electrical appliances, etc. to Government Ashram Schools and hostels. Scrutiny in test-check disclosed that while drawing the bill on invoices the totals of each page as well as the grand totals were claimed separately in the bill resulting in excess drawal of Rs 2.86 lakh. The excess drawn amount was, however, remitted (July 2007) by the APO at the instance of audit.**

¹⁷ Bandi Atmakur (1490), Chagalamarri (2150), Dhone (2214), Holaguda (1533), Mahanandi (1490), and Owk (1728)

¹⁸ Alur (1183), Banaganapally (1113), Kallur (1737) and Srisailam (nil)

3.1.12.4 Misappropriation of hostel funds

Hostel Welfare Officers in Warangal and West Godavari Districts misappropriated (2003-06) hostel funds of Rs 7.86 lakh

The CSW noticed in Warangal District that five Hostel Welfare Officers¹⁹ (HWOs) of SW department misappropriated (April 2005 - March 2006) the amount of diet charges (approximately Rs 5.45 lakh) meant for boarders, by showing more quantities of provisions as issued in the stock registers, non-accountal of amounts drawn from treasury in stock registers, etc. The misappropriated amount was not recovered and disciplinary action was not taken against the delinquent.

In West Godavari District, the HWO of SWBH, Buttaigudem misappropriated (2003-05) Rs 2.41 lakh drawn from treasury and meant for payment of rent of the hostel building, diet charges, electricity charges and staff salaries. The HWO was placed under suspension and an amount of Rs 0.68 lakh was only recovered from him. Another 12 cases of misappropriation involving Rs 5.87 lakh were also pending against the HWOs in the District since September 2004.

The above misappropriations were facilitated owing to absence of proper mechanism to check the bills before making payments and lack of proper reporting system between the DD's office and the supplier/HWOs.

3.1.12.5 Uniform cloth supplied without regard to the colour prescribed by schools

Uniform cloth was supplied without regard to the colour prescribed by schools

As per the Government orders (September 1997), two pairs of school uniforms were to be supplied to each boarder in the SW hostels every year. In 50 out of 122 hostels test checked in Anantapur District the CSW purchased (February 2006) and supplied cloth to the hostels, without regard to the colour of the uniform prescribed by the respective schools. This forced the boarders to purchase separately, the uniform prescribed by the schools defeating the very purpose of procuring and supply of the cloth by the department. The expenditure of Rs 7.28 lakh on the purchase of incorrect uniform cloth was thus unfruitful. The total cloth supplied by CSW was 13.52 lakh metres valuing Rs 7.69 crore. Thus the extent of unfruitful expenditure would be enormous.

3.1.13 Educational complex for ST girls in low literacy pockets

The quality of education for ST girls in low literacy pockets was not ensured

To improve ST female literacy rate in low literacy pockets, 'educational complexes for ST girls' studying in classes I to V, 41 mini gurukulams were established in 17 districts with less than 10 *per cent* ST female literacy rate. Of these, 12 were functioning in the seven test checked districts. The complexes are managed by the AP Tribal Welfare Residential Educational Institutions Society with the name 'mini gurukulam'. The following observations are made.

¹⁹ SWBH Darmasagar, SWBH (B). Station ghanpur, SWBH, Jangaid, SWBH (A) Station ghanpur, SWGH, Kondagandla

- In seven mini gurukulams in Visakhapatnam (3) and Mahboobnagar (4), teachers had no diploma in education as required. Artisan or craft teachers were not recruited though required.
- In all the three complexes in Visakhapatnam, toilets were not provided.
- In all the four complexes in Mahboobnagar, there were no separate classrooms and dormitory was utilised as classrooms.
- In Visakhapatnam District, the incentive payable at the rate of Rs 50 per month to the parents of 450 girl students amounting to Rs 9.99 lakh was not paid during 2002-07.

Thus, the quality of education for ST girls in low literacy pockets was not ensured.

3.1.14 Coaching and allied schemes

Under the scheme, pre examination coaching is provided to SC and ST students for improving their representation and standard of performance in the competitive examinations for various posts and services held by UPSC, APPSC and other qualifying examinations. The scheme covers students having annual family income not exceeding Rs one lakh in case of SCs and Rs 44500 in case of STs. The scheme is being implemented by AP Study Circle, Hyderabad (a registered society with its branch at Vishakhapatnam) under the control of SW department. From the details given in *Appendix 3.4* it may be seen that the implementation of the scheme overall was not commensurate with the outlay under the scheme. The following observations are also made:



- Although State government sanctioned 16 Pre-Examination Training Centres (PETCs) during 1999, funds were not released and none of the PETCs started functioning up to 2006-07.
- Four PETCs of Guntur, Tirupati, Warangal and Anantapur established in 1997-98 were not functioning since 2003-04 due to poor results, again on account of poor faculty as stated by the Director.
- In the branch of AP Study circle at Vishakhapatnam, against a total number of 921 students admitted in various courses during 2002-07, only 689 students joined the courses. The success rate of the students in various examinations ranged from 'nil' to eight *per cent*.

3.1.15 Grant-in-aid to Voluntary organisations

Performance of NGOs running residential and non-residential schools and hostels for SC/ST students was found to be deficient

The objective of the scheme is overall improvement and development of the SCs and STs through voluntary efforts in the field of education. Under the scheme, the projects relating to educational development viz., opening of residential/non-residential schools, hostels and educational complexes for ST girls in low literacy pockets are funded to the extent of 90 *per cent* of the estimated expenditure (recurring and non-recurring) by GOI and 10 *per cent* by the voluntary organisation. A minimum of 75 beneficiaries is required for commencement of the project. During the years 2002-03 to 2005-06, GOI funded Rs 2.80 crore to 60 NGOs working for SCs and Rs 10.47 crore to 39 NGOs for STs in the State. Of these, 26 and 17 NGOs for SCs and STs respectively were

functioning in the seven test checked districts. Physical verification by Audit including joint physical verification along with DTWOs disclosed that the objective of improvement of efforts through NGOs did not yield the desired results as detailed below:

Name of NGO	Audit findings
Sarojini Devi Harijan Mahila Mandali, Warangal District	<p>In the educational complex run by the NGO, 35 students (including LKG+UKG=13) were only present as against the prescribed intake of 150 students for classes one to five. The NGO marked the attendance for 94 students (including 44 in LKG and UKG). While the NGO was to engage three teachers with proficiency in the tribal dialect for teaching classes I to III, the NGO engaged only one tribal teacher. Against the requirement of five classrooms and five dormitories there was only one hall (approximately 60 x 20 feet) with sheet roofing, which was being used as classroom for six classes, dining and for boarding purpose and the hall was in unhygienic condition. The two toilets and two bathrooms were without roof and doors.</p> <div style="display: flex; justify-content: space-around;">   </div> <p style="text-align: center;"> Common hall for all six classes, also used as dormitory Kitchen shed without infrastructure </p>
Sudar Educational Society, Hyderabad	<p>While the GOI sanctioned grant-in-aid for primary school with 100 children, the NGO failed to muster the required strength and there were only 35 primary school children. The NGO unauthorisedly spent Rs 8.76 lakh of the grant on children other than primary classes.</p>
St Mary's Rehabilitation Centre, Palakole, West Godavari District	<p>The NGO, though intended for primary school children, admitted children of higher classes also increasing the number of boarders to 50. The NGO claimed and was paid by GOI the grant in aid for all students resulting in excess payment of Rs 5.28 lakh (2001-02 to 2005-06) to the NGO.</p>
Social Action for Social Development, Mahboobnagar District	<p>The school was, however, closed from the academic year 2006-07 statedly due to non-release of GOI grant during 2002-03 and 2005-06 and partial releases during 2003-04 and 2004-05 (the school received a total grant of Rs 22 lakh against a proposal for Rs 56.31 lakh during the period 2002-06). The status of rehabilitation of the children after closure of the school was not known. The assets created (Rs 9 lakh) out of GOI grant were not transferred to GOI though required.</p>
NICSEVA, Dhone, Kurnool District	<p>In the educational complex run by the NGO the staff like artisan, craft teacher, helper and ayah were not provided though prescribed. The NGO also did not engage a teacher in the tribal dialect and the medium of instruction for classes I to III was not the dialect of tribal.</p>

Thus, the monitoring of the performance of NGOs was ineffective.

3.1.16 Effectiveness of the schemes

Scrutiny revealed low retention of ST boys and girls, and low literacy rate for STs especially for ST girls

Neither the Commissioners of Social Welfare and Tribal Welfare nor their district officers had any information on the number of successful post-matric scholars actually coming out in the courses. They also did not maintain any record about the mid-way-drop outs among the scholars. It was also observed that:

- Gross Enrolment Ratio (GER) at upper primary level was merely 96 and 87 for SC and ST girls respectively against 134 and 172 at primary level indicating huge drop outs.
- While the drop out rate in 2005-06 at upper primary level for all categories and that for SCs ranged between 58 and 66 *per cent*, the drop out rates for ST boys and ST girls stood at 76 and 81 *per cent* respectively. The lesser enrolment rates at upper primary level coupled with heavy drop out rates at upper primary level indicated low retention of ST boys and girls.
- While the Gender Parity Index (GPI) for all categories and that for SCs touched one in 2005-06, the GPI for ST girls stood at 0.97 at primary level and 0.77 at upper primary level. The GPI of less than one indicated that there was some disparity in the level of educational opportunities for girls.
- The literacy rate in respect of STs in the State was far lagging behind at 37 and more particularly female literacy rate for STs was at 26.

Thus, the efforts of the State Government to improve educational indicators were not adequate.

3.1.17 Monitoring and evaluation

Monitoring was poor both at the Commissionerates and the district level. No evaluation was conducted for any of the schemes

The Commissioners of Social Welfare and Tribal Welfare were monitoring the schemes implemented by them through the monthly progress reports (MPRs). In the absence of essential data like utilisation of funds, funds received through cheques, unspent balances, targets vis-à-vis achievements (physical) in the MPRs, the monitoring was ineffective. There was no coordination between the two Welfare departments as Audit noticed lack of uniformity in the districts in implementation of the schemes. Coordination was also lacking between the Welfare Departments and the Education Department. Except releasing scholarships to SC and ST students, effectiveness of implementation of schemes was not monitored at any level.

No evaluation was conducted for any of the schemes either directly or by any independent agency in both the SW and TW Departments.

3.1.18 Conclusions

The implementation of schemes for development of SC/ST students suffered in the State mainly due to inefficient budgeting, poor supervision and monitoring. Neither was any survey conducted to assess and identify the number of eligible SC/ST students nor did the departments have any reliable database. This left a large number of students uncovered under the schemes. Financial resources were not managed efficiently. Substantial amount of funds under the scheme of Pre-matric Scholarships were not utilised for the intended purpose denying payment of scholarship. The benefits of Book bank scheme could not reach the beneficiaries. The State Government failed to implement the scheme of Upgradation of merit despite the availability of the Central assistance. Construction and maintenance of hostels was not given adequate attention and the students were denied the basic amenities. There was overcrowding or underutilisation of hostels. Huge funds were locked up with the district officers and executing agencies. Efforts of the State Government to improve educational indicators were not adequate as evidenced by low retention of ST boys and girls and low literacy rate for STs, more particularly for ST girls. None of the schemes were evaluated to assess their impact. Monitoring of the schemes was poor both at Commissionerate level and the district level as well. In all, the implementation of various schemes failed to have desired impact on educational development of the students belonging to SCs and STs.

3.1.19 Recommendations

- Survey should be conducted to assess the targeted population under each scheme so as to establish a database of eligible beneficiaries for effective planning and implementation of the schemes.
- Estimates should be drawn on realistic basis and timely release of funds and their full utilisation should be ensured.
- The implementation of all schemes should be reviewed and remedial steps taken to ensure that the benefits of educational and other welfare schemes relating to SCs and STs, accrue only to those entitled. Particularly, steps should be taken to improve retention of SC/ST students in school and to improve ST girls literacy rate.
- There should be effective monitoring at Commissionerates' level and by DDs, SW/ DTWOs as well. Officials responsible for implementation, as well as for supervision and monitoring of the schemes should be held accountable wherever the cases of delay, misappropriation were noticed.

The above points were reported to Government in July 2007; their reply had not been received (August 2007). The audit recommendations were accepted in the exit conference held in August 2007.

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT

3.2 Godavari Water Utilisation Authority

Highlights

Godavari Water Utilisation Authority was constituted (April 1999) to plan, promote and operationalise schemes/projects for expeditious utilisation of allocated water of river Godavari. Government prioritised (August 2004) six projects on the river under a concept called "Jalayagnam" to complete them in two to five years for providing water to 16.32 lakh acres in Telangana region and drinking water to the habitations enroute by lifting 135.68 tmc water from river Godavari. A review of these projects disclosed that the progress of these projects was hampered mainly due to delay in land acquisition and approval of designs. The consultants were not made responsible for any deviations in quantities, designs and drawings during execution. There was no suitable provision in the agreements to safeguard the Government interest, resulting in reduction of substantial quantity of material with the benefit passing on to the contractor. In many cases, the quality and quantity of materials required was wrongly projected, estimates were unrealistic, advance payments were made contrary to agreement, etc. resulting in contractors enjoying huge unintended and undue benefits.

The progress of works has been hampered by delay in land acquisition and implementation of rehabilitation and resettlement packages. In the absence of assured power supply, the successful operation of the lift irrigation schemes is doubtful.

[Paragraphs 3.2.6.3, 3.2.6.5 and 3.2.6.6]

Contrary to the agreement conditions, advance payments amounting to Rs 65.11 crore were made to the contractors for semi finished pipes resulting in loss of interest of Rs 9.22 crore to the Government.

[Paragraph 3.2.7.2]

The projects prioritised for completion before March 2007 were not completed and consequently, the objectives of utilizing allocated water of river Godavari and creating irrigation potential to 2.16 lakh acres in the Telangana region were not achieved.

[Paragraph 3.2.8]

Reduction in the quantity of steel required for pipes on account of reduction in thickness of steel plates during the execution resulted in undue benefit of Rs 87.57 crore to the contractors. Also, reduction in number of rows and length of pipeline during the execution resulted in undue benefit of Rs 21.29 crore to the contractor.

[Paragraphs 3.2.9.1 and 3.2.9.2]

Unintended benefit amounting to Rs 359 crore was extended to the contractor due to incorrect preparation of estimates and absence of suitable provision in the agreements to safeguard the Government interest.

[Paragraph 3.2.9.4]

Liquidated damages of Rs 36.36 crore levied for slow progress of work were not recovered from the contractors.

[Paragraph 3.2.10.1]

3.2.1. Introduction

Godavari Water Disputes Tribunal allocated (July 1980) 1172.78 tmc²⁰ water to Andhra Pradesh from river Godavari. Government planned to utilize 1010.31 tmc water at 75 per cent dependability including regeneration. Government constituted (April 1999) Godavari Water Utilisation Authority (GWUA) under the chairmanship of the Chief Minister. The main objectives of GWUA were to plan, promote and operationalise schemes/projects for the expeditious utilization of allocated waters of river Godavari to provide irrigation to the backward areas of the State.

Of the projects under the control of GWUA, the following six projects were prioritized (August 2004) and proposed to be taken up as part of 'Jalayagnam'²¹.

- (i) J. Chokkarao Devadula Lift Irrigation Scheme (JCRDLIS)
- (ii) Sripadasagar Project (SSP)
- (iii) Alisagar Lift Irrigation Scheme (ALIS)
- (iv) Arugula Rajaram Guthpa Lift Irrigation Scheme (ARGLIS)
- (v) Lendi Project and
- (vi) Dummugudem Project consisting of Rajeev Sagar and Indira Sagar Lift Irrigation Schemes

3.2.2. Organisational setup

The implementation of the projects were to be overseen by the Principal Secretary to Government and Secretary to Government (Telangana Region) in Irrigation and Command Area Development (I&CAD) Department at Secretariat level. Implementation and Tendering Committee would oversee the process of tendering, evaluation and award of contracts. Planning, budgeting, programming, implementation, execution and monitoring of the six projects were distributed among four Heads of Departments²² (HOD) supported by Superintending Engineers (SEs) at circle level and Executive Engineers (EEs) at divisional level.

²⁰ Thousand Million Cubic Feet

²¹ 'Jalayagnam' is a concept propagated by the Government to bring more ayacut under cultivation by completing irrigation projects in a record time

²² Engineer-in-Chief (Overall administrative control and Lendi Project); Commissioner, Planning and Development of Godavari Basin (Alisagar and Guthpa LI schemes); Chief Engineer, Godavari Lift Irrigation Scheme, Warangal (Devadula and Dummugudem LI Schemes) and Chief Engineer, SSP-FFC Karimnagar (SSP)

3.2.3 Audit objectives

The broad audit objectives of this performance audit were to ascertain whether:

- project formulation and planning were comprehensive, detailed and accurate;
- financial management was effective in the implementation of the projects;
- the execution of the projects was as envisaged; and
- the monitoring and evaluation was effective so as to achieve the objectives of the project.

3.2.4 Audit criteria

The audit criteria used for performance audit covered the following aspects of the schemes:

- Detailed Project Reports (DPRs), approvals by Government and Internal Bench Mark (IBM) estimates;
- Government of India and State Government orders relating to land acquisition and rehabilitation and resettlement packages; and
- Monitoring, evaluation and quality control as required under the extant orders.

3.2.5 Scope and methodology of audit

A test-check of the records at Secretariat, four HODs, four Circles and nine out of 13 divisions²³ was conducted between January and April 2007 covering an expenditure of Rs 2463.24 crore (76 per cent of total expenditure of Rs 3230.10 crore) in 12 out of 27 packages in respect of four (out of six) projects under the control of GWUA.

An entry conference was held in January 2007 with Secretary to Government (Telangana Region), I&CAD and all the HODs and the objectives of the performance audit were explained to them. Physical evidences were obtained in the shape of replies to audit queries, copies of documents, photographs, maps, etc. The audit observations were also discussed with Secretary to Government and CEs in the exit conference held in August 2007. The results of the review are presented in the succeeding paragraphs.

Audit findings

3.2.6 Project formulation

In order to overcome time and cost over runs of the projects and to develop the irrigation potential without delay for the targeted population, Government decided (August 2004) to take up the irrigation projects on a turn key basis i.e. awarding of all works on Engineering, Procurement, Construction (EPC) system to one agency. Under this, the agency to whom the work is awarded,

²³ SSP Division-1, Ramagundam; SSP Division-3, LMD Colony, Karimnagar; SSP Division-4, Mancherla; JCRDLIS Division-1, 2, 3 and 4, Chintagattu, Warangal; NSLI Division-1 and 2, Nizamabad

would investigate, survey, design and construct the project on a turn key basis and then hand over to the Government. The advantage of this arrangement was supposedly that there would not be any scope for deviation of quantities, revision of estimates etc, as the agency was to complete the work at its quoted contract amount. Government approved (August 2004) empanelment of contractors for participation in the procurement of priority irrigation projects under EPC system.

Accordingly, Government decided to complete all the six projects in two to five years and provide water to 16.32 lakh acres of ayacut in Telangana region by lifting 135.68 tmc water from river Godavari. It would also provide drinking water to the habitations enroute. This required preparation of estimates as accurate as possible so that deviations from estimates are bare minimum. This increases the role of consultants to a great extent in devising a suitable mechanism so that once designs are firmed up by department, no changes are made or if any, it is minimum. Simultaneously, suitable provisions in the agreement should be made to safeguard the Government interest, wherein the deviations are more than the prescribed limit. A brief description of each project is given in *Appendix 3.5*. The deficiencies noticed in the role of consultant, planning, land acquisition, rehabilitation, etc. are discussed below:

3.2.6.1 Role of consultants

As the projects were implemented on turnkey basis, the estimates were to be as accurate as possible. Thus the role of consultant was pivotal in contributing to correct estimates to facilitate timely completion of the projects.

Preparation of detailed project reports (DPRs) comprising detailed investigation, designs, drawings, preparation of estimates and obtaining clearances required for the projects from Central Water Commission (CWC), Government of India etc, in respect of five projects was entrusted between February 2002 and April 2005 to two consultants for a total agreement value of Rs 7.76 crore. An amount of Rs 7.09 crore has been paid to the consultants as of March 2007. However, a scrutiny of the terms of reference of the consultants, estimates, designs and drawings prepared by them disclosed the following:

- The tenders in respect of three projects (JCRDLIS, SSP and Dummugudem) were floated based on different IBM estimates than those prepared by the consultants.
- Survey, investigation, preparation of estimates, designs and drawings, etc, which were entrusted to the consultants were again included in the scope of work put to tender for construction of the projects under EPC turnkey system.
- There were no provisions in the agreement of consultants and contractors so as to deal with the deviations between the estimates drawn up by the consultants and the actual execution of work by the contractors to safeguard the Government interest.
- The contractors to whom the works were entrusted under EPC turnkey basis were allowed to execute the works as per their own designs and

drawings approved by the Chief Engineer, Central Designs Organisation (CE, CDO) with little relevance to those prepared by the consultants, though the same were approved by CE, CDO before calling the tender.

- All the clearances in respect of JCRDLIS and SSP have not yet (July 2007) been obtained by the consultants although they have been paid their fees.

Thus, the estimates prepared by the consultants, finally approved and works actually executed with reference to those designs were at variance with each other. Despite this, the consultants were not made responsible for any deviations in quantities, designs and drawings during execution.

3.2.6.2 Source and adequacy of water

Department did not properly formulate the policy for lifting of water and ayacut contemplated

The Department initially proposed to lift 36.25 tmc water in all three phases of JCRDLIS. After making provision of 1.92 tmc water for drinking and 2.96 tmc water towards evaporation losses, water available would be 31.37 tmc for irrigation of 6.47 lakh acres.

Government, with a view to bringing more land under irrigation, decided (December 2006) to implement drip and sprinkler irrigation at micro level under all the major Lift Irrigation (LI) schemes so as to irrigate 15000 acres per one tmc water.

Subsequently, the department proposed to irrigate 4.08 lakh acres under Phase-I and II of JCRDLIS which would require 27.20 tmc water at 15000 acre per one tmc water. Contrary to the above norms, the Department proposed to lift 12.43 tmc water only as against 27.20 tmc. Thus, the water proposed to be lifted (12.43 tmc) would not be sufficient to irrigate the proposed ayacut of 4.08 lakh acres. Department however, stated (June 2007) that the shortages would be covered under Phase-III of the project. Phase III works have yet to be commenced as of August 2007.

The mis-match between the proposed lifting of water and ayacut contemplated is due to faulty formulation of policy and Government would not be able to meet the targets under LI Schemes.

3.2.6.3 Non-availability of assured power supply

Successful operation of LI schemes is doubtful in the absence of assured power supply

One of the functions of GWUA was to provide for dedicated power supply for the proposed lift irrigation schemes on river Godavari. However, no power project has so far been contemplated on the river for this purpose. The power requirement for five LI schemes was assessed at 891.98 MW. The CWC has expressed (January 2005) doubt about the availability of sufficient power in respect of JCRDLIS as the department had not made any firm proposal for meeting their requirement of power. On the request and at the cost of the department, APTRANSCO has been executing the electrical works such as extension of HT lines, construction of separate sub-stations and fixing transformers. So far an amount of Rs 307.02 crore has been paid by the Irrigation Department to APTRANSCO for execution of electrical works under JCRDLIS, ALIS and ARGLIS projects. However, no memorandum of understanding/agreement has been concluded with APTRANSCO. As such,

the successful operation of LI schemes, in the absence of the assured power supply, is doubtful. The Secretary to Government, I&CAD Department, accepting the audit observation in the exit conference stated that steps were being taken for commissioning a Hydro-electric project on river Godavari.

3.2.6.4 Overlapping of ayacut

CWC cleared the flood flow canal (FFC) of Sriram Sagar Project (SRSP) in 1996 with an ayacut of 2.20 lakh acres in Karimnagar, Warangal and Nalgonda Districts. Phase-II of JCRDLIS was taken up in April 2005 with an ayacut of 2.85 lakh acres in the same districts. It was, however, observed that the ayacut contemplated under phase-II of JCRDLIS overlapped the ayacut contemplated under FFC to the extent of 60000 acres in Warangal and Nalgonda Districts. Thus, it is evident that even the ayacut was not finalized by the CE, JCRDLIS before concluding the agreements for Phase-II works. The SE, JCRDLIS Circle, Warangal stated (June 2007) that it was proposed to transfer the overlapping ayacut from FFC to JCRDLIS. However, no clearance for the changed ayacut has been obtained from the CWC as of August 2007.

3.2.6.5 Delay in land acquisition

Delay in land acquisition hampered the progress of works

As per the guidelines of the Engineering, Procurement and Construction (EPC) system, the contractors have to conduct the survey, assess the land and submit the Land Plan (LP) Schedules to the department for arranging land acquisition. However, the EPC contractors had failed to submit LP Schedules in time and the process of land acquisition was delayed. The position of land acquisition as of March 2007 was as follows:

(in acres)

Sl. No.	Name of the project	Extent of land required	Land acquired (Percentage)	Balance to be acquired
1.	JCRDLIS	10986	5808 (52)	5178
2.	SSP	18265	9019 (48)	9246
3.	ARGILS	239	239 (100)	Nil
4.	ALIS	249	227 (91)	22

In respect of Lendi and Dummugudem projects, the land assessment and LP schedules were yet to be submitted by the contractors and the process of land acquisition has not even started as of June 2007. The records showed that ryots were obstructing the works due to non-payment of full compensation resulting in slow progress of works.

3.2.6.6 Rehabilitation and resettlement

Non-implementation of R&R packages hampered the progress of works

Of the six projects, rehabilitation and resettlement (R&R) of the project affected persons/families are required in two projects (SSP and Dummugudem). Government declared 37 villages in Karimnagar and Adilabad Districts as fully or partially affected due to submersion under SSP and Rs 12.07 crore was deposited with the Revenue Divisional Officer, Peddapalli for implementation of R&R package. Though the socio-economic survey and identification of affected persons/families was completed (June 2006) in

respect of 21 villages, the R&R packages have yet to be implemented. The process in the other 16 villages is still in progress though the project works had commenced in February 2005. The R&R package in respect of Dummugudem project has yet to be started though a provision of Rs 35.73 crore was made in the administrative sanction.

3.2.7 Financial management

3.2.7.1 Budget and expenditure

Expenditure was very low upto 2003-04 and in excess of the provision during 2004-06

The Projects under the control of GWUA were being financed through State plan budget. The budget provision and expenditure on all the six projects from inception to 2006-07 were as follows:

(Rupees in crore)

Year	Budget provision	Expenditure	Savings (-)/ Excess (+)
From 1999-2000 to 2001-02	51.98	25.54	(-) 26.44
2002-03	51.40	20.98	(-) 30.42
2003-04	82.00	55.77	(-) 26.23
2004-05	518.65	615.29	(+) 96.64
2005-06	749.72	1112.63	(+) 362.91
2006-07	1332.45	1399.89	(+) 67.44
Total	2786.20	3230.10	

It could be seen from the above table that though the Government provided Rs 185.38 crore, only Rs 102.29 crore had been spent up to 2003-04. The financial progress of the projects, except Dummugudem project has picked up momentum from 2004-05 under 'Jalayagnam'. During the last three years (2004-07), the expenditure incurred was far in excess of the budget provision by Rs 526.99 crore. It is evident that the department failed to prepare realistic budget estimates in accordance with the financial and physical targets fixed for each project.

3.2.7.2 Unauthorised advance payment and loss of interest

Unauthorised advance payments amounting to Rs 65.11 crore resulted in loss of interest of Rs 9.22 crore

Superintending Engineer and Project Administrator, Nizam Sagar Lift Irrigation Circle, Nizamabad (SE&PA) entrusted the work "construction of pump houses and Hydro-Mechanical works under Stage-I of Arugula Rajaram Guthpa Lift Irrigation Scheme" to a contractor (Agreement No.5/2004-05) for Rs 145.80 crore for completion in 12 months i.e., by February 2006.

Clause 14.3.5 of General conditions of contract categorically stipulated that no secured advance shall be made against any purchase and placement of construction/manufacturing material/brought out items. A request of the contractors for payment of 85 per cent of the cost of the pipes brought to site was categorically rejected by the SE&PA during pre-bid meeting. However, the SE&PA, based on a separate request by the contractor after concluding the agreement, had made (August 2005) an amendment to the agreement allowing 70 per cent payment of the cost of the pipes placed along the water conductor system. Accordingly an amount of Rs 65.11 crore was paid between August 2005 and July 2006 to the contractor as advance.

Thus, advance payment made contrary to the original agreement conditions ahead of the payment schedule vitiated the spirit of tendering process. This not only resulted in undue financial assistance to the contractor of Rs 65.11 crore but also loss of interest of Rs 9.22 crore (upto July 2007) at 9.5 per cent prevailed during the period.

The reply (July 2007) of the Government that the payment was not an advance but a part-payment for the portion of the work done and measured was not tenable as the payment made was not on the finished item of work executed and measured, but was merely an advance payment against delivery of pipes.

3.2.8 Physical performance

The projects prioritised for completion before March 2007 were not completed

The works of all the six projects were divided into 27 EPC packages and 12 non-EPC works and entrusted to contractors between October 2003 and June 2007 for completion between July 2005 and March 2009. Of these, 20 EPC and 12 non-EPC works were commenced and of which 10 non-EPC works were completed and the balance 20 EPC and two non-EPC works are still in progress. In respect of Dummugudem Project, agreements are yet to be concluded for seven EPC packages. There was a time overrun of five to 24 months in respect of four packages²⁴ resulting in non-accrual of irrigation benefits to an extent of 2.16 lakh acres.

The project-wise details of packages, contemplated period of completion, water to be lifted, ayacut to be developed, power requirement, present stage etc, are given in Appendix 3.6. The physical progress of four main works is illustrated in the following photographs:



The work “SSP Stage I phase I - Construction of SSP across river Godavari near Yellampalli” was entrusted (November 2004) to a contractor for Rs 408.85 crore to complete by November 2007. Extension of time was granted up to May 2008. However, only 12 per cent (Rs 50.43 crore) of the work was completed as of March 2007 for the reasons stated to be due to delay in land acquisition, finalisation of designs and implementation of R&R.



The work “SSP stage I phase II – Supply of 8.50 tmc water from SSP to NTPC” was entrusted (April 2005) for Rs 98.92 crore for completion by October 2006. Extension of time was granted up to December 2007. However, only 39 per cent (Rs 38.34 crore) work was completed as of May 2007 due to delay in land acquisition and finalisation of designs.

²⁴ Phase-I of JCRDLIS, Stage-I Phase II of SSP, ARGLIS and ALIS



The work “JCRDLIS – Phase I - Lifting of water from river Godavari near Gangaram and supply through pipelines connecting enroute tanks” was entrusted (January 2004) to a contractor for Rs 843.98 crore to complete by July 2005. Extension of time was granted up to March 2007. However, 75 per cent (Rs 633.81 crore) of the work was completed as of May 2007. The intake pump house at Gangaram village is yet to be completed due to delay in acquisition of land.



The work “ARGLIS - construction of Pump House and HM & EM works to lift 540 cusecs water from river Godavari” was entrusted (February 2005) to a contractor for Rs 145.80 crore to complete by February 2006. However, 72 per cent (Rs 103.58 crore) of the work was completed as of March 2007. Extension of time was granted up to May 2007. The intake pump house at Ummeda village could not be completed as of June 2007 stated to be due to submergence of pump house due to heavy rains and floods.

3.2.9. Execution of works

Pursuant to the introduction (January 2004) of EPC system for executing irrigation projects, tenders were being invited for a whole project or a major component of a project including investigation, survey, design, construction and maintenance for two years. The bidders were required to quote for the total contract value of all the above operations. The bids so received were compared with Internal Bench Mark (IBM) estimates prepared by the department without any detailed investigations of the designs and drawings or of quantities of work to be executed. Thus, any wrong estimation while calculating the IBM estimates on account of adoption of inflated quantities, higher specifications, etc., leading to over estimation, would result in undue benefit to the contractors as there were no clauses in the agreement safeguarding the interest of the Government.

Audit found that IBM estimates of various projects/ packages were not being calculated realistically. The incorrect estimation of type and quantity of materials required, inclusion of several unauthorized provisions/excess provisions/incorrect calculations, etc. resulted in unintended and undue benefits to contractors to the detriment of Government, as detailed in the following paragraphs.

Reduction of thickness of steel plates required for pipes during the execution resulted in undue benefit of Rs 87.57 crore to the contractor

3.2.9.1 Undue benefit to contractors - Sripadasagar Project (SSP)

The IBM estimate for stage-II phase-I works of SSP, inter-alia, includes supply, fabrication, laying and joining of 3.00 m dia pressure mains in two rows for a total length of 80 km. The cost of the pressure main was worked out in the estimate with uniform thickness of 20 mm steel plate for the entire length. The work was entrusted (March 2005) to a contractor under EPC

turnkey system for an agreement value of Rs 1737 crore. However, the firm submitted their designs for the above work with thickness of steel ranging from 16 mm to 24 mm, depending on the pressure of water at a particular reach. The CE, CDO, approved (May 2007) the designs. The fabrication and supply of pipes were executed (up to March 2007) accordingly for a length of 61.087 km. The requirement of steel quantity for the executed length of pressure mains with uniform 20 mm thickness as adopted in the estimate works out to 90947 MT. However, it works out to only 74978 MT with different thicknesses as per actual execution. The excess provision of steel by 15969 MT in the IBM estimate had not only resulted in higher estimates but also unintended benefit to the contractor by Rs 87.57 crore at Rs 54837.70 per MT, the rate adopted in the estimate.

The CE, SSP stated in the exit conference that there was nothing in the agreement regarding thickness of steel and hence payment could not be restricted for lesser thickness. It is evident that the department failed to incorporate a clause to be effect that saving out of the reduction in the quantity of work would accrue to Government. Thus, the contractor benefited out of the savings.

3.2.9.2 Alisagar Lift Irrigation Scheme (ALIS)

Reduction of number of rows and length of pipeline during execution resulted in undue benefit of Rs 21.29 crore to the contractor

The IBM estimate for ALIS was technically sanctioned (August 2004) for Rs 172 crore and entrusted (March 2005) to a contractor for an agreement value of Rs 163.98 crore at 3.91 *per cent* discount on the ECV of Rs 170.65 crore. The scope of the work provided for fabrication and laying of four rows MS pipeline with 1.80 m dia for a length of 5.60 km and 1.60 m dia for a length of 1.53 km. Steel required for fabrication of pipes as per the estimate was 12358.37 MT. The basic parameters of the project given in the agreement were to be strictly adhered to by the bidders, unless otherwise specified during detailed survey, investigation, engineering and execution of the project. The bidders were required to review the same and incorporate modifications/improvements wherever required for optimising benefits without any deviations from the basic parameters of the project.

During the execution, the number of rows was reduced to two and the alignment length was also reduced to 6.21 km as per revised designs submitted by the contractor for pressure pipeline (i.e., two rows of 2.2 m dia for 5.335 km and 1.8 m dia for 0.875 km). The revised designs were also accepted (June 2005) by the CE, CDO. The contractor accordingly fabricated and laid the pressure main for a length of 6.21 km by procuring a total quantity of 8455 MT of MS coil as against 12358.37 MT provided in the estimate. Thus, IBM estimate prepared by the consultant and approved by the department was unrealistic and resulted in undue benefit of Rs 20.54 crore being the cost of excess steel (3903.12 MT) at the rate of Rs 54768 per MT provided in the estimate duly deducting tender discount.

Similarly, as per the basic parameters stipulated in the agreement, the length of pressure pipeline was 7.13 km. As per the price breakup given in the IBM estimate for excavation, refilling, sand bed and CC block for laying of pipes was Rs 6.07 crore. However, as per the designs furnished by the contractor

and actual execution, the length of pipe line was reduced to 6.21 km. Had the length of the pipe line been correctly assessed at the time of preparing IBM estimates, the saving of Rs 75 lakh would have accrued to the department. The contractor was thus unduly benefited to that extent.

Government replied (September 2007) that as the contract price was a firm lump sum on a single source responsibility and the short utilisation of steel was due to change of designs and drawings, the cost was not recovered from the contractor. The reply is not acceptable as the bidder offered his rate, based on the project appraisal appended to the agreement and the contractor was required to design, fabricate and lay four rows of 1.8 m and 1.6 m dia with 10 mm thick steel plate. Changing the scope of work with two rows of pressure pipeline of 2.2 m and 1.8 m dia was an alternative design and not a modification. The adoption and execution of the alternative and economic design, resulted in savings to the extent of Rs 21.29 crore which would have accrued to Government had there been a suitable provision in the agreements.

3.2.9.3 Arugula Rajaram Guthpa Lift Irrigation Scheme (ARGLIS)

Execution of inner lining with less thickness than the specified resulted in unintended benefit of Rs 32.47 lakh to the contractor

The construction of ARGLIS was entrusted (February 2005) to a contractor under EPC turnkey system for an agreement value of Rs 145.80 crore. The scope of work, *inter-alia*, included manufacture, supply and laying of 2200 mm, 2000 mm and 1600 mm dia pressure main for a total length of 27895 Running Metres (RMT). As per the agreement conditions, the work was required to be executed according to the relevant IS codes. IS 1916-1989 stipulates the inner lining thickness of 25 mm for 450 mm to 3000 mm dia pipes. An experts committee constituted to discuss the details of IS codes pertaining to laying of steel pipes for schemes already undertaken and the CE, CDO recommended for 25 mm thickness for inner lining as per IS 1916-1989. However, the contractor manufactured and delivered the pressure mains with 15 mm thickness inner lining as per IS 3589-2001, which is applicable for seamless and welded carbon steel pipes. The Principal Secretary to Government, I&CAD Department, based on another recommendation given (August 2005) by the Committee, approved (November 2005) the pipeline with inner lining thickness of 12.5 mm to 15 mm to overcome contractual obligations. As the contractor would have quoted his rates with 25 mm thickness inner lining, the acceptance of the pressure mains with 15 mm thick inner lining resulted in unintended benefit of Rs 32.47 lakh up to executed and paid quantity of 25496 RMT.

Government replied (September 2007) that the instructions to adopt 12.5 mm to 15 mm thick inner lining were issued based on the recommendations of the committee. They further stated that there was no unintended benefit to the contractor as the contract price was a firm lump sum and on a single source responsibility.

The reply does not explain the reasons for incorporating in the agreement a condition for executing as per IS code 1916-1989. Thus the decision of Government in accepting the lesser thickness of inner lining during execution was contrary to the agreement conditions and resulted in unintended benefit to the contractor.

3.2.9.4 Boosting up of IBM estimates: Sripadasagar Project (SSP)

IBM estimates were boosted by Rs 359 crore extending an undue benefit to the contractor

The IBM estimate for stage-II phase I works of SSP was originally sanctioned for Rs 1757.18 crore. The work was entrusted (April 2005) to a contractor for an agreement value of Rs 1737 crore at 0.666 *per cent* excess over the estimate contract value (ECV) of Rs 1725.50 crore. During execution, the estimate was revised to Rs 1688.86 crore for which the Administrative and Technical approvals were accorded in August 2005 and March 2006 respectively. Consequent to the revision of estimate, the ECV works out to Rs 1657.18 crore enhancing the tender premium to 4.81 *per cent*, which is just below the permissible ceiling of five *per cent*.

A review (February 2007) of the estimates disclosed that even the revised estimate had been inflated by Rs 349.85 crore extending unintended benefit to the contractor as detailed below. Had the revised estimate been properly prepared, the contractor would not have qualified as the tender premium would have exceeded five *per cent*.

- The requirement of MS steel plate for fabrication of pressure pipeline was assessed as 165735 MT in the approved (March 2006) estimate. However, based on the diameter of the pipes and thickness of steel plates as approved by the CE, CDO, the actual quantity of steel requirement was worked out by the SE, SSP Circle, Mancherial as 135255 MT with the extra loading of steel quantity in the approved estimate working out to 30480 MT. The cost of the extra steel loaded in the estimate at the rate of Rs 54837.70 per MT adopted in the estimate was Rs 167.15 crore.
- There was a provision of Rs 68.90 crore in the estimate towards cost of excavation of gravity canals for inter-connecting the tanks. However, the consultant agency had worked out the cost of these items including the excavation of approach channels at Rs 25.16 crore. Thus, the extra loading into the estimate works out to Rs 43.74 crore.
- A provision of Rs 368.50 crore was made in the sanctioned (March 2006) estimate towards Electro Mechanical (EM) works of SSP at the rate of Rs 2.75 crore per MW for 134 MW of power required. In respect of another estimate sanctioned later in January 2007 for Indira Sagar LIS (Dummugudem project), a rate of Rs 2 crore per MW was approved by the IBM Committee²⁵. Thus, the rate adopted at Rs 2.75 crore per MW was unjustified and resulted in excess provision of Rs 100.50 crore at the differential rate of Rs 0.75 crore per MW for 134 MW.
- A rate of Rs 72 crore per tmc was adopted in the estimate for strengthening and improvement of 14 old tanks and formation of two new tanks. It was noticed from another estimate sanctioned (January 2007) for Indira Sagar LIS that a rate of Rs 40 crore per tmc was adopted for formation of new tanks as approved by IBM Committee. Thus, there was excess provision of Rs 38.46 crore for 1.202 tmc for all the 16 tanks.

²⁵ IBM Committee comprising of CE, Godavari Lift Irrigation Schemes, CE, CDO and Technical Advisor (Telangana Projects) for approving the IBM estimates

Similarly, in the estimate for Stage-I phase II works of SSP (supply of 8.5 tmc water to NTPC), a provision of Rs 29.15 crore was included towards EM works at a rate of Rs 2.92 crore per MW for 10 MW. However, a rate of Rs 2 crore per MW was adopted for EM works in Indira Sagar LIS as approved by the IBM Committee as most economical and workable. Thus, the excess rate of Rs 0.92 crore per MW resulted in excess provision of Rs 9.15 crore per 10 MW in the estimate.

3.2.9.5 Wrong inclusion of a clause in the agreement

Contractors reaped huge benefits of Rs 5.25 crore due to wrong inclusion of a clause to collect cess in six agreements

Two comprehensive Central Acts, viz., (i) Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996 (Act-1) and (ii) Building and Other Construction Workers' Welfare Cess Act, 1996 (Act-2) were passed (August 1996) in the Parliament in order to regulate the building and other construction workers' safety, health, welfare and other conditions of service. Every State Government is required to appoint/constitute, by notification, a Building and other Construction Workers' Welfare Board (Board) to provide and monitor Social Security Schemes and Welfare measures for the benefit of building and other construction workers registered with it under this Act. The Government would then deduct the cess at the notified rates from the bills paid for building or other construction works, and the proceeds deposited with the Board. Government of Andhra Pradesh has yet to enforce the Central Acts or to appoint a Board in the State.

A clause to the effect that all establishments would be required to pay cess at the rates not exceeding two *per cent* of the cost of construction as may be modified by the Government was incorporated in six agreements. This clause should not have been incorporated in the agreements when the Act had not been enforced in the State or a Board formed and there was no intention of collecting the same from the contractors. At two *per cent* on the total value of work done and paid which was Rs 262.74 crore, upto March 2007, the amount of cess that would have accrued amounts to Rs 5.25 crore. Thus the contractors would have benefited to that extent as no amount has since been recovered from them.

3.2.9.6 Non- obtaining of additional security deposit

As per the Government orders in vogue in respect of tenders accepted with a discount more than 25 *per cent* of the ECV, a bank guarantee or demand draft for the difference between the tendered amount and 75 *per cent* of the ECV should be taken towards Additional Security Deposit (ASD) so that the Government interests are protected in case of backing out of the contractor. It was, however, observed that no additional security was collected from the contractor to whom the work "stage-I phase-I -supply of 8.5 tmc water from SSP to NTPC, Ramagundam" was awarded for an agreement value of Rs 98.92 crore at 29.34 *per cent* less than the ECV (Rs 138.87 crore). This resulted in not only unintended benefit of Rs 30.70 lakh being the Bank commission to be paid on the BGs obtainable for Rs 5.23 crore towards ASD but also Government interest was not safeguarded.

3.2.10 Other points of interest

3.2.10.1 Non-recovery of liquidated damages

Liquidated damages of Rs 36.36 crore levied for delay was not recovered

The works under Phase-I of JCRDLIS (Pipeline and allied works) was awarded (January 2004) to a contractor to complete the works in 18 months i.e., by 7 July 2005 and extension of time was granted upto 31 March 2007. But the work was not completed even by the extended period. Extension of time was granted by Government subject to levy of liquidated damages as per rules and clauses of the agreement. The department calculated the liquidated damages for Rs 35.58 crore for the period from 8 January 2004 to 30 June 2006. But the same was not recovered though an amount of Rs 40 crore was paid to the contractor after levying liquidated damages on the pretext that the approval of higher authorities was awaited.

Similarly, in case of ARGLIS also, extensions of time were granted twice and latest upto 31 May 2007 as the work could not be completed within the agreement period i.e., 12 months upto 17 February 2006 due to delay in finalisation of designs, land acquisition and heavy rains and floods. The extension of time was granted subject to levy of liquidated damages as per agreement conditions. Accordingly, the department worked out liquidated damages of Rs 1.76 crore for the period from January 2006 to September 2006. Of this, an amount of Rs 98 lakh only was recovered. The balance amount of liquidated damages of Rs 78 lakh was still to be recovered as of August 2007. Although levying of penal interest on liquidated damages would facilitate timely completion of works, the department took no action to force the contractor to pay it immediately.

3.2.10.2 Unwarranted discharge of contractor's liability

Irregular reimbursement of Rs 31 lakh amounted to extra payment to the contractor

In Phase-I work of JCRDLIS (pipeline and allied works), the contractor has deposited an amount of Rs 31 lakh to the Railway department towards supervision, way leave and one time maintenance charges for a railway crossing. As per agreement conditions, the contractor shall pay all the taxes, duties and fees and obtain all permits, licences and approvals which are deemed to be included in the contract price. However, the department reimbursed the amount to the contractor. The cost of the railway crossing work was already included in the contract price as per the quoted rate of the contractor and hence, separate reimbursement of amount on this account was against the agreement conditions and resulted in extra payment to the contractor. The department replied (February 2007) that there was no clear mention in the agreement regarding payment of the above charges to the railway authorities. The reply was not correct as the agreement provided for the specific condition about payment of the above charges by the contractor.

3.2.10.3 Non-recovery of income tax

Income Tax of Rs 4.60 crore was not recovered from a contractor

The Assistant Commissioner of Income Tax (TDS), Mumbai authorised (August 2006) the department to pay contract sum payable to the contractor for Phase-II works of JCRDLIS without deducting income tax (IT). The

authorisation shall remain in force from August 2006 to March 2007. However, the department paid bills amounting to Rs 329.22 crore during the period (April 2006 to July 2006) prior to the authorisation without recovering the IT. The un-recovered IT at 2.24 *per cent* provided in the agreement worked out to Rs 7.37 crore.

The department replied (March 2007) that IT of Rs 2.77 crore was recovered from LS 13 & Part bill and kept under deposits and balance amount would be recovered from the forthcoming bills. However, neither the balance (Rs 4.60 crore) IT was recovered nor the IT already recovered and kept in deposits (Rs 2.77 crore) was credited to the relevant head of account.

3.2.11 Monitoring and evaluation

The progress of the six lift irrigation scheme works was being monitored by the Chief Minister and the Principal Secretary to the Government, I&CAD Department once a month and the Chief Engineer of the project/scheme concerned once a fortnight. The project works were also being inspected by the Secretary, Irrigation wing and the CE/CDO frequently and the Chief Engineers/Superintending Engineers of the project regularly. Despite being monitored at all levels, the rate of progress in the works under SSP and JCRDLIS has not been in accordance with the milestones fixed.

Besides, the progress in land acquisition and R&R activities were being reviewed by the District Collectors every month. However, specific action plans in respect of R&R packages to the beneficiaries affected in SSP were not drawn up so far even though the works were grounded in February 2005. The identification of beneficiaries on socio-economic basis is under progress.

3.2.12 Conclusions

There were serious deficiencies in the efficient, economic and effective implementation of the projects undertaken under GWUA. The schemes were undertaken without proper care in finalizing the ayacut, source and availability of assured power supply. There was delay in acquisition of land and implementation of R&R packages, which hampered the progress of works severely. The projects prioritised for completion before March 2007 were not completed and consequently, the objectives of utilizing allocated water of river Godavari and creating irrigation potential were not achieved. The agreements were one sided in favour of the contractors and suitable provisions were not incorporated to protect Government interest. The consultants were not made responsible for any deviations in quantities, designs and drawings during execution. The contractors enjoyed huge undue benefits due to incorrect projection of materials required, preparation of unrealistic estimates, etc. Despite being monitored at all levels, the rate of progress in the works under SSP and JCRDLIS is not as per the milestones fixed.

3.2.13 Recommendations

- Delay in acquisition of land, implementation of R&R packages, approval of designs and getting clearances is to be avoided to complete the ongoing schemes/projects expeditiously so that the allocated waters of river Godavari can be utilized to provide irrigation and drinking water to the backward areas of the State.
- For the successful operation of LI schemes, arrangements for assured power supply should be quickly finalized.
- It is essential that future IBM estimates are prepared as accurately as possible regarding basic parameters of the project, designs and drawings etc., to avoid unintended benefits to the contractors.
- All conditions/clauses in tender schedules and agreements should be examined in consultation with Law Department and suitable changes/provisions may be made to safeguard the Government interest in EPC system of contract.
- Amount to the extent of liquidated damages due from contractor should not be released to him.

The above points were reported to Government in July 2007; their reply had not been received (August 2007). The recommendations were accepted in the exit conference held in August 2007.

EDUCATION (Higher Education) DEPARTMENT

3.3 Functioning of Andhra University

Highlights

The Andhra University, established in the year 1926 manages 12 faculties with 74 departments, five campus colleges, four post graduate centres and 594 affiliated colleges besides the School of Distance Education (SDE). The University was accredited status 'A' by National Assessment and Accreditation Council (NAAC). Resources including human resource, academic programmes, performance of affiliated colleges especially the SDE, monitoring of Research projects and Estate and other Assets were not effectively managed. There was no Internal Audit since inception of the University. Physical verification of library books has not been done since inception. The University has not addressed a serious matter of concern which is the huge shortfall in teaching hours of the academic staff, and a very high teacher-student ratio.

The Annual Accounts for the year 2004-05 were not yet prepared as of July 2007, which was already delayed by two years.

[Paragraph 3.3.6.1]

Advances amounting to Rs 6.57 crore given to Principals of colleges and various departmental officers remained unadjusted in the books of the University (June 2007). Mess charges collectable from students accumulated to Rs 2.04 crore to the end of March 2007. Of this Rs 1.72 crore was found to be irrecoverable as the students of batches 2002-03/2004-05 have already passed out of the colleges.

[Paragraphs 3.3.6.5 and 3.3.6.7]

The University was yet to realise Rs 8.44 crore from Government towards tuition fee/scholarship for the years 2000-01 to 2006-07 in respect of SC/ST students. The University did not release the certificates to those SC and ST students against whom the tuition fees were outstanding.

[Paragraph 3.3.6.6]

There was no enrolment for certain courses in the Arts and Commerce streams and the enrolment for certain courses in the Engineering College showed a declining trend. There has been a steep decline in the enrolment for the courses offered by the School of Distance Education.

[Paragraph 3.3.7.2]

A huge shortfall in teaching hours of the academic staff, coupled with a very high teacher-student ratio was noticed.

[Paragraphs 3.3.7.5 to 3.3.7.6]

The arbitrary action of the School of Distance Education in introducing (2003-04) a course 'MA (Education)' without obtaining the required permission from National Council for Teaching Education (NCTE), resulted in disqualification of successful candidates in the District Selection Committee Examinations for recruitment of teachers.

[Paragraph 3.3.7.7]

Internal audit was absent in the University. In certain Centres/Campus colleges, cashbooks were not maintained or were not properly maintained. Physical verification of library books was not done since inception (1927).

[Paragraphs 3.3.6.3, 3.3.8.5 and 3.3.9.1]

3.3.1 Introduction

The Andhra University (University) was established in the year 1926 and is governed by the AP Universities Act, 1955 amended by the AP Universities (Amendment) Act, 1991 which came into force from February 1995.

The jurisdiction of the University is spread over five districts²⁶ of the State. The University is managing 12 faculties²⁷ with 74 departments. It has five campus colleges²⁸, four Post Graduate (PG) centres²⁹, and 594 affiliated colleges under its management. It also established (July 1972), the School of Distance Education (SDE) with the objective of increasing the access of higher education to disadvantaged sections of the society. The University was accredited (2005) status 'A' by National Assessment and Accreditation Council (NAAC).

3.3.2 Organisational set up

The University affairs are guided and conducted by a Chancellor, a Vice Chancellor, Executive Council (Board of Management-EC), Academic Senate and a Board of Studies. The Finance Officer is the head of the finance wing. The Director of State Audit is the statutory Auditor for the University.

3.3.3 Audit objectives

The main objectives of the performance audit were to examine whether the:

- financial management resulted in economic, efficient and effective utilisation of resources and administration of the University was effective;
- academic programmes, distance education, research activities undertaken, etc. were effective in achieving the intended objectives of the University;
- management of estates/assets and supporting services was adequate and fulfilled the needs of the University; and
- proper monitoring systems were in place.

3.3.4 Audit criteria

The following criteria were adopted for the performance audit:

- University code, AP University Act, 1991, AP Financial Code, guidelines issued from time to time by the Government and Administrative Manual of the University;

²⁶ East Godavari, Visakhapatnam, Vizianagaram, Srikakulam, and West Godavari

²⁷ Arts-7, Engineering-3, Science-1 and Law-1

²⁸ Arts and Commerce, Engineering, Law, Pharmacy and 'Science and Technology'

²⁹ Etcherla (Srikakulam), Kakinada (East Godavari), Tadepalligudem (West Godavari) and Vizianagaram (Vizianagaram)

- Orders of University Grants Commission (UGC), Human Resource Development Ministry, College Development Council (CDC), and Minutes of EC meetings;
- Lease agreements relating to estate and assets, Minutes of EC meetings, etc.; and
- Monitoring systems instituted by the University/Government.

3.3.5 Scope and methodology of audit

The performance audit was conducted (April-June 2007) covering the period 2002-03 to 2006-07. Records of five campus colleges, one PG centre at Etcherla, Srikakulam District, SDE and various departments of the University viz., University press, Central library, Central Administrative office, Hostels and Laboratories of Engineering and 'Science and Technology college' were test checked. An entry conference was conducted (April 2007) with the Secretary, Higher Education, Registrar, and Finance Officer of the University to explain the methodology of audit. The audit observations and recommendations were also discussed with the Registrar of the University in the exit conference held in July 2007. The results of the review are presented in the succeeding paragraphs.

Audit findings

3.3.6 Financial management

Financial management was deficient in the University

The University is financed through block grants (Plan and Non-plan) from State Government, grants received from UGC and other Central Government organisations like All India Council for Technical Education(AICTE), Council for Scientific and Industrial Research, Defense Research and Development Organisation, Indian Council for Agricultural Research, Indian Space Research Organisation, etc. The University also generates its own income by way of fees from students, sale of publications, sale of study material, processing fee, etc. Financial management was deficient as discussed below:

3.3.6.1 Delay in the preparation of annual accounts

Preparation of Annual Accounts was badly delayed

As per Andhra Pradesh Universities Act, 1991, the Executive Council should prepare during each financial year, the annual accounts of the University of the preceding financial year, and submit them to such Audit as the Government may direct, before the end of the financial year. The annual accounts for the year 2004-05 are still under preparation as of July 2007, which is already delayed by two years.

3.3.6.2 Budget estimates and actuals

The budgeted and actual receipts and expenditure for the years 2002-03 to 2006-07 were as follows:

(Rupees in crore)

Huge variations between the BEs and the actuals were noticed especially in the years 2005-06 and 2006-07

Year	Budgeted		Actual		Variations (percentage)	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
2002-03	138.95	158.70	158.09	160.43	19.14 (14)	1.73 (1)
2003-04	159.13	166.27	156.29	151.10	2.84 (2)	15.17(9)
2004-05	197.36	203.45	195.98	179.76	1.38 (1)	23.69 (12)
2005-06	244.52	247.89	185.91	165.07	58.61(24)	82.82 (33)
2006-07	244.08	245.95	125.68	145.58	118.40 (49)	100.37 (41)

Note: Figures for the years 2004-05 to 2006-07 are tentative as the accounts are not finalized

The source-wise details of receipts (actuals) are given in *Appendix 3.7*.

The above table indicates huge variations between the budgeted and actual receipts as well as in budgeted and actual expenditure especially in the years 2005-06 and 2006-07. There were large variations between the estimates and the actuals in the head 'Development (plan) budget' and 'AU Development Fund' in all the years. The University attributed this to release of only 60 per cent block grant by the State Government. It was also stated that the variations were due to incurring unforeseen expenditure and fluctuations in income generation. Thus, the estimates drawn up were not need based and were unrealistic.

3.3.6.3 Improper maintenance of cash books

Cashbooks were either not maintained or were not properly maintained by certain colleges

In seven Institutes³⁰ test checked, cashbooks were not maintained during the period covered by audit by Dr. Durgabai Deshmukh Centre for Women's Studies and Population Research Centre during the entire period of review (2002-07). The cashbooks were not properly maintained in other five Institutes as discussed below:

- In the Institute for Yoga and Consciousness, Engineering college, Registrar office, Delta study centre, and Centre for Studies on Bay of Bengal, month-wise closings as well as annual closings of cashbooks as required under codal provisions, were not done by departmental heads. The cashbooks were often written in pencil and for some months not signed by the HODs.
- Reconciliation of cashbooks figures with the bank passbooks was pending since 2004-05 in all the departments/centers test checked.
- There was abnormal delay ranging from 60-90 days in presenting the DDs (660) valued Rs 29.33 lakh into the banks ('Engineering' (338/Rs 16.12 lakh) and 'Science & Technology' (322/Rs 13.21 lakh) colleges) during June 2006 to March 2007.

The improper maintenance of the cashbooks may subsequently result in manipulation/tampering of entries and as such there is scope for possible fraud/misappropriation.

³⁰Centre for Studies on Bay of Bengal, College of Engineering, Delta study centre, Dr. Durgabai Deshmukh centre for women's studies, Population Research Centre, Institute for Yoga and Consciousness and Registrar office

3.3.6.4 Non-utilisation of UGC special grant

Special grant of Rs 8 crore released by UGC, though required to be utilized by the end of March 2007 was not spent even after a year of receipt

The UGC released (May 2006) special additional allocation of Rs 8 crore for upgrading Engineering faculties³¹ in the University during the financial year 2006-07. The grant was required to be utilised during the Tenth Plan period which ended on 31 March 2007. The amount was disbursed to the College of Engineering in five phases during May 2006 – January 2007. The upgradation works had not yet started and the entire amount was lying unutilised with the college as of July 2007 in the savings bank (SB) account of the Principal of the college.

3.3.6.5 Outstanding advances

Advances amounting to Rs 6.57 crore remained unadjusted in the books of the University

The University had been giving advances to Principals of colleges and Superintendents of examination centres towards conduct of examinations, and to various departmental officers for execution of petty works like white washing, painting, electrification, advertisement, etc. AP Financial Code prescribed that the advance taken should be adjusted by detailed bills and vouchers as soon as possible and second advance could only be drawn when the first advance is adjusted. It was however, seen that as against Rs 17.19 crore advanced to the various officers during 2002-07, Rs 6.46 crore (Rs 3.15 crore pertained to the period 2005-06 and earlier years) still remained unadjusted in the books of the University. The details are given in *Appendix 3.8*. Of this, 73 per cent of the amount pertains to Examination branch, NSS and non-UGC. Neither the receipt of accounts for the advances given was pursued nor was any penal action taken by the University for non-submission of the adjustment bills. The absence of a system to monitor the settlement of outstanding advances, is indicative of poor internal controls.

3.3.6.6 Outstanding tuition fee/scholarships from Government

The University was yet to realize Rs 8.44 crore from Government towards reimbursement of tuition fee/scholarships. This caused undue hardship to SC/ST students

As per the existing orders of the Government, the tuition fee in respect of the Scheduled Caste and Scheduled Tribe students was to be reimbursed by the Social Welfare and Tribal Welfare Departments. As of March 2007, the University was to receive Rs 2.48 crore³² from these departments of the Government towards tuition fees pertaining to the period from 2002-03 to 2006-07 in respect of the admissions made to the different campus colleges.

Similarly, School of Distance Education (SDE) has yet to receive reimbursement of an amount of Rs 5.96 crore (for 12507 SC students) as of July 2007 from Government towards scholarships for the period 2000-07 for which the SDE had allowed free admission with a view to adjusting them in future towards tuition fee. Due to non-receipt of scholarship amount from Government, the University did not release the certificates to those SC/ST students against whom the tuition fees were outstanding.

³¹ Procurement of equipment and lab (Rs 6.40 crore), provision of infrastructure (Rs 1.60 crore) in Bio-informatics and nano-technology and Centre for Defence studies

³² 2002-03 (Rs 18.24 lakh), 2003-04 (Rs 52.83 lakh), 2004-05 (Rs 42.89 lakh), 2005-06 (Rs 45.28 lakh) and 2006-07 (Rs 88.68 lakh)

The Registrar, while accepting the audit point, expressed his inability to release the certificates to the SC and ST students before their tuition fees are reimbursed by the Government. Non-reimbursement of tuition fee/scholarships by Government, has not only affected the finances of the University, but resulted in undue hardship to SC and ST students.

3.3.6.7 Outstanding mess charges

Outstanding mess charges accumulated to Rs 2.04 crore to the end of March 2007. Of this, Rs 1.72 crore was found to be irrecoverable

The University maintains hostels for its students and the Chief Wardens are responsible for recovery of hostel dues from the University's hostel inmates. All students are required to clear their monthly mess charges/bills regularly at the end of each academic course, and to clear all hostel dues within three months of completion of final year-end examinations failing which appropriate interest would be charged. Mention was made in Para 7.8 of CAG's Audit Report for the year ended 31 March 2001 that the University failed to collect mess and other charges regularly from the students resulting in accumulation of dues of Rs 1.78 crore relating to the period 1979-2001 as of September 2001. As of March 2007, the outstanding dues had accumulated to Rs 2.04 crore, of which, an amount of Rs 1.72 crore was irrecoverable as the students of the batches up to 2004-05 ('Science and Technology' and 'Arts and Commerce') and 2002-03 (Engineering) have already left the college.

The dues are bound to accumulate over the years as at present 'no due certificates' are issued to students routinely at the time of issue of degree certificates, on the basis of sureties from teaching/non-teaching staff, which are not enforced.

3.3.7 Academic programmes

The University offered graduate and post-graduate courses in campus colleges, SDE and affiliated colleges in different disciplines. The unit cost of education was Rs 1.78 lakh on average per year. The following observations are made:

3.3.7.1 Annual reports

The Executive Council, in compliance with section 22 of Andhra Pradesh Universities Act 1991, is required to prepare an annual report of the University and send it to the Academic Senate. The Senate considers it in its subsequent annual meeting and submits to the State Government for information along with a copy of their resolution thereon, if any.

The preparation of Annual Reports has generally been delayed for the years 2002-03 to 2005-06 essential information relating to number of students enrolled, appeared, passed and the success rate, etc. in respect of Degree and PG courses in campus colleges, School of Distance Education and affiliated colleges was not shown. No uniform pattern was adopted to exhibit the data in all the years. This was mainly attributable to lack of effective coordination between various departments and poor monitoring of various programmes/projects and other activities taken up by the University.

Thus, the Annual Reports appear to have been prepared as a matter of routine and did not give comprehensive and complete information which could be of use to the Academic Senate to review the performance of the University. This also resulted in inefficient and ineffective conduct of academic programmes ultimately leading to continuation of courses with low or nil enrolment and poor success rate as discussed in the succeeding paras as mentioned elsewhere in the review.

3.3.7.2 Huge drop in enrolment of students in certain courses/colleges

Enrolment was 'nil' in a number of courses offered by Arts and Commerce college

Scrutiny disclosed that, of the five campus colleges, while the enrolment in Science and Technology, Law and Pharmacy colleges was satisfactory, there was no enrolment or the enrolment was on the decreasing trend in 19 out of 33 courses in 'Arts and Commerce' and three out of 15 courses in 'Engineering' colleges as shown under:

Arts and Commerce College*

Name of the course(s)	'Nil' enrolments during the years
Anthro. M.Sc, M.Com (A&D), MBA (NRI), B.Ed. for special education, HRM and IT, Yoga, Diploma in AVS, Diploma in Business, Pre-school Education, Religious studies	2003-04 to 2006-07
Special Education, Linguistics, French, Urdu, Fashion and Handloom Technology	2004-05 to 2006-07
Criminal Justice	2005-06 to 2006-07
MBA	2003-04, 2004-05 and 2006-07

* Total enrolment (on average) in the college: 1027

Engineering college#

In the Engineering (campus) college, the enrolment was on the decreasing trend

Name of the course(s)	Number of students enrolled				
	2002-03	2003-04	2004-05	2005-06	2006-07
B.Tech (CSE)	61	33	31	32	36
M.Tech Geo engineering	3(6)	Nil (6)	Nil (6)	Nil (6)	2(6)
Chemical Engineering	13 (80)	13 (80)	13(80)	8(80)	3(80)

Total enrolment (on average) in the college: 2221; Figures in brackets indicate 'Capacity'

The Registrar replied (July 2007) that in the context of globalisation and boom in software, information technology (IT) and IT enabled services; students are inclined to pursue technology-based courses instead of arts and basic sciences. Despite this, the University chose to continue such unpopular courses year after year. The enrolments in SDE in respect of the certain courses had also gradually decreased from year to year as shown under:

School of Distance Education (SDE)

There was steep decline in enrolment for the courses offered by the School of Distance Education

Sl. No.	Name of the course	Number of students enrolled				
		2002-03	2003-04	2004-05	2005-06	2006-07
1.	B.A	16640	14040	16694	14207	13500
2.	B.Com.	3755	2828	2833	2868	2970
3.	M.Com.	2849	2814	2174	1935	1701
4.	M.A. Eco	609	626	429	444	413
5.	MA Pol	520	530	486	475	395
6.	MA Pub. Ad.	942	938	881	749	629
7.	MA His	230	218	174	197	155
8.	MA/M.Sc Maths	1663	1454	1000	769	395
9.	B.Ed.	844		103	98	79
10.	Certificate course in linguistics	2	No enrolments			

It was noticed that the University had failed to attract the students over the years and the very objective of increasing the access of higher education to disadvantaged sections of the society was not being achieved. The Director, SDE stated (June 2007) that the drop in enrolment was due to the fact that the same courses were being offered by Nagarjuna, Kakatiya and Srikrishnadevarayaa Universities. Despite this, no serious attempts were made to arrest it, or to identify new courses that would appeal to prospective students. In fact, courses with nil enrolment continued year after year and the overall expenditure of SDE increased to Rs 2.49 crore in 2006-07 from Rs 2.34 crore in 2003-04 and of study centers from Rs 73.79 lakh in 2003-04 to Rs 91.24 lakh in 2005-06.

3.3.7.3 Pass percentage in courses offered by University

The University had set up a College Development Council (CDC), with the main intention of proper planning and integrated development of affiliated colleges by providing necessary help and guidance. The status of success rate in various Degree/PG courses conducted by the University both in the 'regular' and 'distance' mode in the years 2002-03 to 2005-06 is shown in *Appendix 3.9*.

Since the annual reports brought out by the University do not have complete and comprehensive/uniform data for all the courses (Para 3.3.7.1 refers) offered by the University, the success rate could not be analysed/evaluated in audit. Further, the University did not also maintain any data on success rate, enrolment, etc. of other Universities to facilitate any analysis. Thus, no serious attempts to improve the success rate were taken by the University authority.

3.3.7.4 Delayed despatch of study material

Study material was despatched by SDE just before the examinations causing hardship to students

For the course offered by School of Distance Education (SDE), the students were to be supplied study material periodically for all subjects in 48 courses. An average expenditure of Rs one crore had been incurred by SDE every year for printing of study material.

Test-check of records pertaining to 2006-07 batch of Graduate and M.A./M.Com courses, showed that study material was being despatched to students just before the examinations, causing hardship to the students. This could also be one of the contributing factors for the low success rate in almost all the years as discussed in Para 3.3.7.3.

The Director, SDE admitting the delays in despatch of study material to students, attributed it to shortage of staff and the increased number of courses. The contention of SDE is not tenable as the SDE should have made alternate arrangement to ensure timely despatch of study material to students; and the shortage of staff cannot be an excuse for this.

3.3.7.5 Teacher-student ratio

Deployment of teachers was more than the prescribed norms for certain courses

As per AICTE/UGC norms, the teacher-student ratio for technical courses should be 1:15 and it should be 1:10 for non-technical courses. It was however, observed that the deployment of teachers was more than the prescribed norms in technical courses up to 1.92 teachers for every 15 students and in non-technical courses up to 4.54 teachers for every 10 students. The course-wise details are given in *Appendix 3.10*. However, this did not translate into better performance and the success rate for the courses B.Tech (Instrument Technology), M.A./M.Sc. (Anthropology), M.A. (Psychology) had declined in the years 2005-06 and 2006-07.

3.3.7.6 Work load of teaching staff below the norms

Workload of teachers for some courses was far below the prescribed norms

As per Para 6 of the University Standing orders of the Executive Council, the work load of the teacher in full employment should not be less than 40 hours a week for 30 working weeks (i.e. 180 teaching days) in an academic year. The direct teaching hours should be 16 hours a week in respect of Lecturers/Senior Lecturers/Lecturers (selection grade) and 14 hours a week in respect of Readers and Professors. The prescribed norm is 420 hours per academic year for the teaching staff.

A test-check of the records of the 14 departments of the University showed that the teaching hours ranged between as low as 56 to 266 during the 3-year period (2004-05 to 2006-07) in respect of Readers and Professors. The course-wise details are given in *Appendix 3.11*. The shortfall in teaching hours of the academic staff, coupled with a very high teacher-student ratio (Para 3.3.7.5), indicates that there is surplus academic staff.

3.3.7.7 Course introduced without prior permission of NCTE

Arbitrary introduction of M.A. (Education) course without the permission of NCTE, resulted in cancellation of the course

National Council for Teaching Education (NCTE) was established through an Act of Parliament during 1995 with a view to achieving planned and coordinated development of the teacher education system throughout the country. As per Section 14 of NCTE Act, it is mandatory that all the institutions including Universities should obtain permission from Regional Committee of NCTE for any course that leads to 'teacher preparation'.

The SDE had introduced a course 'M.A. (Education)' during the Academic year 2003-04 with an intention of providing access to the teachers who could not get admission in the regular departments of University and teachers working in primary and secondary schools who otherwise have no provision in B.Ed. in Andhra University through distance mode. It was however, seen that the said course was introduced without obtaining the necessary permission from NCTE and the students enrolled in the years 2003-04 to 2006-07. During the years 2003-04 to 2004-05, 554 students were enrolled, 546 appeared in examinations and 535 passed. In the year 2005-06, 699 students were enrolled, but final year examination was not conducted. Although 735 students were enrolled in the year 2006-07, admission was not finalised.

The success rate of the students taking the exam was near 100 *per cent*. NCTE, while expressing serious concern over the violation by the University of the Act and Regulations of the NCTE, directed (November 2005) the University to stop the course pending recognition from them. As a consequence, the successful candidates were not allowed to write the District Selection Committee (DSC) examinations (through a Gazettee notification of Education Department dated 1 June 2006) for recruitment of teachers by the District Educational Officers concerned. Despite this, the University is continuing the course, while refunding the fees to the desiring students of 2006-07.

Thus, introducing and continuing the course without obtaining prior permission from the NCTE has caused hardship to the students.

3.3.7.8 Non-generation of patents for Research Projects

The Andhra University research forum has been aiming at bringing the teachers, research scholars and the students of the campus come close to one another with constant interaction in research activities.

The University had received an amount of Rs 10.03 crore from UGC (Rs 1.15 crore) and other funding agencies³³ (Rs 8.88 crore) for 136 (67 completed – Rs 4.77 crore; 69 ongoing – Rs 5.26 crore) research projects during the years 2002-03 to 2005-06. One measure of the success of a research programme, is the number of applications for patents it generates. Patents were applied for only one project in 'Pharmaceutical Sciences' and none of the remaining projects taken up by other departments had resulted in any application for patents. Further, the University did not maintain any data on success rate of research projects, patents obtained, etc. of other Universities for its evaluation.

3.3.7.9 Equipment not returned by Researchers

Equipment were not being returned by Researchers after completion of research projects

The University had been releasing amounts from UGC grants to the Researchers for research activities. One of the conditions of the UGC grant is that the equipment used on research projects should be returned to the laboratories after completion of the projects for their utilisation on the new

³³ AICTE, ICAR, ISRO, etc.

research projects. In three departments³⁴, equipment worth Rs 45.24 lakh procured by the Researchers had not been returned (June 2007) even after completion of research projects to the concerned laboratories. It was also observed that the receipt of equipment was not even entered in the stock registers.

3.3.8 Estate management and support services

Government allotted 419.02 acres of land in Visakhapatnam and 331 acres of land outside Visakhapatnam to the University from time to time. There were eight encroachments to the total extent of one acre against which cases were pending as of July 2007 in different courts of law. The University Engineer is the Estate Officer. Estate and other assets were poorly managed by the University as discussed below:

3.3.8.1 Execution of work without ensuring title of land

Construction of boundary wall was taken up even without ensuring the title of land

The State Government had allotted 100 acres of land to the University for construction of PG centre at Tadepalligudem, West Godavari District. The PG centre was inaugurated in July 2004. Following the instructions of the District Collector, for construction of boundary wall for the land on urgent basis, an estimate for Rs 50 lakh was prepared, tenders were called for and the work was awarded (March 2005). The site was handed over to the lowest bidder for Rs 46.21 lakh in September 2005 with a stipulation to complete the work within six months from the date of handing over of the site.

However, after incurring expenditure of Rs 13 lakh the University authorities came to know that the land was under dispute and that a case was pending in the Supreme Court. The work was therefore stopped in February 2006. Evidently the University had started the work even without verifying the title of the land, which led to the expenditure incurred so far remaining unfruitful.

The University replied (May 2007) that the work would be taken up after obtaining the court clearance.

3.3.8.2 Loss of revenue due to non-entering into lease agreement

Loss of revenue in the absence of lease agreement with the lessee

The University, though prohibited to dispose of the land (alienated by the Government) without the express sanction of the Government, had allotted (1988-91) 845 sq. yards of land within its campus (at North campus), at different phases on long lease basis to the Board of Intermediate Education (BIE) for establishing their regional inspection office in Visakhapatnam. However, no lease agreement was entered into with the BIE. In the meantime, permanent buildings were also constructed by BIE in the premises. Although the University decided (December 2000) to levy lease rentals from BIE at Rs 0.30 lakh per annum from May 1991 with enhancement of six *per cent*

³⁴ Electronics and Communication Engineering, Metallurgical Engineering and Mechanical Engineering

every year, the resolution was not even communicated to BIE and thereby no lease rentals were paid by the BIE (March 2007).

Thus, absence of lease agreement with the BIE/non-levy of lease rentals the University had sustained a loss of revenue of Rs 7.81 lakh for the period May 1991- March 2007. The condition of obtaining express sanction of the Government before disposing of any land has also not been incorporated in the Universities Act. The Estate Officer, while admitting the lapse promised (May 2007) to conclude a lease agreement with the BIE with retrospective effect and action would be taken to recover the lease rent.

3.3.8.3 Exchange of land from GVMC not pursued

Compensation of land in exchange of land given to GVMC was not effectively pursued

For development of roads, green belt etc., land to the extent of 79567 sq. yards belonging to the University was taken over by the then Visakhapatnam Municipal Corporation (VMC) (now Greater VMC – GVMC) on various occasions during the years 1986 to 2006. GVMC had promised to exchange the land in Mudasarlova of Visakhapatnam District in the ratio of 1:3 and to construct a guesthouse at Yoga village at a cost of Rs 25 lakh. However, as of July 2007, neither the promised compensation of land was paid nor the guesthouse constructed by GVMC. Moreover, the University had started (2006) construction of guesthouse on its own in another area at a cost of Rs 3.50 crore. The ineffective pursuance by the University resulted in the land not being secured in exchange as promised by GVMC. This not only affected the developmental activities of the University but the value of the land parted to the GVMC also remains unrealised even after several years.

The University replied (May'2007) that the matter was being pursued with GVMC to obtain the land in exchange.

3.3.8.4 Inadequate hostel accommodation

Students were accommodated in the hostels far beyond their original capacities, exceeding up to 68 per cent

Hostel accommodation was provided to the campus students of the University. Scrutiny showed that in Arts and Commerce, Engineering, and Science colleges hostels of the University the occupation was beyond their original capacity (exceeding up to 68 *per cent*) as follows:

Hostel (Capacity)	Occupancy (excess percentage)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Arts (648)	1051 (62)	669 (3)	627	849 (31)	1021 (58)
Engineering (1052)	1501 (43)	1236 (17)	1280 (22)	1364 (30)	1407 (34)
Science (572)	834 (46)	566	592 (3)	834 (46)	960 (68)

Though the intake in Arts and Science hostels was well managed by the University during the years 2003-04 and 2004-05, the trend was not continued in subsequent years. The action taken by the University to improve the hostel accommodation facilities to the students and to overcome the congestion problem though called for was not furnished.

Physical verification of library books was not done since inception of the University

3.3.8.5 Non-conducting of physical verification of library books

As per the University code, the stock verification of library books was to be done every alternate year. The physical verification of library books was never conducted since inception (1927) in Central library and Academic staff college (Institute). This is a serious lapse considering that during the years 2002-03 to 2005-06 alone, the University had purchased 31575 books (including 1832 periodicals) worth Rs 4.63 crore³⁵. Due to non-conducting of the physical verification, the possibility of loss/theft of valuable books purchased since the inception of the Institute and Library could not be ruled out.

It was also noticed that more than one lakh books were lying in the cellar of the library occupying space measuring 2000 sq.ft. (approximate). No action was however, taken to dispose these books.



Books lying in the cellar of the library

3.3.9 Internal Audit and monitoring

3.3.9.1 Absence of Internal Audit

There was no Internal audit since inception of the University

Internal Audit examine and evaluate the level of compliance to the departmental rules and procedures and provide reasonable assurance to the management on the adequacy of the existing internal controls. The primary function of Internal Audit is to assist in ensuring the accuracy of the accounts and correct statement of financial transactions of the University.

It was however, observed that no internal audit wing was established (March 2007) by the University to conduct internal audit of the various departments. In the absence of Internal Audit, compliance to the rules and procedures by various departments of the University could not be ensured.

3.3.10 Conclusions

Financial management in the University was deficient. Preparation of annual accounts was delayed. Colleges had either not maintained the cashbooks or not properly maintained. Huge advances given to various colleges and other departmental officers remained unadjusted. The University also failed to obtain from Government reimbursement of tuition fee/scholarships in respect of SC/ST students. Annual reports were perfunctory and did not include essential information. Academic programmes were also not managed effectively. Deployment of teachers was more than the prescribed norms for certain courses and the workload of teachers was far below the prescribed norms. Research projects were not efficiently managed and physical verification of library books was not conducted since inception (1927). Estate and other assets were poorly managed. Internal audit was absent in the University.

³⁵Books and periodicals: 2002-03: 5599/Rs 0.95 crore; 2003-04: 7119/Rs 1.28 crore; 2004-05: 9907/Rs 1.46 crore; 2005-06: 8950/Rs 0.94 crore

3.3.11 Recommendations

- Annual accounts should be prepared on time and approved by the Executive Council. Outstanding advances should be adjusted promptly before the close of the financial year.
- For obtaining reimbursement of Tuition fee/scholarship amounts the University should take up the matter with SW&TW Departments separately on priority. Certificates of SC/ST students should not be linked with reimbursement of tuition fees/scholarship amount by Government.
- Annual Reports prepared should reflect comprehensive and complete information which could be of use to Academic Senate. The University should address the matter of the huge shortfall in teaching hours of the academic staff, a very high teacher-student ratio and to identify new courses that would appeal to prospective students.
- Physical verification of library books should be carried out immediately and action should be taken to dispose off old/obsolete books.
- An effective internal control system with an Internal Audit wing also should be established at once in the University.

The above points were reported to Government in July 2007; their reply had not been received (August 2007). The recommendations discussed in the exit conference held in July 2007 were accepted.

HOME (POLICE) DEPARTMENT

3.4 Modernisation of Police Force

Highlights

The scheme of Modernisation of Police Force was launched to augment the operational efficiency of the State police to effectively face the emerging challenges to internal security. Implementation of the scheme in the State suffered mainly due to deficient planning and poor monitoring both at department and Government levels. Annual action plans were not need based and their delayed approval necessitated several deviations from the approved plans. Construction of non-residential and residential buildings was not given due priority and huge funds were locked up with the AP State Police Housing Corporation. Sixty three per cent of the police stations were not provided with four wheelers adversely affecting the field policing. Procurement of sophisticated weaponry was inadequate and the police stations continued to depend on outdated weapons. The Forensic Science Laboratories were underutilised. Computerisation of police stations was ineffective to augment the operational efficiency.

Annual action plans were not need based and their delayed approval resulted in delaying the implementation of the scheme and caused several deviations from approved plans. Separate sub-plan for Home Guards was not provided.

[Paragraphs 3.4.6 and 3.4.6.1]

State Government did not release its matching share (Rs 98.69 crore) in the years 2002-03 to 2005-06. The percentage of utilisation of funds in the year of sanction was very low at 13 to 38 per cent.

[Paragraph 3.4.7]

Despite availability of sufficient funds, 53 per cent of staff quarters and 43 per cent of Non-residential buildings were not completed. This also resulted in locking up of huge funds (Rs 80 crore) in Fixed Deposits with the AP State Police Housing Corporation. Adequate priority was also not given to construction of police station buildings though focused in the perspective plan/annual plans.

[Paragraphs 3.4.8.1 and 3.4.8.2]

There was no significant increase in mobility as 58 per cent of the vehicles purchased were mainly used for replacement of old vehicles. 1003 police stations (63 per cent) were not provided with four wheelers, though envisaged in the guidelines.

[Paragraph 3.4.9.1]

Modernisation of weapons was not achieved due to inadequate procurement of sophisticated weapons and police stations depended on outdated weapons only. Forensic Science Laboratories were underutilised.

[Paragraphs 3.4.10 and 3.4.11.2]

Computerisation of police stations was ineffective and expenditure of Rs 32.39 crore on eCops (Rs 30.47 crore) and Common Integrated Police Application (Rs 1.92 crore) largely remained unfruitful.

[Paragraphs 3.4.14.1 and 3.4.14.2]

An efficient monitoring mechanism was absent both at Department and Government level including the State Level Empowered Committee (SLEC).

[Paragraph 3.4.15]

3.4.1 Introduction

Government of India introduced (1969) the scheme of Modernisation of Police Force (MOPF) to augment the operational efficiency of the State police so as to face the emerging challenges to internal security effectively. The Scheme was revised during 2000-01 and extended for a period of ten years, to make good the deficiencies in basic police infrastructure as identified by the Bureau of Police Research and Development (BPR&D). Under this revised scheme, the State Governments were required to submit a five-year Perspective Plan (PP) on the requirement of police forces starting from 2000-01 indicating the specific projects, which the governments want to implement in each year. The components covered under the scheme were (a) Construction (residential as well as non-residential buildings) (b) Mobility (c) Weaponry (d) Equipment and (e) Communication system including Computerisation.

3.4.2 Organisational set-up

At Government level, Principal Secretary, Home Department is responsible for implementation of the scheme. At the departmental level, Director General (DG), DGP- Anti Corruption Bureau (ACB), assisted by five Additional DGPs, Provisions & Logistics (P&L), Police Transport Organisation (PTO), Intelligence, APSP Battalions and AP Police Academy (APPA), six IGPs- Communication, Police Computer Services, training, Grey Hounds, Home Guards, Security Wing and Director, AP Forensic Science Laboratory (APFSL), Commissioners of Hyderabad and Cyberabad are responsible for the implementation and monitoring of the scheme. At the district level, Superintendents of Police (SP) are responsible for the implementation of the scheme. Construction work was executed by AP State Police Housing Corporation (APSPHC - Corporation). There is a State Level Empowered Committee (SLEC) set up (May 2001) under the chairmanship of the State Chief Secretary to monitor the implementation of the scheme.

3.4.3 Audit objectives

Audit Objectives were to assess whether:

- Annual Action Plans (AAP) were in accordance with the perspective plans (PP) and were based on requirements;
- Funds provided for the scheme were utilised for the intended purpose;
- Various components of the scheme were implemented economically and efficiently and the targets fixed for each component were achieved;
- Equipment purchased/assets created have been utilised and maintained properly and the intended benefits achieved; and
- Implementation/progress of the Scheme was monitored effectively.

3.4.4 Audit criteria

The following criteria were adopted for the performance audit review:

- BPR&D and Ministry of Home Affairs (MHA) (GOI) guidelines on the scheme, Perspective Plans and Annual Action Plans;
- Annual Action Plans approved by MHA, release orders of GOI/State Government;
- Purchase rules of the State Government, Codal provisions for execution of works, etc and targets fixed by MHA in Annual Action Plans for various components;
- History sheets/log books in respect of equipment, allotment registers in respect of quarters, records of eCops and Common Integrated Police Application Software (CIPA); and
- Minutes/records of State Level Empowered Committee (SLEC), instructions issued from time to time by GOI/State Government and Internal Audit Plans.

3.4.5 Scope and methodology of audit

The implementation of the scheme was reviewed (December 2006 – June 2007) for the period of five years from 2002-07. Records were test checked in the Home Department of the State Secretariat, DGP, AP State Police Housing Corporation, Directorates of FSL, Finger Print Bureau (FPB), Anti Corruption Bureau, and eight District Police Offices³⁶ (DPOs) selected in audit. Besides, records of three police stations under each DPO and Regional Forensic Science Laboratories (RFSLS), Battalions, Police Training Colleges (PTCs) existing in those districts were also test checked.

An entry conference was conducted in February 2007 with the DGP and his officers in which the Audit methodology was explained. Exit conference was also held (July 2007) with the MD, APSPHC (Corporation), Additional DGP(P&L), Addl. DGP (APPA), Addl. DGP (PTO), IG (Communications), IG (PCS) and Director (APFSL, Hyderabad). The results of the review are presented in the succeeding paragraphs.

Audit findings

3.4.6 Plan formulation

Annual Action Plans varied from Perspective Plan. Separate sub plan for Homeguards was not provided

As per the GOI guidelines, the State Government was to submit to MHA, a five-year perspective plan for modernisation starting from 2000-01. The State Government submitted (November 2000) a perspective plan covering only four-year period from 2001-05. Although the Annual Action Plans (AAP) were to flow from the perspective plan, the action plans varied from perspective plan every year. Separate Sub Plan for Home Guards was not

³⁶ Hyderabad city, Cyberabad, Guntur, Mahaboobnagar, Kurnool, Nizamabad, Sangareddy and Vizianagaram

provided in the annual plans though stipulated by MHA. The allocation/actual release was also meager; less than one *per cent* of the total outlay during the years 2003-04 to 2006-07 as against five *per cent* of total annual outlay of the State, stipulated (October 2003) by the MHA. No funds were released during the year 2004-05.

3.4.6.1 Submission of Annual action plans

Scheme funds were not spent in the same year

Except for 2004-05, there were delays in submission of AAPs by the State Government, as shown in *Appendix 3.12*. Further delays in the approval by MHA, release of funds to State Government and overall delay of one year adversely affected the implementation of the scheme. As a result, the funds could not be utilised in the same financial years by the department. GOI had to revalidate the sanction of Rs 20.92 crore of 2003-04 for utilisation during 2004-05.

3.4.6.2 Deviations from approved annual plans

Expenditure of Rs 31.37 crore was spent for works not covered by AAPs and without the prior approval of SLEC. Rs 2.48 crore had no Government approval

It was seen that during the years 2002-03 to 2005-06, an amount of Rs 31.37 crore³⁷ was diverted to other purposes like purchase of Very High Frequency (VHF) sets (instead of Automatic Vehicle Location System), construction of police constable quarters (instead of SI quarters), etc. under the same head without the prior approval of SLEC against the provisions of MHA. SLEC ratified the diversion only after periods ranging between one and three years. Further, an amount of Rs 2.48 crore released during 2004-05 (Rs 2.44 crore) and 2005-06 (Rs 0.04 crore) under 'Material & Equipment' was utilised for procurement of more number of communication equipment than approved in the Annual Action Plan. This deviation has not yet been ratified by the SLEC (July 2007).

3.4.7. Financial management

Under the scheme, 50 *per cent* of outlay (75 *per cent* from 2003-04 onwards) approved in the AAP would be funded by GOI and the balance was to be borne by the State Government. The funds intended for construction activity were released to the Corporation in 2002-03 through the DGP by adjustment to its Personal Deposit (PD) account. From 2003-04 onwards the funds were being released by GOI direct to the Corporation.

The details of approved plan, funds made available vis-à-vis the expenditure during the years 2002-03 to 2006-07 were as under:

³⁷ 2002-03 (Rs 10.47 crore), 2003-04 (Rs 8.65 crore), 2004-05 (Rs 10.68 crore), 2005-06 (Rs 1.57 crore)

(Rupees in crore)

Plan year	Approved Plan	Amount due from GOI	Central releases (% with reference to Col.2)	State's releases	Total fund available (Column4+5)	Total Expenditure ^s	Utilization of funds in the year of sanction (% of utilisation)
1	2	3	4	5	6	7	8
2002-03	162.68	81.34	80.74 (50)	--	80.74	80.74	31.05 (38)
2003-04	153.18	114.88	71.42 (47)	--	71.42	71.42	58.97 (82)
2004-05	153.66	115.24	79.50 (52)	--	79.50	79.50	29.52 (37)
2005-06	150.41	112.80	82.36 (55)	--	82.36	64.47	10.81 (13)
2006-07	79.99	59.99	33.74 (42)	21.95	55.69	--	--
Total	699.92	484.25	347.76	21.95	369.71	296.13*	-

^sThe expenditure figures shown in column 7 denote the expenditure of that particular year against column 6 as of March 2007

*Rs 79.55 crore lying in the shape of Fixed Deposit Receipts with the APSPHC was also incorrectly shown as expenditure by the department

The Component-wise expenditure during 2002-03 to 2006-07 was as follows:

(Rupees in crore)

Component	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Construction	28.81	27.09	27.61	17.35	Nil	100.86
Mobility	25.28	24.37	16.08	15.53	Nil	81.26
Weaponry	6.30	1.82	13.24	24.35	Nil	45.71
Equipment	18.59	7.44	14.68	7.24	Nil	47.95
CIPA & POLNET	1.76	10.70	7.89	Nil	Nil	20.35
Total	80.74	71.42	79.50	64.47	Nil	296.13

Central assistance was short received to the extent of Rs 136.49 crore. State Government had not released its share (Rs 98.69 crore) for the years 2002-03 to 2005-06

It was observed that:

There was a short release of Rs 136.49 crore by GOI during 2002-07. The State government did not release its matching share (Rs 98.69 crore) under the plan head for years 2002-03 to 2005-06. It was however, seen that Rs 161.43 crore³⁸ released under a different head of account (Non-Plan) was shown as State share in the utilisation certificates, which was not accepted by GOI.

Percentage of utilization in the year of sanction of funds was precariously low

The percentage of utilisation of funds with reference to the actual releases was precariously low in 2005-06 (13 per cent), 2004-05 (37 per cent) and 2002-03 (38 per cent). Thus, State Government could not utilise the annual allocation within the respective financial years, resulting in non-implementation of the scheme in full. As a result of low utilisation the items in approved plans sanctioned in 2002-03 were implemented in 2006-07. Due to belated release of funds by GOI, the expenditure could not be incurred during 2006-07.

All the above shortcomings indicated lack of effective financial, administrative and supervisory controls that adversely affected the implementation of various components of the scheme.

³⁸ 2002-03 (Rs 78.74 crore); 2003-04 (Rs 23.80 crore); 2004-05 (Rs 26.58 crore); 2005-06 (Rs 32.31 crore)

3.4.8. Construction

As per the guidelines issued by GOI, high priority should be given to the construction sector. The buildings proposed for construction are mostly connected with providing well-secured police station buildings and housing to staff, besides barrack facilities for Central Reserve Police Force (CRPF) in the district. The other thrust areas identified for providing infrastructure facilities are Greyhounds, AP Police Academy, Police Training College, AP Special Police Battalions and Home Guards Organisation.

3.4.8.1 Inordinate delays in constructions of buildings

Fifty three and 43 per cent of the Staff quarters and non-residential buildings were not completed. Expenditure of Rs 19.72 crore on incomplete buildings was unfruitful

Out of 460 non-residential buildings proposed to be constructed during 2002-07, only 263 buildings (57 *per cent*) were completed and 88 buildings were under progress (expenditure: Rs 11.10 crore) and 109 buildings were not even taken up (July 2007). Delayed completion of buildings was attributed to non-identification of site, change of site, non-feasibility of site and poor response to tenders. The year-wise details are given in *Appendix 3.13*. Adequate priority was not given to police station (PS) buildings. As per BPR&D guidelines 421 PS buildings were required to be constructed. However, only 39 PS buildings (out of 102 sanctioned) were completed while construction of 54 buildings was under progress and nine buildings had not started as of July 2007.

As against target of 832 residential buildings in the annual plans 2002-03 to 2004-05 only 388 (47 *per cent*) were constructed; 389 are under progress (expenditure: Rs 8.62 crore) and construction of 55 quarters had not started. The year-wise details are given in *Appendix 3.13*. Thus, achievement was far behind the target fixed.

The non-commencement of both residential (55) and non-residential buildings (109) involving an amount of Rs 26.81 crore was attributed by the Corporation to non-availability of site, delay in finalisation of tenders. The contention is not tenable as the funds should have been sanctioned/released only after identification of suitable sites. Thus, due to inordinate delay in completion of construction of non-residential as well as staff quarters, the targets fixed by MHA were not achieved despite availability of sufficient funds. This also rendered the total expenditure of Rs 19.72 crore on incomplete quarters/non-residential buildings unfruitful.

3.4.8.2 Parking of huge funds in fixed deposits/submission of inflated UCS by Corporation

Corporation parked Rs 79.55 crore in the shape of fixed deposits in banks

Out of Rs 138.90 crore released to the Corporation during 2002-07 towards construction of residential and non-residential buildings, an amount of Rs 79.55 crore³⁹, being the unspent amount was deposited in the banks in short term FDRs. In addition to this, advances amounting to Rs 94.81 lakh given

³⁹ up to 2002-03 (Rs 11.61 crore), 2003-04 (Rs 8.38 crore), 2004-05 (Rs 14.17 crore), 2005-06 (Rs 11.80 crore), 2006-07 (Rs 33.59 crore)

to unit offices viz., Addl. DGP/AP State Battalions (Rs 56.73 lakh), IGP Greyhounds (Rs 26.40 lakh), District Police Offices (Rs 11.68 lakh) were also to be adjusted. Although huge unspent amounts were available with the Corporation, it has submitted inflated UCs even for the amounts parked in PD accounts and on this basis, MHA (GOI) continued to release funds every year in a routine manner. The following were also noticed:

Interest amount of Rs 2.56 crore was appropriated by the corporation without the concurrence of GOI

- While the ceiling on tender premium was five *per cent* as per the Government instructions (July 2003), the Corporation was accepting tenders with a premium up to 10 *per cent*. This resulted in extra expenditure of Rs 4.52 lakh in six cases during 2005-06 and 2006-07.
- The interest which accrued on the deposits as at the end of March 2006 amounting to Rs 2.56 crore was adjusted by the Corporation to administrative charges without the concurrence of GOI.
- In respect of the works transferred to unit offices along with the funds for execution by them, the Corporation irregularly withheld Rs 5.22 lakh towards administrative charges.

Submission of incorrect UCs, deviations from approved annual plans and defective planning leading to delays in construction of buildings, showed the lack of proper internal controls in the department and the Corporation.

3.4.9 Mobility

Mobility is vital to the efficient and effective performance of the police force. BPR&D has prescribed scales for various types of operational vehicles such as heavy/medium/light vehicles and motor cycles required for police stations, District Armed Reserve and Armed Police battalions.

Scrutiny of the records of DGP, PTO and District Police Offices (DPOs) disclosed the following points:

3.4.9.1 Non-supply of vehicles to police stations

1003 police stations (63 per cent) were not provided with four wheelers, while 1250 vehicles were used for other purposes

As per the guidelines issued by MHA, the MOPF scheme would concentrate on providing field vehicles required for basic policing in the first instance as per BPR&D norms. In the perspective plan covering 2001-05, the department had proposed to procure 1309 jeeps and 1309 motorcycles for 1309 out of 1585 police stations, which were not having any vehicles. Though 1832 light motor vehicles were procured during 2002-07, 582 police stations only were provided with jeeps as of July 2007 leaving 1003 police stations (63 *per cent*) uncovered. The remaining 1250 vehicles were being utilised for other purposes like VIP escorts, movement of special parties in connection with extremist activities etc. neglecting basic policing. It was also observed that no separate registers were maintained in the DPOs/police stations regarding the allotment of vehicles under the MOPF scheme.

58 per cent of vehicles procured were utilised for replacement of old condemned vehicles

As the MOPF scheme is meant to increase the existing fleet of vehicles, expenditure on account of replacement of vehicles would be normal item of expenditure provided for by the State Government. It was however, observed

that out of 3962 vehicles procured in the years 2002-03 to 2006-07, 2285 vehicles (58 per cent) were utilised for replacement of old condemned vehicles contrary to guidelines. As such, addition to existing fleet was only 1,670 (42 per cent). In the six test checked districts also, 289 out of 393 police stations (74 per cent) were not having four wheelers. The district-wise details are given in Appendix 3.14.

Thus, the objective of increasing the mobility for field policing so essential for the performance of the police force had not been achieved.

3.4.9.2 Geographical Information System (GIS) not provided to highway patrolling vehicles

GIS facility was not provided to Highway patrolling vehicles

In the perspective plan 2001-05, it was proposed to have a minimum of 60 patrolling parties with 'Tata Sumo' vehicles with the equipment of GIS system @ Rs 10 lakh each at a total estimated cost of Rs 6 crore. Sixty Toyota vehicles (Rs 2.46 crore) at Rs 4.09 lakh each were procured and supplied to the needy police stations, without however, providing GIS facility. Thus, the objective of equipping the vehicles with GIS facility for patrolling was defeated.

3.4.9.3 Response time⁴⁰

No norms were fixed for Response time

Increase in mobility for field policing should result in reduction of response time. It was however, seen that the State Government had not fixed any norms for the response time nor did it give any instructions for recording the time of visit of site of offence in the crime diary. During test-check of the 24 police stations in the eight selected districts, except in Vizianagaram-I town, Mangalagiri Rural (Guntur District) and Dhone (Kurnool District) police stations, the time relating to visit of scene of offence by the police personnel was not noted in crime diary. As such there is no way to assess whether response time was reduced consequent on increase in mobility.

3.4.10 Weaponry

Modernisation of weapons was not achieved due to inadequate procurement of sophisticated equipment. Police stations depended on outdated weapons only

The perspective plan 2001-05 envisages replacement of outdated and unserviceable weapons, with more sophisticated weaponry. Given the magnitude of the extremist's activity, the requirement of AK47, 7.62 mm Self Loaded Rifle (SLR), nine mm carbines, 5.56 mm Insas, etc. for the police stations were projected in the perspective plan to improve the striking capability of police force. Accordingly purchase of sophisticated weapons costing Rs 45.71 crore were sanctioned during 2002-07. It was however, seen that most of the weapons were procured only during 2005-06. In all the police stations of test checked districts, it was observed that they continued to depend on out-dated weapons like 0.410 muskets and 0.303 rifles with the majority of the weapons being kept in the district headquarters.

⁴⁰ Total time taken from the time of receiving message/making First Information Report to the time of the police person actually reaching the crime scene

Thus, one of the objectives of modernisation to improve the preparedness and striking capability of police force was not achieved as a majority of them continued to use outdated and obsolete weaponry.

3.4.11 Equipment

3.4.11.1 Scientific aids to investigation

The Scheme envisaged provision of modern scientific aids to investigation and development of infrastructure for improving the quality of crime investigation. BPR&D suggested that, in order to strengthen the dimension of forensic science, all districts be provided with Mobile Forensic Science laboratory (FSL). In Perspective Plan, it was proposed to establish 40 mobile FSLs. However, as of July 2007, only 26 mobile FSLs and seven RFSLs were established. The equipment required by FSLs was being procured by APFSL, Hyderabad and also supplied by Central FSL, New Delhi.

3.4.11.2 Non/Underutilisation of forensic equipment

FSLs were underutilised forensic equipment worth Rs 1.09 crore was lying idle

Equipment valued Rs 97.42 lakh⁴¹ was lying idle at the Directorate/RFSL, Kamareddy and two items of equipment valued Rs 11.65 lakh procured in February 2005 for establishing mobile Toxicology unit at Gandhi Medical College, Hyderabad were also lying unpacked in the Directorate, APFSL (July 2007) due to non-preparation of sites. In the meantime, the warranty period also expired. The Director, APFSL, Hyderabad attributed non-completion of buildings/ preparation of sites to administrative problems. Thus, due to non-synchronising of purchases of equipment with the pace of construction of the buildings and preparation of sites, equipment worth Rs 1.09 crore has been lying unused for about two years, rendering the expenditure so far, unfruitful.

Forensic equipment worth Rs 37.31 lakh were underutilized

There was underutilisation of forensic equipment worth Rs 37.31 lakh in the test checked laboratories as under:

- In the Directorate of APFSL, Projective Velocity Machine instrument valued Rs 11.19 lakh procured in May 2004 was utilised only four times during 2004 and four times during 2005. It has not been utilised for the last two years.
- In RFSL, Kurnool, Gas Chromotograph and FTIR (total cost: Rs 14.62 lakh) supplied during 2004 were utilised only 24 times during 2004-07 and in another case, HP Thin layer Chromotograph (cost: Rs 11.50 lakh) received by RFSL, Kurnool in January 2004 was installed in August 2004. It was not put to use as of July 2007 for the envisaged purpose, as the scanner along with the software was not supplied with the Chromotograph rendering the expenditure unfruitful.

The above points indicated lack of proper assessment of requirement of equipment and lack of adequate follow-up at the district level.

⁴¹ Supplied to RFSLs, Cyberabad (Rs 55.10 lakh), Kamareddy (Rs 42.32 lakh) (including the equipment value: Rs78.54 lakh supplied by Directorate of Forensic Science, New Delhi in July 2005)

3.4.11.3 Delay in submission of analytical reports by FSL

Submission of analytical reports by FSL was delayed

Many sophisticated equipment were procured during 2002-03 to 2006-07 in order to facilitate accurate, fast, dependable results and to improve the quality of the investigation and to widen the role of forensic science in criminal justice system. Analysis reports were required to be submitted within a month, as there is every likelihood of material change in the item referred to for analysis, if there was delay. However, on a review of the records relating to departments of Chemistry, Documents, Physics in the FSL Directorate, it was noticed that there was no improvement in the reduction of time for submission of analysis reports. The percentage of cases analysed within a month ranged between 19 and 71 *per cent*. The delay stretched up to 12 months in some cases. Director, APFSL, Hyderabad replied (April 2007) that instrumental methods' analysis, though vital, in itself was not complete and other factors like interpretations by scientists would also form part of overall analysis and added that the one month time was only self imposed criterion and there were no Government/statutory orders to this effect. The reply is not acceptable as the criterion was fixed by the Directorate duly taking into account all the factors including the time taken for each test.

3.4.11.4 Non-procurement of equipment for surveillance mobiles

Surveillance Mobiles envisaged in annual plan 2004-05 were not procured

For procurement of Surveillance equipment viz., a vehicle mounted integrated mobile video surveillance system to help in remote video monitoring of processions, crime scenes, polling stations, VIP convoys etc., an amount of Rs 31 lakh was released (August 2005) to Hyderabad Commissionerate which lapsed and was revalidated in November 2006. This time, to avoid lapse of funds the amount was deposited in the PD account of AP Technological Services (APTS) where it was still lying as of July 2007. Thus the procurement of surveillance equipment envisaged in the annual plan of 2004-05 is already delayed by two years and thereby the surveillance system was not modernised.

3.4.11.5 Non- procurement of mounted horses

Mounted horses as envisaged were not procured. Rs 19.21 lakh were locked up with the Hyderabad Commissionerate

During January 2006, Rs 20.94 lakh was released to Hyderabad Commissionerate for procurement of 25 mounted horses. The amount was drawn by the Commissioner in March 2006 and kept in the savings bank account contrary to financial rules. Six horses worth of Rs 1.73 lakh were purchased by March 2006. The remaining 19 horses were not procured as of July 2007 despite the fact that the funds initially sanctioned by GOI during 2004-05 had to be revalidated (by GOI) in December 2005 before release to the Commissionerate in January 2006. The balance Rs 19.21 lakh have been locked up with the Commissionerate for over a year.

3.4.12 Communication

In the Perspective Plan 2001-05, it was considered essential to strengthen the police communication system in the State by providing latest technology communication equipment.

3.4.12.1 Idling of equipment

State Government opposed to POLNET connectivity. Expenditure of Rs 4.35 crore on Communication system under POLNET is redundant

A Police Communication Project using Satellite communication for transfer of data, voice and fax viz., POLNET was implemented in the State. For this, the State Government was required to prepare sites (towers) for installation of POLNET equipment to connect police headquarters with district police offices and from there to police stations. Equipment valued Rs 4.35 crore was supplied by MHA for implementation of POLNET. As of July 2007, the POLNET is functional only up to the district police office level and was not extended to police stations due to non-preparation of sites and non-installation of equipment. In fact the State Government opposed (December 2003) the POLNET MART connectivity from district headquarters to police stations on the grounds that the AP State had a powerful and superior 2MB network known as APSWAN which connected all mandal headquarters and police stations. Despite this, MHA supplied (November 2004) Multi Access Radio Telephony (MART) equipment worth Rs 2.13 crore. This equipment was however, not installed due to non- erection of 66 towers (120 ft each) at the district police offices and 565 aerial masts of 60 ft each at the police stations for which Rs 3.50 crore were estimated to be additionally required.

Thus, providing communication system under POLNET was redundant and the expenditure of Rs 4.35 crore (including MART equipment) incurred on this project remained unfruitful.

3.4.12.2 Non-establishment of VHF repeater stations

VHF repeater stations valuing Rs 90 lakh planned in 2004-05 did not come up

For better connectivity, coverage and reliability, GOI approved (annual plan 2004-05) for establishment of second VHF repeater stations in 14 extremists affected districts at an outlay of Rs 2.80 crore⁴². The State Government released (January 2006), Rs one crore for establishment of five repeater stations in five districts. Of this, Rs 90 lakh was drawn (March 2006) and adjusted to PD Account of the Corporation and balance Rs 10 lakh was spent on procurement of repeater equipment. Although the equipment was installed in the five DPOs connected with the sites initially identified it was later decided to change these locations due to unfavourable communication conditions. It was however, seen that the new locations/districts had not been identified (July 2007). Thus, the objective of providing effective communication system through repeater stations in the extremists affected districts, has not been achieved despite availability of funds. This also resulted in the amount of Rs 90 lakh being locked up with the Corporation for over a year and unfruitful expenditure of Rs 10 lakh.

3.4.12.3 Non-establishment of Automatic Vehicle Location system (AVLS)

The objective of faster and quicker response in attending to scene of offence has not been fulfilled

The State Government released Rs 1.70 crore in May 2003 for implementation of the AVLS and Global Positioning System (GPS) in Hyderabad (Rs 70 lakh) and Cyberabad (not in the approved plan) and for establishment of computerised

⁴² @Rs 20 lakh per station consisting of Rs 12 lakh for 150 ft. self supported aerial towers, Rs 6 lakh for building and Rs 2 lakh for equipment for each district

IG (Communications) diverted Rs 1.20 crore intended for AVLS

call centers system with caller liner identification system (dial 100) for police control room in Cyberabad Commissionerate (outlay: Rs one crore). However, establishment of dial 100 system for police control room in Cyberabad could be completed with an expenditure of Rs 50 lakh against the sanction of Rs one crore. Further, the geographical maps required were not procured leaving the project of AVLS and GPS unimplemented in Hyderabad and Cyberabad as of July 2007 i.e. even after lapse of four years of approval (2002-03) by GOI. In the meantime, the IG (Communications) diverted (February 2004) the balance Rs 1.20 crore for providing communication equipment (High Frequency sets) to the District Superintendents of Police and Commissionerates for strengthening communication network in view of spurt in Maoist/ISI and other terrorist group activities. The Department should however, have met this expenditure from State budget in view of its dire necessity. Thus, due to the diversion of MOPF funds, the envisaged AVLS based on GIS and GPS remains unimplemented in Hyderabad and Cyberabad defeating the main objective of faster and quicker response time to a complaint.

3.4.13 Training

3.4.13.1 Diversion of funds meant for training

As training is an essential requisite for the effective functioning of the police force, infrastructural facilities and equipment for police training institutes were to be provided under the scheme.

Funds intended for upgradation of training facilities were diverted

As per BPR&D guidelines, training infrastructure and facilities are to be created and upgraded from time to time. Accordingly, an amount of Rs 3.39 crore was drawn and placed with the Corporation in 2004-05 (Rs 1.10 crore) and 2005-06 (Rs 2.29 crore) for construction of Motor Transport (MT) Block, swimming pool, seminar hall and firing range at APPA premises. In March 2006 however, DGP instructed the MD of the Corporation to utilise the amount for other construction works. This diversion was stated to have been done as the proposed land to the extent of 21 acres was being given for the 'Outer Ring Road Project' and there was a proposal even to shift the APPA to another site by creating world-class facility. In August 2006, DGP instructed the Corporation to stop all construction works in APPA as directed (August 2006) by the Government. In December 2006, the State Government informed that it had been decided to continue APPA in the remaining area. However, the funds amounting to Rs 3.39 crore diverted were not reallocated to APPA (July 2007). Further, another amount of Rs 70 lakh released during 2003-04 for construction of swimming pool was also locked up with the Corporation for over three years now. Thus, three years after the release of funds, the objective of up-gradation of Academy remains unfulfilled.

3.4.14 Computerisation

3.4.14.1 Ineffective usage of eCops application under phase-I and non-implementation of phase-II

Ineffective implementation of Phase I and Non-implementation of Phase II of eCops rendered the expenditure of Rs 30.47 crore largely unrealised

Under the scheme of MOPF, funds were released for implementation of eCops, an online policing e-Governance project in phases. Phase-I covered the six pilot locations⁴³ with an expenditure of Rs 13.57 crore.

Mention was made in Para 3.5 of the Audit Report for the year ended 31 March 2004 about phase-I of the project falling significantly short of the objectives envisaged and of various deficiencies in the application. Problems associated with inadequacy of access control, user account and password management still continued to exist. Test-check of two of the six pilot locations i.e. Hyderabad and Cyberabad and three police stations under each, showed that there were no specific instructions by the IG (Computers) and DPOs regarding complete and timely usage of eCops application by all the investigating officers at police station level. Most of the important benefits expected to accrue from eCops were not realised even after a lapse of over six years of launching of the project, as mentioned below:

- Instantaneous information accessibility, electronically throughout the organisation could not be realised.
- Except First Information Report (FIR) registration form, no other form is effectively being used and only the manual system was being followed in respect of the other forms.
- The available database was incomplete and inaccurate and most of the features of the package could not be put to use even after spending Rs 63 lakh towards back log data entry activity. Also, most of the crime related registers were not being used as data relating to all the forms and registers had not been entered.
- Even the daily status report is prepared using word processing programs, and not through eCops.
- eCops application was not used by Investigating Officers.
- No effective strategy was developed to enhance user acceptance and usage of eCops.
- Effective and continuous risk management clubbed with review and monitoring mechanism was lacking at various mile stones of project implementation and this resulted in inordinate delay in implementation of projects apart from ineffective usage and acceptance and lack of accountability at police station level.
- Interfacing and integration of eCops with other departments like hospitals, judiciary and jails was also not done.

Thus, the entire expenditure of Rs 13.57 crore remains largely unproductive.

⁴³ Hyderabad, Vijayawada, Visakhapatnam, Cyberabad, Vikarabad and Srikakulam

Expenditure of Rs 1.36 crore (out of Rs 16.90 crore) was rendered wasteful due to change of architecture

For Phase-II implementation in nine other districts⁴⁴, GOI released Rs 16.90 crore (Rs 10.70 crore in 2004-05 and Rs 6.20 crore in 2005-06) and the entire amount was spent. Test-check of records at IG (PCS) and in Kurnool, Mahboobnagar, Medak and Vizianagaram, disclosed that eCops application had not yet been implemented due to non-installation of system and application software. The IG (PCS) admitted (June 2007) that due to staggered release of funds the implementation had been delayed. It was further observed that an expenditure of Rs 1.36 crore incurred (January 2006) (out of Rs 16.90 crore) on procurement of 9-Oracle enterprise database server editions and 871 Personal Oracle licenses for usage under client-server architecture became wasteful as the department contemplated (April 2006) change of architecture to web-based application and consequently the software procured could not be put to use for any purpose. The hardware and software procured for client server model was never used for the intended purpose. Thus, the amount of Rs 16.90 crore spent in the nine districts also remains largely unrealised.

Thus, while implementation of Phase-I of eCops remains ineffective, it was yet to take off in the Phase-II districts, rendering the entire expenditure of Rs 30.47 crore largely unrealised.

3.4.14.2 Common Integrated Police Application Software (CIPA) did not take off

CIPA did not take off. Entire expenditure of Rs 1.92 crore on computers and related equipment remained unfruitful

Under the scheme, Guntur and Prakasam Districts were identified for implementation of CIPA project in Phase-I. National Informatics Centre, GOI, supplied (September 2006) computers and related equipment worth of Rs 1.92 crore (@ Rs 1.84 lakh to each police station) to 42 and 62 police stations in Guntur and Prakasam Districts respectively. Although computers were installed in the police stations in both the districts, CIPA package was not put to use as of July 2007. The recruitment process of technical assistants, trained operational staff and supervisory officers at police stations was also in the initial stages. The proposals for integration of eCops project and CIPA package has not been materialised so far as CIPA has yet to be stabilised. Thus equipment worth Rs 1.92 crore has remained idle since September 2006.

3.4.15 Monitoring and evaluation

Monitoring was poor both at Department and Government level including the SLEC

State Level Empowered Committee was required to meet every month to monitor the preparation of Annual Action Plans for submission to MHA and implementation of the approved AAPs. As against 60 meetings required to be held during the five year period 2002-07, SLEC met only three times during the period, that too exclusively for the ratification of deviations. The deviations were not intimated to GOI though stipulated. The Committee was not convened even for the approval of annual action plans.

As per the guidelines of GOI issued during 2001, a mid term review was to be conducted after two years. However, this was not done. Further, the physical

⁴⁴ Chittoor, East Godavari, Karimnagar, Khammam, Kurnol, Mahaboobnagar, Medak, Vizianagaram and West Godavari

targets and the status of achievements were also not being reported/submitted to GOI. Neither the State Government nor the DGP had formulated any system to monitor the implementation of the programme at their level periodically. Thus, monitoring was poor both at department and Government level.

3.4.16 Conclusions

The implementation of Modernisation of Police Force in the State suffered. Annual action plans were not based on requirements necessitating a number of deviations from the approved plans. There was short release of Central share. The State Government did not release its matching share for the years 2002-03 to 2005-06. The percentage of utilisation of funds in the year of sanction was precariously low. The various components of the scheme were not implemented economically and efficiently and the targets fixed for each component were not achieved. Despite availability of sufficient funds, significant number of staff quarters and non-residential buildings were not completed, resulting in locking up of huge funds transferred to the AP State Police Housing Corporation. Adequate priority was also not given for the construction of police station buildings. A large number of the police stations were not provided with four wheelers adversely affecting the field policing activities. Procurement of sophisticated weapons was inadequate and police stations and Battalions continued to depend on outdated weaponry. Funds intended for upgradation of facilities for training were diverted for other purposes. Forensic Science Laboratories were underutilised. The expenditure incurred on POLNET was redundant. Computerisation of police stations was also ineffective. An efficient monitoring mechanism was absent both at department and Government level including the SLEC. Overall, the objectives of the scheme were not fully achieved.

3.4.17 Recommendations

- Annual Action Plans should be drawn up based on assessment of actual need and subjected to scrutiny by SLEC. It should be ensured that prior approval of SLEC as stipulated should be obtained, for any deviations.
- The pace of construction should be accelerated to ensure completion of the buildings in a time bound manner.
- Mobility of the police force for field policing should be improved.
- Implementation of eCops and CIPA to the desired level should be ensured at once to ensure instantaneous information access electronically at all levels including the police stations.
- There is an urgent need to put in place a stringent monitoring mechanism both at the department and Government level as well as SLEC.

The above points were reported to Government in July 2007; their reply had not been received (August 2007). Recommendations were accepted in the exit conference held in July 2007.

MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT

3.5 Information Technology Audit of Hyderabad Metropolitan Water Supply and Sewerage Board

3.5.1 Introduction

The Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS&SB) (Board) started its operations from November 1989 with the enactment of HMWS&SB Act, 1989. The functions and responsibilities in the Hyderabad Metropolitan area are:

- Planning, design, construction, maintenance, operation and management of water supply system and the supply of potable water.
- Planning, design, construction, maintenance, operation and management of all sewerage and sewerage treatment works and the efficient disposal and treatment of sewage.

The computerisation of the functions of the Board started as early as in 1997 and new modules independent of each other, were introduced periodically till 2005. Major functionalities that have been computerised are demand generation and bill collection (Revenue billing), tracking of new applications for water supply/ sewerage connection and enhancement of existing connections (Single Window Cell), Customer complaint tracking (Metro Customer Care). On an average, the Board has been spending an amount of Rs 70 lakh per annum on computerisation.

The Board is headed by Chairman (Chief Minister), Vice-Chairman (Minister for Municipal Administration & Urban development), six Ex-Officio Directors, two Directors and a Managing Director (MD). MD is the chief controlling authority. The functions of the Board under the functional Directors have been distributed into Circles, Divisions, Sub Divisions, Sections besides the Single window cell, Metro customer care centre.

3.5.2 Audit objectives

The objectives of IT Audit were to assess/check whether:

- the security for database management was adequate;
- policies, standards and procedures in respect of all data processing functions were adhered to;
- the data was effectively used for Management information and for enhancing the Board's revenues; and
- the complaints lodged by the consumers were properly addressed.

The Oracle Database was analysed by Audit for substantive checking of its completeness and integrity using an audit software tool viz., Interactive Data Extraction and Analysis package (IDEA). Data analysis was done to assess compliance with HMWS&SB Act, Rules made thereunder, Citizens Charter,

periodical tariffs for water and sewerage charges. An Entry conference was held (April 2007) with the Managing Director and other officers of the Board. Audit has confined its scope to data analysis and querying since the Board has embarked (February 2007) on implementation of an integrated enterprise wide package⁴⁵ for computerising various departments and integrating systems for enhancing its performance. An exit conference was also held (September 2007) with the senior officials of Government. The results of the review are presented in the succeeding paragraphs.

Audit findings

3.5.3 Database administration

Security of the database was inadequate

The Database Administrator (DBA), as the custodian of an organisation's data, is responsible for the administration and management of the database systems. A study of the rights and privileges revealed the following weaknesses and security risk to the database.

- Although every database should normally have only one Database Administrator, there were six DBAs. As a result, the database was exposed to risks of unauthorised manipulations apart from lack of accountability.
- DBA privileges had also been granted to developers as well.
- Testing was done on production (live) database resulting in the risk of the database being populated with the test data.
- Default users were not changed allowing unauthorised access.
- 'Audit trail' had not been enabled on the database. Consequently, the activities of the DBAs and other users could not be tracked for fixing responsibility in case of any unauthorised manipulation.

The Special Officer, Information Technology (IT) replied (August 2007) that privileges were issued as per the current resources required and that policy guidelines on privileges stipulated by the Government were not available with them. The contention of the Board is not tenable as the IT Act, 2000 itself clearly specifies that security of any database developed should be ensured by the user organisation. This only showed the lack of basic security awareness strategy with the Board. Thus, security of the database was not adequate and privileges were not being assigned to users on a need basis.

3.5.4 Revenue billing

Board sustained loss of revenue of about Rs 45 crore per month on account of defective orders and non-replacement of defective water meters

3.5.4.1 Huge loss of revenue to Board on account of number of meters under repair

One of the important functions of the Board is to see that all the consumers are installed with working meters and to get the defective meters repaired. For discharging this function the Board was empowered to issue notice to the consumers whose meters were defective, to get them repaired within two

⁴⁵ to review current application, integrate the existing disjointed applications, build new modules wherever required and to migrate the existing legacy systems

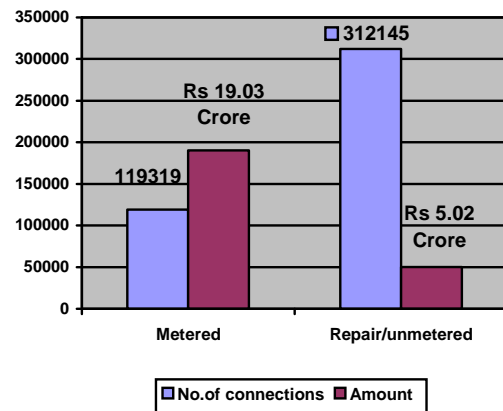
months, failing which water would be charged at twice the normal rates for consumption of units as recorded in last metered bill, till the meter was repaired, tested and re-fixed. However, contrary to the above water supply rules, Board issued orders (May 2002) that consumers whose meters are not working for more than three months continuously would be only charged the minimum amount applicable to the category under which the consumer falls.

Analysis of the demand raised for the month of May in the years 2005 to 2007 revealed that the number of meters under repairs itself constituted 48 to 52 *per cent* of total number of bills generated. Further, the number of un-metered connections had also been on the increase from 12 to 17 *per cent* as shown below:

Month/Year	Total No. of Bills generated	No. of Meters in working condition (per cent)	Cases of door lock (per cent)	No. of meters under repair (per cent)	No. of un-metered connections (per cent)
May 2005	230037	59301 (26)	32118 (14)	110463 (48)	28155 (12)
May 2006	256104	69780 (27)	20391 (8)	123630 (48)	42303 (17)
May 2007	479267	119319 (25)	47796 (10)	249096 (52)	63049 (13)

Thus, with the protection given by the Board's orders of May 2002 about 65 *per cent* of the consumers whose meters were 'conveniently' not functioning or who have no meters, were paying only the minimum charges over the years irrespective of their consumption, resulting in huge loss of revenue to the Board as depicted in the graph.

While the demand raised for 1.19 lakh metered consumers was Rs 19 crore, it was a meagre Rs 5 crore in respect of 3.12 lakh un-metered connections/meters under repair. Had all the defective meters been replaced with new ones and meters installed wherever required, the Board could have earned approximately, a total revenue of Rs 70 crore per month instead of Rs 25 crore per month as at present. Taking into account the prevailing rate of new meter, the approximate cost for replacing all the defective meters would only be Rs 20 crore (*Appendix 3.15* refers) and even this amount would have been realised from the consumers in due course.



Database was not used effectively for enhancing the revenues of the Board

The Board replied (August 2007) that fixing of meters for all the consumers was being programmed for completion in the next one year based on the water supply position in various areas. The reply is not acceptable as the Board by postponing the repair and fixing of new meters is in effect penalising legitimate users with functional meters and favouring those with no meters. This is all the more iniquitous as the Board is now admitting that the water supply was actually not sufficient and good from April 2004, as it had

claimed. It is evident that the Board is contended with the revenues that are being generated automatically without utilising the available data effectively.

Thus, the Board by issuing defective orders for recovery of only minimum charges in the case of non-working meters and by not taking action to get the meters repaired/replaced, had in effect encouraged consumers with non-working meters at the expense of the legitimate user. In the process the Board sustained huge loss of revenue.

3.5.4.2 Demand not raised at all or raised irregularly

Demand was either not raised at all or for certain periods affecting the Board finances to the extent of Rs 8.84 crore

As per the Citizens Charter, first bill shall be issued within a maximum of three months after the release of connection. Data analysis, however, revealed that for 7231 connections, the demand was never generated (June 2007), as shown in the *Appendix 3.16*. Of these 1872 connections were more than five year old and the remaining 5359 pertained to more than three months and upto five years. Computed even at the minimum rate, the Board could have realised a revenue of Rs 2.32 crore.

Similarly, for 19374 consumers, the demand was in arrears for more than three months to as high as two years as shown in *Appendix 3.16*. The revenue of Rs 6.52 crore would have accrued to the Board had it raised the demand timely even at the rate of minimum charges.

It was replied that non-raising of demands on the due dates would not result in losses to the Board. The reply is not acceptable as it not only effected the finances of the Board but would cause unnecessary inconvenience to the consumers when they are asked to pay arrears.

3.5.4.3 Multistoried complex billing

Data relating to multistoried complexes was not updated. This deprived the Board of the possible revenue earnings

In the case of multistoried residential apartments complexes, where the complex consists of five or more residential apartments, the Board had decided (December 2006) to levy water charges at a minimum of Rs 90 per flat per month, based on the residential units available in the database. The analysis of database however, disclosed that in 2552 (out of 7895) multistoried complexes the data of number of residential units was not available.

Further, on comparison of the available database (under updation) maintained by the erstwhile Municipal Corporation of Hyderabad (MCH) with that of the Board, showed that in 203 cases, while the MCH database showed them as multistoried complexes with five or more residential units, these were shown as individual units as per the database of the Board. Had the database of the Board been updated as per the approved municipal plans the revenues of the Board could have increased appreciably. The Board has agreed (August 2007) to review the cases.

3.5.4.4 Demand not raised for Sewerage cess from disconnected consumers

Sewerage cess was not being collected on disconnecting water connection (loss of revenue: Rs 6.61 crore)

As per the rates of tariffs, 'Sewerage Cess' for consumers who do not avail water supply connection but only use the sewerage system of the Board, was fixed at Rs 400 per annum. The Board while disconnecting the water supply to such premises was not disconnecting the sewerage connection keeping in view the global environmental issues.

An analysis of the consumer's details in the database indicated that there were 21076 consumers whose water connections were disconnected. Sewerage cess was not being collected, though prescribed, from such consumers, resulting in loss of revenue of Rs 6.61 crore (up to June 2007).

Board's contention that the sewerage cess was collected at the time of reconnection is not correct as Audit noticed that in 681 cases, new connections were given by the Board without clearing the arrears of sewerage cess. Further, in 33 cases, it was observed that the consumers were paying only for the water charges without paying sewerage cess as stipulated, even though they were enjoying the facility of sewerage provided with the previous connections.

3.5.5 Single window application

3.5.5.1 New water connections provided without collection of arrears

New water connections were irregularly provided to the premises where dues were outstanding

According to Water Supply Rules, any consumer for whose premises water supply connection has been disconnected has to clear the dues before restoring the connection with the same Consumer Account Number (CAN).

An analysis of the database, however, revealed that 293 premises, where water connection had been disconnected, were irregularly provided subsequently with a new connection (with a new CAN) (instead of reconnecting), even though arrears amounting to Rs 40.96 lakh were still outstanding against the consumers in respect of the earlier disconnected water connections.

The Board while accepting the audit point, stated (August 2007) that such cases would require to be examined after field level inspections. The reply is not tenable as the Board could have identified such cases through the database at the time of providing new connection and failure to do so has resulted in the loss of revenue of Rs 40.96 lakh to the Board.

Thus, the policies, standards and procedures of the data processing functions were not adhered to. The deficiencies thus, indicated that the Board had not effectively used its database for management information for enhancing the Board's revenues.

3.5.6 Metro customer care

Metro customer care module was poorly implemented. Complaints of consumers were not given adequate attention

In order to provide prompt solutions to customer grievances and to improve customer services a Metro Customer Care (MCC) had been constituted by the Board. Complaints on the website could be related to water supply, sewerage, billing, etc. A citizen lodges a complaint with the expectation of having the cause of the complaint rectified. An analysis of the MCC data revealed that the DBA was closing the complaints that were more than two months old without however, attending to them. During the year 2006-07 alone, 723 complaints were so closed without being attended to. There was also no system of complaints being escalated to the next higher authority if not rectified within the time limit.

The reply (August 2007) of the Special Officer, IT that the system would automatically close the complaint after 60 days, is not an explanation but an admission not only of inefficient programming but also insensitivity to the genuine complaints of the consumers. The MCC has not lived up to the expectations of its mandate.

3.5.7 Conclusions

Although the Board had made pioneering efforts in IT enabling its functions like Revenue billing and Customer care, etc. the Board failed to use its database effectively for enhancing its revenues. The policies, standards and procedures of the data processing functions were not adhered to while the security of the database was inadequate. This resulted in huge loss of revenue to the Board. The Metro Customer Care module was poorly designed and the complaints of the consumers were not given adequate attention.

3.5.8 Recommendations

- There should be only one Database Administrator (DBA) to ensure data security and accountability of the individual users.
- Database should be effectively used for management information. The Board should take immediate steps to rectify/replace all the defective water meters so as to enhance its revenues.
- The Board should ensure strict adherence of all procedures, standards and rules relating to water supply while providing water connections, raising demands and collection of revenues.
- Complaints of consumers should be adequately addressed and the system should provide automatic escalation to the higher authority for attending complaints.

The above points were reported to Government in August 2007; their reply has not been received (August 2007). The audit recommendations were accepted in the exit conference held in September 2007.

PANCHAYATI RAJ AND RURAL DEVELOPMENT DEPARTMENT

3.6 Implementation of Fashion Designing Project

3.6.1 Introduction

Government of India approved (March 2002) a Special Project entitled “Economic Generation through Fashion Designing and Garment Manufacture by Women Self Help Groups in East Godavari District, Andhra Pradesh” under ‘Swarnajayanti Gram Swarozgar Yojana’ (SGSY). The total estimated cost of the project was Rs 23.97 crore (GOI: Rs 9 crore, State Government: Rs 3 crore and Bank loan by beneficiaries: Rs 11.97 crore). District Rural Development Agency (DRDA), East Godavari was the implementing agency. The objective of the project was to provide employment to 27360 families of swarozgaris in garment designing and manufacture, and to bring them above the poverty line in two years. The swarozgaris were to be provided with necessary training for skill upgradation and bank linkages for asset creation. National Institute of Fashion Technology (NIFT), Hyderabad was identified as the agency for providing technical and marketing services right from procurement of fabric to marketing/sale of the products.

Audit of the accounts of the DRDA, East Godavari, conducted during September - October 2006 and further scrutiny (January - February 2007) of the implementation of the project disclosed the following significant points:

3.6.2 Release of funds and expenditure

Non-utilisation of available funds led to foregoing of Central assistance of Rs 1.80 crore

As against the release of Rs 9.60 crore (GOI: Rs 7.20 crore and State Government: Rs 2.40 crore) during 2002-05, DRDA had expended only Rs 7.87 crore (Support Infrastructure: Rs 4.15 crore, Training: Rs 2.69 crore and Subsidy: Rs 1.03 crore) as of March 2007. Of the unutilised funds, Rs 1.65 crore was kept in Fixed Deposits (as of July 2007). The Project Director, DRDA did not seek the release of balance Central assistance of Rs 1.80 crore from GOI due to non-utilisation of the available funds.

3.6.3 Targets and achievement

A meagre six per cent of the targeted units only were commissioned due mainly to lack of marketing tie ups

The project envisaged covering 27630 swarozgaris, under Scheme 1 ‘Economic generation through value addition with batik printing, fabric painting, dyeing, printing and production of dress’ and Scheme 2 ‘Economic generation through fashion designing and dress making’. But, immediately after approval of the project and release of first instalment by GOI, the DRDA decided (March 2002) to club both the schemes on the grounds that there was shortage of trainers and that scheme-1 (Batik printing) was not viable. Consequently the target of swarozgaris was revised to 13680. The GOI was intimated about the deviations only in November 2004 and their approval is still to be received (July 2007). Further, as against the revised target of 13680 swarozgaris, only

4024 were trained⁴⁶, and DRDA extended assistance only to 1967 units⁴⁷. Of which, only 821 units (six *per cent* of the revised target) (Sewing Machines: 790 and Embroidery machines: 31) were commissioned with bank loan and subsidy.

The Project Director, DRDA replied (February/June 2007) that, after completion of four batches of training, it was decided to stop further training so as to stabilise the women swarozgaris trained till then. As regards the shortfall in commissioning of units, the Project Director stated that swarozgaris were not coming forward, and bankers were unwilling to sanction loans to them due to lack of marketing tie-ups.

3.6.4 Procurement of machines in excess of actual requirement

DRDA injudiciously procured machines worth Rs 1.33 crore in excess of actual requirement

DRDA procured 2020 Single Needle Lock Stitching (SNLS) machines, 53 Five Thread Over Lock Stitch machines, 46 specialised machines and 254 Embroidery machines during May 2002 to February 2005 at a total cost of Rs 4.76 crore (approximately). The procurement of embroidery machines was not envisaged in the project report. Of these, only 790 SNLS machines and 31 embroidery machines were given to swarozgaris who were extended assistance (subsidy) and bank loan. Further, as per the project report, the requirement of SNLS machines was 10 per training centre and 30 for Common Facility Centre (CFC). Since the DRDA had established 50 training centres and three CFCs, only 590 SNLS machines were required. Thus, DRDA in all, injudiciously procured in excess of actual requirement, 640 (2020 minus 1380) SNLS machines (cost: Rs 1.17 crore) and 223 embroidery machines (cost Rs 16.16 lakh). All these machines were lying idle as discussed in the succeeding paragraph.

3.6.5 Inefficient implementation of the project

Lack of serious concern on the part of DRDA made the project a failure. This rendered entire expenditure of Rs 7.87 crore unproductive

The DRDA had changed the very nature of the scheme and extended assistance to individuals (instead of adopting group approach) for creating assets treating each beneficiary as a unit. During execution, the actual cost of each unit was fixed at Rs 25000 (for 1359 units) and Rs 20000 (for 287 units); the subsidy given was Rs 7500 per unit and the loan burden on each swarozgari thus increased to Rs 17500 and Rs 12500 respectively as against Rs 37500 for a group of 10 swarozgaris. This resulted in the swarozgaris (who were of the BPL families) not being able to meet individually the other overheads of the garment production viz. power consumption charges, cost of raw materials, transportation, etc.

Sewing machines purchased for taking up garment production activity were lying idle in all the CFCs/CPCs as these centres became non-functional for want of work orders.

⁴⁶ Fashion designing: 3372 and other diversified activities like embroidery, tie & dye, etc.: 652

⁴⁷ Fashion designing: 1646; Machine Embroidery:279; tie & die:42



Sewing machines lying idle at common facility centre, Amalapuram

More importantly, DRDA failed to establish forward linkages for marketing the products, mainly due to the DRDA discontinuing the expertise services from NIFT after payment of Rs 10 lakh to it, on the plea that there was no provision for further payment of Rs 9 lakh under the project. Added to this, the Mandal level Mutually Aided Cooperative societies and their district level federation (established for the purpose of marketing) had also failed to market the products and these were also not functioning as of July 2007. It was also observed that the established procedure of calling tenders was not followed for purchase of specialised machines and embroidery machines on the plea that there was insufficient time and that these machines were procured from three suppliers.

During the joint physical inspection, it was found that the swarozgaris at Gollapalem had dumped their machines in the Veterinary Hospital building for more than three years, as there were no stitching orders for them. Though the project was to be completed by end of March 2004, it has still to be finished as of July 2007, rendering the entire expenditure of Rs 7.87 crore unproductive.

On the failure of the project being pointed out, the Project Director stated (July 2007) that a diagnostic study of the project had been conducted (October 2006) by a team of consultants to take necessary steps to revive the project. If any suggestions had been made and any action taken thereon, they were not furnished to audit.

3.6.6 Conclusion

There was little evidence of any planning having been done or of feasibility studies having been conducted. Coupled with this was the major violation of project guidelines including requisitioning of the expertise services from NIFT and poor monitoring by the Project Director, DRDA and Commissioner, Rural Development. As a result, the project was a failure and instead of fulfilling the objective, which was to bring the families of swarozgaris above the poverty line, it overburdened many of them with liability of repaying bank loans. The entire expenditure of Rs 7.87 crore thus proved to be unproductive.

The above points were reported to Government in March 2007; their reply had not been received (July 2007). The audit points were discussed with the Chief Executive Officer, Society for Eradication of Rural Poverty, who accepted the failure of the project.