

CHAPTER IV

AUDIT OF TRANSACTIONS

4.1 Infertuous/wasteful expenditure and overpayment

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

4.1.1 Import of viral infected animals

Due to failure of the Government to incorporate a specific warranty condition in the agreement for replacing the unhealthy animals, the viral infected animals imported by APLDA could not be deported, rendering expenditure of Rs 3.16 crore infertuous.

Government accorded permission (October 2001) to the Andhra Pradesh Livestock Development Agency (APLDA) to import 220 bulls/pregnant heifers under the Centrally Sponsored Scheme "Progeny Improvement Programme". The Quarantine Officer, Chennai, Ministry of Agriculture, Government of India (GOI) insisted (November 2001) not to import all the 220 animals in a single cargo in order to avoid health problems arising due to overcrowding¹ of animals at the Quarantine station.

The CEO, APLDA entered into agreement (February 2002) with the lone tenderer, a firm² from Australia, for purchase of 220 bulls/pregnant heifers³ and 5000 doses of semen. The condition of warranty though prescribed by the tender Committee/Government, was not incorporated in the agreements as the supplier did not accept this. Instead, a bank guarantee for 10 per cent of the contract value was incorporated.

The expert selection committee⁴ was required to take all precautions while selecting the animals and ensure that the animals were in good health. The Committee visited (February/March 2002) Australia and selected 220 animals by visiting some farms and after ascertaining

¹ having capacity for 100 bulls at a time

² RAB, Australia Private Limited

³ Andhra Pradesh : 175 and West Bengal : 45

⁴ consisting of Chief Executive Officer, APLDA; Professor & Head of the Department, College of Veterinary Science, Hyderabad; Assistant Director, Andrology Laboratory, Visakhapatnam; Consultant for APLDA, who was retired Director of CFSP&TI, Bangalore, and two from West Bengal headed by Hon'ble Minister for Animal Husbandry and Dairy Development, Government of Andhra Pradesh

from the supplier that those farms were free from diseases. It was observed that the committee did not carry out independent enquiries/tests before selection of the animals. Government imported all the animals in a single cargo ignoring the advice of the Quarantine Officer, Chennai.

Of the 220 animals selected, 19 animals were not cleared by the Australian Quarantine authorities (including two cattle rejected due to BVD virus) and 201 animals⁵ were received (April 2002) and accommodated in quarantine facility at Chennai. However, the tests conducted⁶, within two days of arrival of animals, revealed that animals were positive for Bovine Viral Diarrhea (BVD) and Malignant Caterhal Fever (MCF). According to the Department of Animal Husbandry and Dairying, GOI (August 2002), the animals were exposed to these infections in Australia itself⁷. As the animals would act as a source of infection to the indigenous stock, they were not released out of the quarantine facility as of November 2003.

In the meantime, 60 out of 160 animals pertaining to Andhra Pradesh died in quarantine. The attempts of the APLDA and the Government for deportation of the animals/replacement of the animals or refund of the cost of the animals yielded no result in the absence of warranty condition in the agreement except the realisation of ten per cent bank guarantee. Total expenditure incurred amounted to Rs 3.16 crore⁸.

Thus, failure of the Government to incorporate warranty condition in the agreement and reliance of the selection committee on the supplier for selection of animals as well as import of all the animals in a single cargo and keeping them in a single quarantine station against the advice of the Quarantine Officer, rendered the expenditure of Rs 3.16 crore infructuous. The intended objectives were also not achieved.

Government stated (June 2003) that GOI decided (September 2002) to destroy the infected animals against which animal activists approached the High Court of Tamilnadu, which ordered (April 2003) to release 46 animals found free from all viruses through independent tests. However, a special leave petition filed (May 2003) by GOI against this was pending in the Court.

⁵ For Andhra Pradesh : 160, West Bengal : 41

⁶ by the High Security Animals Disease Laboratory, Bhopal (HSADL)

⁷ concluded by the experts based on the test results from OIE Reference Laboratory, Weybridge, United Kingdom and HSADL

⁸ 90 per cent of cost of 160 animals - Rs 2.08 crore; customs and handling charges, etc. - Rs 0.38 crore; feed and other charges - Rs 0.50 crore, Insurance : Rs 0.11 crore, expenditure towards committee's visit to Australia : Rs 0.09 crore

4.1.2 Shrimp culture project for the rural poor failed

The Shrimp culture project at Bhyravapalem completed in December 2000 came to a standstill in June 2001 due to defective civil works and outbreak of viral disease. This rendered investment of Rs 6.20 crore in the project unfruitful.

Government sanctioned World Bank assisted "Shrimp and Fish culture Project" at Bhyravapalem village in East Godavari District in September 1991 at an estimated cost of Rs 3.55 crore. The project was intended to (i) improve socio-economic status of the rural poor, (ii) create employment and foster rural development and (iii) increase shrimp production to earn foreign exchange. The civil works however, were commenced in October 1995 due to delay in appointment of technical consultants and finalisation of tenders. The works were completed by December 2000 at a cost of Rs 3.55 crore. Further, Rs 32.34 lakh was spent on purchase of 105 oil engines. The project started in May 1999 and functioned up to June 2001, and Rs 38.02 lakh was paid to the beneficiaries towards working capital loan to carry out the operations. The operations stopped as the crops suffered losses⁹ during 1999-2001 due to outbreak of viral disease¹⁰. Commissioner of Fisheries failed to motivate the beneficiaries to take up further culture operations and was also not successful (December 2002) in attracting private entrepreneurs to lease out the farms.

The Assistant Director of the project stated (May 2000) that the shrimp mortality was very high mainly due to defective civil works such as uneven bed levels of ponds causing rise in water temperature rapidly, defective construction of outlet sluices leading to escaping of seed, etc. The Commissioner stated (February 2003) that the high mortality was mainly due to viral disease, which became rampant from 1995-96 onwards. He also stated that several steps were taken to combat the disease and the defects in civil works were rectified in February 2000. However, the culture operations were not carried out after their stoppage in June 2001.

Thus, commencement of the project by the Commissioner even when the disease was rampant in the area before containing the disease, followed by defective civil works led to continuous losses in shrimp culture operations and stoppage of the project. This resulted in investment of Rs 6.20 crore in the project including Rs 2.02 crore towards staff salaries for the period 1992-2004 (up to August 2003) becoming infructuous. Besides, none of the envisaged objectives of creating employment and earning foreign exchange was achieved.

⁹ 1999: Rs 5.53 lakh; 2000: Rs 18.12 lakh; 2001: Rs 7.62 lakh

¹⁰ White spot disease

The Principal Secretary to Government confirmed (August 2003) the above facts and did not offer any specific remarks on the points raised.

BACKWARD CLASSES WELFARE/INFORMATION TECHNOLOGY AND COMMUNICATION/SOCIAL WELFARE DEPARTMENTS

4.1.3 Procurement of unsuitable Biometric machines

Hasty procurement (April 2002) of biometric finger print authentication machines without properly testing their suitability in the welfare hostels rendered the expenditure of Rs 35.92 lakh infructuous.

To arrest the possible inflated recording of attendance of boarders in the Social Welfare, Backward Classes Welfare and Tribal Welfare hostels and consequent pilferage, Government in Information Technology and Communication (IT&C) Department sanctioned (February 2002) a pilot scheme of installation of Biometric finger print authentication machines¹¹ (meters) in 200 hostels¹² of five districts¹³, as a part of eGovernance project 'Social Benefits Management Systems'.

Managing Director (MD), AP Technology Services Limited (APTS) procured (February 2002) 200 Biometric meters from a Hyderabad based firm¹⁴ at a cost of Rs 91.90 lakh¹⁵. The meters were installed in April 2002 and part payment of Rs 45.33 lakh¹⁶ was made (May and June 2002) to the firm.

It was however, observed (February 2003) that none of the biometric meters, installed were suitable for recording attendance of the boarders of all age groups (not recording the attendance of children of 8-12 years at all). Hence, these could not be put to use¹⁷. The



Biometric meter

¹¹ This meter registers finger prints of the concerned students by placing a finger and matches with the pre-recorded (template) fingerprint, before allowing the student for breakfast or lunch or dinner

¹² Social Welfare : 100, Backward Classes Welfare : 50, Tribal Welfare : 50

¹³ Krishna, Kurnool, RangaReddy, Visakhapatnam and Warangal

¹⁴ M/s. Zicom Electronic Security Systems Limited, being the lowest tenderer

¹⁵ each costing Rs 45952

¹⁶ being 50 per cent of Rs 90.66 lakh after deducting a penalty of Rs 1.24 lakh for belated delivery

¹⁷ As per the MD, APTS, the meters were not being put to use for children above 12 years of age as recording of partial attendance would not serve the purpose

Principal Secretary to Government in IT&C Department stated (April/July 2003) that the suitability of the biometric equipment was tested (September 2001) and the demonstration was done at APTS only with adult members. He also stated (July 2003) that attempts to change the device with another technology at few locations also failed as it was not recording the attendance of children of 8-10 years. Principal Secretary further stated that the final payment to the vendor was withheld and action was being taken against the vendor to refund the part payment of Rs 45.33 lakh made to him.

Thus, the procurement of biometric meters by MD, APTS without proper testing of their suitability resulted in infructuous expenditure of Rs 35.92 lakh¹⁸. The objective of arresting the inflated attendance of boarders in hostels and consequent pilferage has thus not been achieved.

PANCHAYATI RAJ AND RURAL DEVELOPMENT DEPARTMENT

4.1.4 Unwarranted purchase of stationery items

Superintending Engineer, Panchayati Raj, Anantapur and the Executive Engineer, PR Division, Asifabad made unwarranted purchase of stationery items of Rs 4.11 crore without budget provision and without receipt of any indents from the Divisions/Sub-Divisions.

All Government servants including those of local bodies and of local funds administered by Government should strictly observe the financial rules and instructions when buying the stores including stationery for use in public service.

Superintending Engineer, Panchayati Raj (SE, PR), Anantapur, and Executive Engineer (EE), PR, Asifabad (Adilabad District), however, made irregular purchase of stationery items worth Rs 4.11 crore without receipt of indents from the EEs/Deputy EEs during the period 2000-03 even though there was no budget provision for the same. The sale proceeds of Tender schedules, funds allotted under petty supervision charges, Tools and plant charges, RRM¹⁹ grants, NABARD²⁰-RIDF-III grants – NABARD 1 per cent quality control recoveries, etc. were diverted and utilised for purchase of the stationery items. Payments were made to the firms by the EEs of the Divisions concerned without receipt of certain materials, based on the instructions/stock certificate issued

¹⁸ taking into account the encashment (July 2003) of the bank guarantee for Rs 9.41 lakh

¹⁹ Rural Road Maintenance

²⁰ National Bank for Agricultural and Rural Development

by the SE. The Division-wise details of purchases/nature of the irregularity, etc. are given below:

Name of the Division	Details of purchases made	Nature of irregularity	Value of purchase (Rs in lakh)
(i) Adoni	Stationery articles like M. Books, Running account bill forms, cash book, TA bill forms, etc.	Purchases worth Rs 36.42 lakh were made (September 2000 to March 2002) by SE, PR, Anantapur from 13 firms (including unregistered) without any requirement. Out of orders for Rs 36.42 lakh, stock worth Rs 12.81 lakh only were received by the Division. However, full payment of Rs 36.42 lakh was made (October 2001 – May 2002) based on the stock entry certificate of the SE himself.	36.42
(ii) Kurnool	Stationery items and measurement tapes, levelling instruments and Xerox machine	Purchases worth Rs 123.78 lakh were made (2001-02) from 23 firms in Kurnool, Anantapur and Hyderabad by SE, PR Anantapur without any requirement and even without the budget provision. Of which, materials worth Rs 21.60 lakh were not received by EE, PR division, Kurnool. However the payments were made to the firms by the EE on the instructions of the SE. Xerox machine (cost: Rs 0.95 lakh) was also purchased (May 2002) by the SE (and supplied to the Division) without calling for tenders.	123.78
(iii) Dharmavaram, Penukonda and Anantapur	Stationery items and typewriters, Almirah and Furniture	Purchases worth Rs 72.30 lakh were made by the SE without any budget provision and without receipt of indents from the Divisions. The payments were made (September 2001 – June 2002) by EE, PR division, Dharmavaram, Penukonda based on the stock entry certificate of SE himself. Stationery worth Rs 24.67 lakh were purchased (June 2000-June 2002) by the SE, PR, Anantapur and the payments were made (September 2001 – June 2002) by the EE, PR, Penukonda Division (Rs 14.76 lakh) and EE, PR, Anantapur (Rs 9.91 lakh) by diverting funds from other sources.	96.97
(iv) Asifabad, Adilabad	Scientific equipment and quality control equipment and printing of work agreement bill forms, etc.	Purchases worth Rs 154 lakh were made by EE, PR Asifabad without any budget provision, without the sanction of the competent authority, without calling for tenders and without any indents from the Deputy EE. The stock account was not maintained nor the stationery was distributed to Divisions/sub-divisions. All the original files, paid vouchers and stock registers were not handed over as of March 2003 by the then DAO (W) who was under suspension. The criminal case filed (January 2003) against him was under investigation (September 2003).	154.00
Total			411.17

Government stated (June 2003) that disciplinary action was initiated, in the above cases of purchase of stationery, against 19 engineering officials and seven Ministerial officials of Panchayati Raj Department and that the Superintending Engineer, PR, Anantapur was dismissed (April 2003) from service. In the case of irregular purchase of stationery in PR Division, Asifabad (Adilabad District), the EE, PR²¹ and the Divisional Accounts Officer (Works) were suspended in May 2001 and August 2001 respectively. However, no amount had been recovered as of August 2003 in all the above cases.

Though the present EE, Asifabad had reported (December 2002) to the higher authorities²² regarding the deteriorating condition of the stationery and for redistribution of the material to needy divisions, no directions were received (August 2003).

Thus apart from unwarranted purchase of stationery, lack of directions for use of the bulky stationery would result in further deterioration and loss to Government exchequer with the stationery either being eaten away by white ants or becoming redundant with change in format in course of time.

4.2 Avoidable/excess/unfruitful expenditure

AGRICULTURE AND COOPERATION DEPARTMENT

4.2.1 Avoidable payment of interest

NCDC loans of Rs 10.50 crore taken by the Government to be passed on to MARKFED were not released to MARKFED. Due to delay in repayment and misutilisation of the loan amounts, Government had to pay interest of Rs 3.24 crore.

Government received (March 1997) short-term loan of Rs 5 crore, from National Co-operative Development Corporation (NCDC), to be passed on to the AP State Co-operative Marketing Federation Limited (MARKFED) as a loan for carrying out its marketing and distribution activities. The loan carried the interest of 16.75 per cent per annum and was repayable in five equal instalments.

MARKFED requested Government in September 1996/April 1997 to release the amount as share capital contribution on the plea that the loan carried high rate of interest. Government did not accept (October 1997) the proposal as the MARKFED was not paying any

²¹ expired while under suspension

²² Superintending Engineer (PR), Adilabad, Engineer-in-Chief (AP), Hyderabad, Special Chief Secretary to Government in Panchayati Raj and Rural Development Department, and Finance Department

dividend. As the amount was not released to MARKFED within one month from the date of receipt of money, NCDC cancelled (September 1998) the sanction of loan and directed the Government to repay it immediately. Though Government decided in October 1997 to repay the entire loan, it repaid only Rs 1 crore in November 1997, followed by Rs 1 crore in November 1998. NCDC adjusted the balance amount of Rs 3 crore (March 1999) while releasing the assistance in respect of other Centrally Sponsored Schemes. The delay in repaying the loan was attributable to the administrative delay in Government in Cooperation and Finance Departments. Consequently, Government had to pay Rs 1.47 crore²³ towards interest (including penal interest of Rs 13.61 lakh) for the period March 1997 to March 1999.

In March 2001 again, Government took another loan of Rs 5.50 crore from NCDC at the rate of 14.5 per cent per annum to be passed on to MARKFED though it had been raising market loans at 10.5 per cent during the same period. Out of Rs 5.50 crore received, Government adjusted (December 2001) Rs 2.81 crore against an outstanding loan from MARKFED. The balance Rs 2.69 crore had not been released to MARKFED even as of August 2003. Government, however, repaid Rs 3.83 crore to NCDC as of August 2003 including Rs 1.77 crore towards interest up to November 2003.

Thus, due to delay by Government in Cooperation and Finance Departments in repayment and misutilisation of NCDC loan of Rs 10.50 crore, Government had to incur avoidable payment of interest of Rs 3.24 crore as of November 2003 without achieving the objective.

The matter was referred to Government in May 2003; reply had not been received (November 2003).

BACKWARD CLASSES WELFARE/ REVENUE DEPARTMENTS

4.2.2 Non-completion of school building for BC girls

The residential school building for Backward Classes girls at Nandyal (Kurnool District) had not come up even after a lapse of 11 years despite availability of funds resulting in avoidable expenditure of Rs 39.57 lakh on rent.

Government accorded (March 1992) sanction for opening a Residential School for Girls belonging to Backward Classes at

²³ Rs 50.19 lakh (November 1997), Rs 64 lakh (November 1998), Rs 18.67 lakh (October 1999) and Rs 13.61 lakh (April 2003)

Nandyal (Kurnool District) from the academic year 1992-93 and released (March 1992) Rs 8 lakh to the Executive Engineer, Social Welfare (EE) to erect temporary sheds and provide other facilities. However, temporary sheds as envisaged were not erected. In June 1999, Government sanctioned construction of the school building and the Commissioner of BC Welfare released (February 2000) Rs 70 lakh to the District BC Welfare Officer who in turn placed Rs 55 lakh at the disposal of the EE.

It was noticed (April 2002) that 16 acres of land belonging to Endowments Department was identified for the school and Rs 9.60 lakh was paid to the Revenue Divisional Officer (RDO), Nandyal in December 2001. RDO handed over the land to the EE only in February 2003. Reasons for the delay were not on record²⁴.

The residential school functioned in a private building from July 1992 to May 2001 (rent paid : Rs 35.78 lakh) and thereafter in a Sericulture building, also on rental basis²⁵, in a premises not conducive²⁶ to imparting quality education. Of Rs 63 lakh placed with the EE, Rs 29.51 lakh was diverted (March 1992 to January 2003) towards payment of salaries²⁷ of Engineering staff despite there being no construction activity. The balance Rs 23.89 lakh (taking into account the payment of Rs 9.60 lakh) towards land compensation were lying with him in Fixed Deposits/ Savings Bank account²⁸.

Thus, due to the initial delay in release of funds by the Government in BC Welfare Department for construction of school building, coupled with the failure of both the District BC Welfare Officer and the RDO in handing over possession of the land to EE, the residential school building for BC girls though planned in March 1992 had not come up even after 11 years (April 2003) resulting in diversion of Rs 29.51 lakh for salaries by the EE and avoidable expenditure of Rs 39.57 lakh including Rs 3.79 lakh payable from June 2001 (up to November 2003) on rent.

The matter was referred to Government in January 2003; reply had not been received (November 2003).

²⁴ Reply not forthcoming though called for

²⁵ Rs 12581 per month

²⁶ adequate ventilation in class rooms, dormitory type accommodation and basic amenities like hygienic toilets, play ground etc. not available

²⁷ towards petty supervision charges

²⁸ with Rayalaseema Grameena Bank

EDUCATION DEPARTMENT

4.2.3 Introduction of BCA course without demand

BCA course was sanctioned in 27 Government degree colleges without ascertaining its demand. The course was not started in any college for want of candidates rendering the expenditure of Rs 2.33 crore on purchase of computer equipment, etc. unfruitful.

With a view to introduce new courses in emerging technologies and areas having employment potential, and to provide opportunities to SC/ST/BC/Women students, the Commissioner and Director of Collegiate Education (Commissioner) decided (December 2000) to start the Bachelor of Computer Applications (BCA) course in 27 Government degree colleges in the State from the academic year 2001-02 and released (February 2001) Rs 2.70 crore at the rate of Rs 10 lakh per college towards procurement of computers and accessories (Rs 5 lakh) and computer books and journals (Rs 5 lakh). The amount was to be utilised by March 2001. To avoid lapse of budget, the Principals of 24 colleges²⁹ procured (March 2001) computers, accessories and books worth Rs 2.33 crore without assessing the requirement.

The Course was however not started in any of the 24 colleges in the academic years 2001-02 and 2002-03 for want of candidates. As a result, the computer equipment, etc. were lying unutilised rendering the expenditure unfruitful. It was observed that the Commissioner had taken the decision to start the Course *suo motto*, without consulting the Principals of the colleges and receipt of any proposals from them. Further, he had not even waited for the decision of the Government on the similar proposal³⁰ he had submitted to the Government a couple of years ago. The Commissioner stated (June 2003) that the decision to start the Course was based on the then trends and there was a sudden and sharp decline in the demand for IT related projects from 2001-02. By the time the Course was commenced in 2001-02 the demand for the Course declined³¹ as also confirmed by the authorities of Universities. The APSCHE³² permitted (June 2002) to replace the BCA course with any approved combination.

The contention (July/November 2003) of the Government that the computers purchased for BCA course were utilised for other restructured computer courses was also not tenable as separate

²⁹ amount not drawn by 3 colleges

³⁰ information as to whether the August 1998 proposals of the Commissioner were cleared by the Government was not forthcoming from the Commissioner

³¹ by 50 per cent even from the academic year 2000-01

³² AP State Council of Higher Education

computers, etc. were already available in almost³³ all the colleges for the other existing courses.

Thus, due to the hasty decision of the Commissioner to start the BCA course without ascertaining the demand for the Course from the Universities, expenditure of Rs 2.33 crore on purchase of computer equipment, accessories and books remained unfruitful.

Government did not offer any specific remarks except endorsing (July/November 2003) the views of the Commissioner.

ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY DEPARTMENT (Forest Wing)

4.2.4 Unnecessary forest operations

Action of DFOs, Vizianagaram and Srikakulam in carrying out operations not provided for in FSR in raising of plantations resulted in excess expenditure of Rs 86.61 lakh.

Forest Schedule of Rates (FSR) of Vizianagaram and Srikakulam districts provided for taking up of coppicing, pruning and multiple shoot cutting (Operations) in raising of plantations to be carried out in Treatment year-1. These Operations are not provided for during Treatment years-2, 3 and 4.

It was, however, noticed (November 2002) that the Divisional Forest Officers (Territorial), Srikakulam and Vizianagaram (DFOs) had incurred an expenditure of Rs 86.61 lakh during 1998-2003 on those Operations in Treatment Years – 2, 3 and 4 also.

The DFOs stated (November 2002) that the operations were taken up on the orders of the Conservator of Forests, Visakhapatnam (COF) issued during his field visit, to ensure healthy growth of useful species. The reply is not tenable as the FSR provided for these Operations in the Treatment year-1 only and not in the subsequent years. The Principal Chief Conservator of Forests had, however, called for (April 2003) justification from the COF in taking up the Operations in Treatment years-2, 3 and 4.

Thus, action of the DFOs in carrying out unnecessary Operations resulted in excess expenditure of Rs 86.61 lakh.

The matter was referred to Government in February 2003; reply had not been received (November 2003).

³³ in 20 out of 24 colleges

HEALTH, MEDICAL AND FAMILY WELFARE DEPARTMENT

4.2.5 Non-commissioning of hospital buildings

Fourteen 30-bedded hospitals in 10 districts upgraded at a total cost of Rs 6.13 crore had not been commissioned as of November 2003 due to non-sanction of additional staff and equipment even after two to seven years of completion.

Government sanctioned (between May 1991 and October 1994) upgradation of 14³⁴ Primary Health Centres (PHCs) in 10 districts to 30 bedded hospitals which included construction of hospital buildings, provision of necessary staff and equipment etc. The buildings were constructed by AP Health, Medical, Housing and Infrastructure Development Corporation (APMHIDC) at a total cost of Rs 6.13 crore and handed over to the Department (between June 1996 and February 2001). The buildings were, however, not put to use and the hospitals had not started functioning as of November 2003 for want of additional staff and equipment.

Proposals for sanction of the additional posts and the equipment were submitted to Government between July 1997 and December 2000. However, the Government sought (March 2001) certain details/clarifications which were furnished by Director only in January 2003. Proposals for additional posts and equipment awaited sanction of Government (November 2003).

Principal Secretary to Government stated (November 2003) that Government reviewed the manpower in upgraded PHCs. He also stated that staff could not be sanctioned due to ban on recruitment. While admitting that the hospitals had not started functioning, Principal Secretary stated that there was a need to redeploy the staff, and it would take considerable time to make the upgraded PHCs functional. The reply indicates deficiencies in planning because all those aspects should have been considered by the Director/Government sufficiently well in advance, and failure to do so led to the expenditure of Rs 6.13 crore on construction of the hospital buildings unfruitful for over two to seven years. The objective of providing improved medical care facilities as envisaged was thus not achieved.

³⁴ Anaparthi (East Godavari district), Betamcherla (Kurnool district), Chennur (Cuddapah district), Dornakal (Warangal district), Dornala (Prakasam district), Hasanparthy (Warangal district), Kalikiri (Chittoor district), Kodumuru (Kurnool district), Kothapalli (East Godavari district), Nagari (Chittoor district), Naidupeta (Nellore district), Nelakondapalli (Khammam district), Pedakurapadu (Guntur district), Nellimarla (Vizianagaram district)

**IRRIGATION AND COMMAND AREA DEVELOPMENT
DEPARTMENT (Irrigation wing)**

4.2.6 Non-utilisation of gantry crane and stop log elements

Failure of the Superintending Engineer, Irrigation Circle, Nizamabad in getting the obstructions removed in the stop log grooves led to non-utilisation of the gantry crane and stop log elements rendering the expenditure of Rs 1.56 crore on their fabrication unfruitful.

The construction of Singur Dam across River Manjeera to meet the domestic and industrial requirements of water to the twin cities of Hyderabad and Secunderabad was completed in 1989 including erection of 17 radial crest gates (gates). The stop log elements and the gantry crane required for maintenance and repairs of the gates were fabricated in September 1999 at a cost of Rs 1.56 crore.

Due to obstructions of concrete bulges/dead concrete in the grooves provided in the piers, the stop log elements could not be operationalised (lowering the stop log elements with the help of gantry crane) as of March 2003. Though the obstructions were noticed in December 1999 the Superintending Engineer, Irrigation Circle, Nizamabad (SE) had not even assessed the obstructions in the grooves as of March 2003. The Engineer-in-Chief, Irrigation sent (January 2002) proposals to Government for conducting underwater survey to assess quantum of obstructions present in the grooves at an estimated cost of Rs 9.57 lakh, which was not approved as of March 2003. As a result, heavy leakage of water through damaged rubber seals of the gates noticed in October/December 1999 could not be arrested.

Thus, the failure of the SE in getting the obstructions removed in the stop log grooves led to non-utilisation of the gantry crane and stop log elements. As a result, the leakage of water from the gates could not be arrested rendering the expenditure of Rs 1.56 crore incurred on procurement of gantry crane and stop log elements unfruitful for over three years.

The matter was referred to Government in June 2003; reply had not been received (November 2003).

**IRRIGATION AND COMMAND AREA DEVELOPMENT
DEPARTMENT (Projects Wing)
Nagarjunasagar Project**

4.2.7 Rates of current consumption charges not fixed

Failure of Executive Engineer to fix the rates of recovery of current consumption charges from time to time commensurate with the revision of tariff by APTRANSCO resulted in avoidable burden of Rs 56.72 lakh on the project.

215 residential quarters of Nagarjunasagar Project camp colony, Vinukonda were allotted to the project employees (152 nos.) and private individuals (63 nos.). The Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) supplied power to these quarters through a single low tension (LT) meter. The Executive Engineer, Quality Control and Inspection Division, Vinukonda (EE) was paying current consumption (CC) charges to APTRANSCO as per the demand raised by the latter.

As per the terms and conditions of allotment of quarters, the rates of CC charges to be recovered from the occupants of the quarters were to be fixed by EE, which were liable for increase from time to time.

Since all the residential quarters were connected to a single LT meter, the power consumed by the occupants of all the quarters was reflected in the single meter, attracting levy of CC charges by APTRANSCO at a very high slab rate. However, recovery from the occupants was made at individual slab rates where sub-meters were fixed (80 nos.) and in other cases at flat rate of Rs 15 per point per month in respect of serving employees and Rs 25 per point for others. The amount so received was found to be much less than the demand raised by the APTRANSCO. While the CC charges paid by the EE for the period from April 2000 to March 2003 (for which records were made available to Audit) were Rs 66.22 lakh, the charges recovered from the occupants of quarters were only Rs 9.50 lakh. The EE, however, neither made any efforts to install individual meters in the residential quarters nor increased the CC charges commensurate with the demands raised by the APTRANSCO.

Thus, failure of the EE to fix the rates of recovery of CC charges commensurate with the demands raised by APTRANSCO from time to time or to install separate meters in the quarters led to an avoidable burden of Rs 56.72 lakh on the project in a period of 36 months alone.

The matter was referred to Government in March 2003; reply had not been received (November 2003).

Srisailam Right Branch Canal Scheme

4.2.8 Acquisition of land at the instance of contractor

Acquisition of private lands for purpose of quarrying of CNS soils by the SE, SRBC Circle No. 3, Nandyal at the instance of the contractor in contravention of agreement conditions resulted in avoidable expenditure of Rs 29.73 lakh.

Superintending Engineer, Srisailam Right Branch Canal (SRBC), Circle No.3, Nandyal (SE) entrusted (May 1999) the earth work excavation, lining of the canal and construction of structures for protecting and regulating the flow of water on Sanjamala sub-branch canal in Block X of SRBC to a contractor for Rs 24.73 crore. The work was intended to provide irrigation facilities to 11,331 ha of land in Banaganapalli, Koilakuntla and Sanjamala mandals of Kurnool District.

The work provided for laying and consolidation of cohesive non-swelling (CNS) soils below lining including excavation and haulage of CNS soils from Ravvalakonda quarry.

According to the agreement, the contractor was to inspect the site and satisfy himself about the availability and adequacy of construction materials in the designated quarry and he would not be entitled for any extra payment due to any mis-judgement of quality or quantity of the materials.

After conveying 20,000 cum out of total quantity of six lakh cum of CNS soil, the contractor requested (July 1999) the Executive Engineer (EE) to acquire private lands yielding the specified soil, if alternate Government quarry was not available, since the gravel from the specified quarry was not passing the tests for use as CNS material.

Though the EE rejected (July 1999) the contractor's request for alternate quarry, the SE recommended (October 1999) acquisition of 50 acres of private land in contravention of the agreement conditions and accordingly the Revenue Authorities acquired (December 2001) the land (49.30 acres) for Rs 29.73 lakh.

Thus, the acquisition of private lands by the SE at the instance of the contractor in contravention of agreement conditions, resulted in avoidable expenditure of Rs 29.73 lakh.

The matter was referred to Government in June 2003; reply had not been received (November 2003).

4.2.9 Incorrect rate adopted for additional quantities of work

Adoption of incorrect rate by the Executive Engineers in making payment for additional quantities of work resulted in excess payment of Rs 23.66 lakh to the contractors.

The Superintending Engineers, Srisailam Right Branch Canal (SRBC) Circles No. 2 and 3, Nandyal entrusted (between February 1998 and May 1999) the work "Earth work excavation, lining of canals and construction of structures on Sanjamala major, minors and sub-minors in Block Nos. II, III, VI, IX and X of SRBC" to five different agencies for a total sum of Rs 49.78 crore.

The work, *inter alia*, involved excavation and haulage of cohesive non-swelling (CNS) soils from borrow area, filling the soils upto top bank level, consolidation, re-excavation of the consolidated soils in the canal section leaving the CNS layer to the required thickness and conveying the re-excavated soils to the forward reach. A composite rate for the finished item of work including the cost of all the above operations was worked out.

Before start of the work, the thickness of CNS layers was increased as per the suggestion of World Bank expert team resulting in increase in the requirement of CNS soils to 5,99,953 cum as against 3,54,667 cum originally assessed. The increase in quantity of CNS soils was meant for being retained under lining only and hence the re-excavation and re-handling operations were not required to be executed in respect of the additional quantity of CNS soils. This led to change in the cost per unit of additional quantity of CNS soils. As per the agreement for the additional quantities where change in cost per unit is involved, the Engineer should make a change to the contract price based on his own forecast of the effect of the variations (operations not involved), on the contractor's cost. However, the Executive Engineers of SRBC Division 2-1, Banaganapalli and SRBC Division-1, Panyam (EEs) made (July 2001, May, June, September and December 2002) payment at the agreement rates for the additional quantity up to 25 per cent in excess of bill of quantities. For the quantities in excess of the above limit of 25 per cent, payment was made at a rate worked out. In both the cases payments were made without deducting the cost of operations not involved, which is not in order.

The adoption of rates by the EEs in making payment for the additional quantities of work without deducting the cost of operations resulted in excess payment of Rs 33.40 lakh to the contractors.

On this being pointed out, Government replied (September 2003) that excess payment made to the contractor in respect of block No. IX was recovered. Reply of the Government for recovery of the

balance excess payment (Rs 23.66 lakh) made in respect of remaining blocks is awaited (November 2003).

Telugu Ganga Project

4.2.10 Defective works in formation of earth dam

Failure of the Executive Engineer, TGP Division No.1, Velugodu to ensure usage of suitable soils and proper consolidation of the embankment caused piping in the bund resulting in avoidable expenditure of Rs 1.84 crore on reformation.

The Superintending Engineer, Telugu Ganga Project Circle (SE), Nandyal entrusted the work of formation of earth dam from km 5.400 to km 6.400, to a contractor in May 1991. The earth dam was a component of Velugodu Balancing Reservoir with storage capacity of 16.32 thousand million cubic feet (TMC) of water, which was intended to provide irrigation facilities to 1.25 lakh acres. The work was completed in August 1997 at a cost of Rs 6.72 crore. In November 2001 when 7.488 TMC of water was stored in the reservoir, a piping³⁵ occurred on the left side of the spill way at chainage 6.380, which was plugged temporarily.

As per the agreement, the contractor was to convey the earth for formation of hearting and casing zones of embankment and graded sand for formation of sand chimneys and the Executive Engineer, Telugu Ganga Project Division-1, Velugodu (EE) was responsible for spreading of earth, watering and consolidation of embankment to the required density. The soil sample tests conducted (July 2002) by Deputy Executive Engineer, Quality Control sub-division, Velugodu revealed that the foundation of embankment was very poor and susceptible to liquefaction. Further, the soil test reports (October 2002) of Andhra Pradesh Engineering Research Laboratories, revealed inadequate compaction of embankment at certain places. As a result, the usage of unsuitable soils and inadequate consolidation of the embankment soils led to the piping action. Based on the recommendation of an expert committee constituted (December 2001) by the Government reformation of the bund on left side of the spillway from Km 6.325 to Km 6.400 was completed at a cost of Rs 1.84 crore (August 2003).

Thus, the usage of unsuitable soils and failure to ensure consolidation of embankment to the required standards by the EE resulted in an avoidable expenditure of Rs 1.84 crore on reformation of bund on left side of the spill way.

³⁵ Formation of a hole due to the disturbance caused by the pressure of flowing water to the saturated thick layers of loose fine sandy soils

The matter was referred to Government in June 2003; reply had not been received (November 2003).

MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT

4.2.11 Shopping complex not completed even after seven years

Shopping complex at Bodhan sanctioned in 1996 under IDSMT scheme had not been completed as of July 2003 rendering the expenditure of Rs 32.53 lakh unfruitful. The objectives of strengthening the infrastructure and enhancing economic base of the people of Bodhan was not achieved.

Under the Centrally Sponsored Scheme 'Integrated Development of Small and Medium Towns', intended to strengthen the infrastructure, Government in Municipal Administration and Urban Development Department accorded (January 1996) administrative sanction for construction of a shopping complex in Bodhan town of Nizamabad District. Technical sanction was accorded (November 1998) by Engineer-in-Chief (Public Health) for Rs 1.47 crore. The work was to be executed by NBCC³⁶ under the supervision of Executive Engineer (Public Health) Nizamabad (EE, PH).

The Director of Town and Country Planning entered into an MOU³⁷ with NBCC in March 1999, with a stipulation to complete the work within nine months. As per the MOU, the Municipal Commissioner (MC) was to handover hindrance free site for the purpose and certify to that effect, which was also to be accepted by NBCC. The site was however, handed over to NBCC in September 1996³⁸ itself pending technical sanction. The NBCC, commenced the work in October 1999 and executed the work only up to plinth level (20 per cent of total work) valued Rs 32.53 lakh. NBCC however, stopped the work in September 2000 on the plea that the area was not hindrance free for continuation of the work as some merchants and vegetable vendors obtained (November 1999) stay orders from the High Court. NBCC stated (July 2001) that though the MC assured to clear the temporary market/store and other structures on the site, this was not done. The NBCC sought (July 2001) revision of estimates on account of steep hike in cost of construction material.

³⁶ M/s National Building Construction Corporation

³⁷ At 20 per cent excess over the estimated rates

³⁸ Following the Government orders of March 1996 entrusting some major works to NBCC, the site was handed over in September 1996 in anticipation of covering this work in MOU(I). As the work was not covered in MOU(I), it was covered in MOU(II) in March 1999

Government however, issued orders (May 2002) for termination of the MOU with the NBCC. The EE, PH made payment of Rs 32.53 lakh, being the value of the work done, to NBCC in February 2003 in first and final bill. The balance works were entrusted (March 2003) to M/s New Horizons (sub-contractors of NBCC) who had agreed (contract value : Rs 1.50 crore) to execute the work at old rates. The works were to be completed within 12 months, i.e., by March 2004. The MC stated (August 2003) that the then MC could not handover the hindrance free site due to encroachments in the site. The Principal Secretary to Government endorsed (July 2003) the reply of the Director of Town and Country Planning who attributed (July 2003) the delay in execution of the work to unavoidable reasons. The contention was untenable as the MC failed to handover hindrance free site as contemplated in the MOU. No responsibility had been fixed on the individuals for failing to handover hindrance free site by MC to NBCC though contemplated in the MOU.

Thus the shopping complex sanctioned in 1996 had not come up even after seven years rendering the expenditure of Rs 32.53 lakh incurred so far unfruitful. The envisaged objectives of strengthening the infrastructure and enhancing economic base of the people of Bodhan town was thus not achieved.

Public Health Wing

4.2.12 Entrustment of project to a consultant, contrary to rules

Entrustment of preparation of Comprehensive Project Report to a consultant by ENC, PH, contrary to the Rules in vogue, resulted in avoidable expenditure of Rs 1.23 crore.

Municipalities (Municipal Works) Rules, 1967 prescribe that the investigation and preparation of plans and estimates of new water supply and drainage schemes of municipal towns are to be done by the Executive Engineer, Public Health (EE) with their own staff. Government ordered (September 1998) to keep the Comprehensive Project Report for Storm Water Disposal System (Project) ready for execution of open drains in municipalities with the funds to be released by them. Contrary to the Rules in vogue, the Engineer-in-Chief, Public Health (ENC) proposed (September 1998) to Government to entrust the Project (including investigation, preparation of plans and estimates, etc.) to a consultant, on the plea that the municipal staff were insufficient and ill-equipped which was acceded to by Government in March 1999. The stand taken by ENC, however, was not correct since the work was to be got done by PH staff and not by Municipal staff.

Consequently, the Project in 36 municipal towns of Andhra Pradesh covering an estimated road length of 3147 km at the rate of Rs 4,900 per Km was entrusted (May 1999) by the Superintending Engineer, Public Health, West Circle, Hyderabad, based on tenders, to a consultant at a cost of Rs 1.54 crore with a stipulation to complete the work in 12 weeks. The consultant completed the Project of 2919.37 km by January 2002 and was paid Rs 1.23 crore for 2513.08 km as of March 2003. Final Project reports were also communicated to the municipalities concerned for taking up the drainage works.

The proposal of ENC to entrust the Project to a consultant was not correct as the Rules require the EE to carryout the investigation, preparation of plans and estimates of new schemes pertaining to municipal towns with PH staff only. Further, the reply of ENC (September 2003) that the Project was got prepared by the consultant to enable execution of Storm Water Disposal System works based on availability of funds in municipalities indicates that there was no urgency in getting the work executed through a consultant.

Thus, entrustment of the Project to a consultant by the ENC, contrary to the rules in vogue, resulted in avoidable expenditure of Rs 1.23 crore.

The matter was referred to Government in June 2003; reply had not been received (November 2003).

4.2.13 Fixation of rates for additional quantities of work contrary to agreement conditions

Fixation of rates by SE, PH Circle, Nellore for additional quantities of work done, contrary to the agreement conditions, resulted in excess payment of Rs 33.51 lakh to the contractor.

Superintending Engineer, Public Health Circle, Nellore (SE) awarded (March 1997) the work of providing pre-stressed concrete (PSC) pumping main from M.D. Puttur to Mangalam under Tirupati Water Supply Improvement Scheme to a contractor for Rs 7.25 crore. The work was completed in August 1999 and final bill for Rs 9.21 crore was paid in October 2000.

According to agreement the rate payable for quantities in excess of 30 per cent of quantity provided in the tender shall be the mutually agreed rate, which shall not, however, exceed the quoted rate for that item of work.

During execution, quantities in respect of laying of mild steel (MS) pipes of 1100 mm dia were increased from 810 to 2,335 metres, i.e., in excess of 30 per cent of tendered quantity. The Executive

Engineer, Public Health Division, Tirupati made (October 2000) payments to the contractor for this item of work at a mutually agreed rate of Rs 15,200 per running metre (rmt), which was fixed by SE, without restricting it to the quoted rates of Rs 12,260 and Rs 12,660 per rmt for Reaches I and II respectively. This resulted in excess payment of Rs 33.51 lakh to the contractor.

The matter was referred to Government in June 2003; reply had not been received (November 2003).

PANCHAYATI RAJ AND RURAL DEVELOPMENT/ SOCIAL WELFARE DEPARTMENTS

4.2.14 Non-commissioning of Lift Irrigation schemes/ infiltration wells

Due to non-commissioning of four Lift Irrigation schemes and five infiltration wells in Mahboobnagar and Visakhapatnam Districts expenditure of Rs 1.77 crore proved unfruitful.

Scrutiny of Lift Irrigation schemes implemented by the DRDAs, Mahboobnagar and Visakhapatnam revealed unfruitful expenditure of Rs 1.77 crore as discussed below:

(a) With a view to providing minor irrigation facilities for covering 1464 acres of land, District Collector and Chairman of the District Scheduled Castes Services Co-operative Society, Mahboobnagar (District Society) accorded administrative sanction (March and August 1994) to three³⁹ Lift Irrigation schemes at an estimated cost of Rs 1.30 crore, later revised to Rs 1.45 crore⁴⁰ in November 1997. The works were entrusted (October 1994-January 1997) to the Executive Engineer (EE), Irrigation and Command Area Development, IB Division, Nagarkurnool, for completion by July 1997. District Society released (March 1994 to May 1999) Rs 1.42 crore to the EE.

The EE stopped the work in October 1999 after incurring an expenditure of Rs 1.54 crore⁴¹ for want of additional funds. The estimate was further revised to Rs 1.96 crore⁴² (March 2001) and the EE requested (February 2002) the District Society to release the balance amount of Rs 52.73 lakh including reimbursement of Rs 11.84 lakh to DRDA. Government's approval for the revised

³⁹ Yengampally, Pentlavelli Konduru Stage I, Pentlavelli Konduru Stage II

⁴⁰ IRDP subsidy - Rs 72.32 lakh, Margin money loan - Rs 30.55 lakh and Bank loan - Rs 41.77 lakh

⁴¹ Balance Rs 11.84 lakh diverted by the DRDA from other schemes

⁴² Technical sanction : Rs 195.19 lakh

estimates and the additional funds sought for by the EE were awaited as of August 2003.

Thus, due to non-provision of adequate funds by the District Society, expenditure of Rs 1.54 crore incurred so far on the three Lift Irrigation schemes remained unfruitful for over three years besides the escalation in cost of the schemes.

(b) District Collector and Chairman DRDA, sanctioned (December 1996) a Lift Irrigation scheme and five⁴³ infiltration wells to benefit 439 small and marginal farmers in Devarapally mandal (Visakhapatnam District), covering 368 acres of land as a part of minor irrigation scheme. The works were executed by the EE, APSIDC⁴⁴ Division, Srikakulam, at an estimated cost of Rs 38.33 lakh. Though the works were commenced in March-August 1997 and scheduled to be completed and put to operation by the end of March 1997, the wells/Lift Irrigation scheme were not commissioned as of August 2003 for want of electricity connections.

There was ban⁴⁵ on power connections for agriculture at the time of taking up (March 1997) of the schemes. In addition, the feasibility report was not obtained from APTRANSCO⁴⁶ before taking up of the construction work. Project Director, DRDA also failed to pursue with the APTRANSCO for release of the power connection. This resulted in the expenditure of Rs 23.04 lakh incurred so far on these schemes unfruitful.

The envisaged irrigation facilities were thus denied to 1020 beneficiaries in the above two DRDAs.

The matter was referred to Government in May 2003/ December 2002; reply had not been received (November 2003).

SOCIAL WELFARE DEPARTMENT

4.2.15 Non-energisation of wells

District Scheduled Castes Services Co-operative Society, Nellore dug wells for SC beneficiaries when a ban existed on their energisation. The wells were not energised even after the ban was lifted rendering the expenditure of Rs 68.11 lakh unfruitful.

For irrigating 3872.04 acres of land belonging to 2562 Scheduled Castes (SC) beneficiaries, the District Scheduled Castes Services

⁴³ Marepalli (2), Tenugupadu (1), Timiran (1), Samidha I (1)

⁴⁴ AP State Irrigation Development Corporation

⁴⁵ August 1996 to June 1998

⁴⁶ Transmission Corporation of Andhra Pradesh Limited

Co-operative Society Limited, Nellore (Society), dug 1127 community irrigation wells during 1995-2002 under Jawahar Rozgar Yojana at a cost of Rs 2.74 crore.

As of July 2003, 953 wells were completed (expenditure : Rs 2.59 crore), 42 wells were in progress (expenditure : Rs 6.19 lakh) and 132 wells failed⁴⁷ (expenditure : Rs 9.13 lakh). Of the completed wells, 281 wells dug during 1995-2002 remained unenergised with electric motors/oil engines for considerable period primarily due to ban imposed by the erstwhile AP State Electricity Board (APSEB) on sanction of new power connections. Of these, only 206 were energised leaving 75 wells yet to be energised as of July 2003. Neither the Government nor the District Society took any steps to energise these wells even after the ban was lifted in November 1998.

Thus digging of the community irrigation wells at a time when a ban existed on their energisation and apathy to get the wells energised after the ban was lifted, rendered the expenditure of at least Rs 68.11 lakh unfruitful. Besides, the SC land holders were deprived of the intended irrigation facilities.

The matter was referred to Government in April 2003; reply had not been received (November 2003).

SOCIAL WELFARE AND REVENUE DEPARTMENTS

4.2.16 House sites to weaker sections not distributed

Due to delay in identification of beneficiaries, land purchased at a cost of Rs 50 lakh for distribution of house sites to weaker sections remained undistributed even after a lapse of two years.

Government accorded (December 2000) permission for transfer of 14.62 acres of land from Srikakulam Municipality to the Social Welfare Department at the mutually agreed cost of Rs 50 lakh to provide house sites to 1606 beneficiaries of SC/ST/BC/Minorities in Srikakulam town. The cost of the land was paid to the municipality by the Deputy Director of Social Welfare, Srikakulam (Rs 40 lakh) and Revenue Divisional Officer, Srikakulam (Rs 10 lakh) in February and March 2001 respectively. The Mandal Revenue Officer (MRO), Srikakulam took possession of the land in March 2001.

In the meantime the District Collector constituted (February 2001) a Committee⁴⁸ to identify the eligible beneficiaries out of about 4000

⁴⁷ due to (i) presence of hard rock or strata, (ii) heavy rains/floods

⁴⁸ headed by Special Deputy Collector (Land Acquisition), Amadalavalasa (Srikakulam)

applicants. The Committee was to hand over the final list to the MRO, Srikakulam by 10 March 2001. The District Collector stated (May 2003) that a layout of 678 plots for 1356⁴⁹ (678x2) housing units/beneficiaries was got approved by the municipality in April 2003 and a list of 699 eligible beneficiaries was prepared (May 2003) by the Committee⁵⁰. However, house sites were yet to be allotted to them (May 2003). The final list consisting of another 657 beneficiaries was also not prepared as of September 2003.

Thus, due to the delay in selection of beneficiaries by the selection Committee and in preparation of layout by the District Collector, investment of Rs 50 lakh remained unfruitful, and the social objective of providing house sites to SC/ST/BC/Minorities had not been achieved.

The matter was referred to Government in January 2003; reply had not been received (November 2003).

TRANSPORT, ROADS AND BUILDINGS DEPARTMENT (Roads and Buildings Wing)

4.2.17 Price adjustment clause incorporated contrary to orders

Incorporation of price adjustment clause by the SE, APHM & ECRP circle, Warangal in the agreement for the work resulted in avoidable expenditure of Rs 1.34 crore.

As per the orders of Government (September 1997) payments towards price escalation are permissible in contracts for works costing over Rs 2 crore with a period of completion exceeding 18 months.

Contrary to these orders, in the World Bank aided work "Improvements to Hyderabad-Bijapur Road from Km 80/0 to Km 109/0", stipulated for completion within 15 months, the Superintending Engineer, APHM & ECRP⁵¹ circle, Warangal (SE) agreed for price adjustment to compensate the contractor towards increase or decrease in price. The work entrusted (March 1999) by the SE to a contractor for Rs 8.42 crore, was completed by May 2001 and Rs 1.34 crore was paid (August 2002) to the contractor towards price escalation by the Executive Engineer, R&B Division, Sangareddy.

⁴⁹ instead of 1606 beneficiaries initially planned

⁵⁰ consisting of Member of Legislative Assembly, Srikakulam; Revenue Divisional Officer; Commissioner, Srikakulam Municipality; Mandal Revenue Officer, Srikakulam

⁵¹ Andhra Pradesh Hazard Mitigation and Emergency Cyclone Recovery Project

Thus, the incorporation of price adjustment clause in the contract for the above work, contrary to extant orders, had resulted in avoidable expenditure of Rs 1.34 crore towards price escalation.

The matter was referred to Government in March 2003; reply had not been received (November 2003).

4.2.18 Non-completion of ITI building

Non-completion of ITI building at Mallepally for over four years rendered the expenditure of Rs 44.40 lakh unfruitful.

Government in Education Department accorded administrative approval (February 1994) for construction of permanent building for ITI⁵² at Mallepally, Hyderabad at a cost of Rs 1.22 crore. The Superintending Engineer, Roads and Buildings, Hyderabad Circle, Hyderabad (SE), accorded (August 1995) technical sanction for the same and entrusted (July 1996) the work to a contractor for Rs 1.32 crore based on 1994-95 Standard Schedule of Rates (SSRs). The work was to be completed within 12 months. The Roads and Buildings Department, however, handed over the clear site to the contractor only in February 1997 after dismantling the old structures and cutting the trees existing in the site.

Due to the delay in handing over the site for the work, the contractor, after executing work valued Rs 44.40 lakh, slowed down further work and demanded payment at current SSRs plus overall tender percentage for the work executed beyond the agreement



Incomplete ITI Building, Mallepally, Hyderabad

period. As the Department did not accept the proposal, Executive Engineer, South Buildings Division, Hyderabad, terminated the contract in October 1999 on the contractor's request. The balance work of the building was not taken up so far (May 2003).

Thus, the failure of SE in ensuring a clear site before concluding the agreement led to non-completion of the work rendering the expenditure of Rs 44.40 lakh incurred thereon unfruitful.

The matter was referred to Government in July 2003; reply had not been received (November 2003).

⁵² Industrial Training Institute

4.3 Idle investment/idle establishment/blockage of funds

EDUCATION DEPARTMENT

4.3.1 Central assistance for purchase of TLM not utilised

Central assistance of Rs 22.92 crore received in May 2000 for purchase of TLM under the extended OBB scheme remained unutilised as of September 2003.

For providing teaching and learning material (TLM) to 5729 upper primary schools in the State, Government of India (GOI) sanctioned (May 2000) Rs 22.92 crore at Rs 40000 per school under the extended Operation Black Board (OBB) scheme. State Government directed (November 2001) the Commissioner and Director of School Education (Commissioner) to immediately release Rs 7.10 crore to the District Educational Officers (DEOs) for purchase of furniture and sports goods (Rs 12400 per school) by the School Education Committees (SECs). Balance amount of Rs 15.82 crore, meant for procurement of books and science equipment (Rs 27600 per school) were to be initially kept in the Personal Deposit account of Andhra Pradesh Residential Educational Institutions Society (Society), Hyderabad.

It was provided that purchases of these items were to be made by the District Level Committees (DLCs) and reimbursement made from the Society through DEOs on production of bills for the purchases made. Further, the procurement of the TLM was to be completed by March 2002.

The Commissioner, however, released the entire money in October 2002 to the 23 DEOs in the State and directed them to keep the money in PD accounts pending issue of guidelines for utilisation of funds. The DEOs however deposited (October 2002–February 2003) the amount in nationalised banks (in savings/current accounts/term deposits) and could not utilise the same as of August 2003 for want of guidelines. The Commissioner stated (September 2003) that a workshop, for imparting training⁵³ to five to six identified resourceful teachers from each district, as stipulated by Government in December 2002 could not be conducted due to lack of budget provision of Rs 6.50 lakh and hence the funds intended for TLM could not be utilised. However, reasons for the delay of more than 2½ years for issue of orders by the Government was not explained. Non-utilisation of Central assistance of Rs 22.92 crore for want of a meagre provision of Rs 6.50 lakh was thus not justified. There was

⁵³ in preparation of the equipment used for Science and Mathematics kits

also loss of interest of Rs 50.43 lakh as 12 out of the 23 DEOs deposited the amounts⁵⁴ in current account.

Government admitted the audit point and assured (August 2003) that the entire process of issuing guidelines to DEOs and the procurement of books and equipment would be completed within six months.

Thus, violation of Government orders by the Commissioner and inordinate delay in decision making by the Commissioner/Government resulted in non-implementation of the OBB scheme in the State and non-utilisation of the Central funds of Rs 22.92 crore for more than three years besides keeping the money outside the government account.

SOCIAL WELFARE DEPARTMENT

4.3.2 Training centres for SC, ST and BC students not constructed

Of Rs 62.50 lakh released for construction of Training Centres for the SC, ST and BC students, Rs 20 lakh was spent for construction of administrative building; the balance Rs 42.50 lakh along with interest was lying in Fixed Deposits.

For imparting training to the candidates belonging to SC, ST and BC categories appearing for competitive examinations like All India Civil Service examination, State Civil Service examination etc., Andhra Pradesh Study Circle (APSC⁵⁵) was established (1979) with the Principal Secretary to Government in Social Welfare Department as its President. APSC is funded equally by Government of India and the State Government in 50:50 ratio. It acts as a nodal agency and in turn releases the funds to 23 Pre-Examination Training Centres (PETCs⁵⁶).

During 1992-99, Director, APSC received grants of Rs 62.50 lakh from Government towards construction of buildings for the PETCs, but he did not release the money to the PETCs. Of Rs 62.50 lakh received, Rs 20 lakh was utilised⁵⁷ by the Director, for construction of the APSC building at Banjara Hills, Hyderabad and the balance amount of Rs 42.50 lakh was kept in the shape of Fixed Deposits with nationalised banks. Construction of the building taken up in June 2000, was not completed as of June 2003.

⁵⁴ aggregating to Rs 14.76 crore

⁵⁵ Registered under Societies Registration Act, 1956

⁵⁶ Attached to Universities: 7, District PETCs (not covered by Universities): 16

⁵⁷ September 2002 : Rs 13 lakh; December 2002 : Rs 7 lakh

Thus due to non-construction of buildings for the PETCs by the Director, the students of SC/ST/BC categories were deprived of the intended benefits besides incurring avoidable expenditure of Rs 7.91 lakh towards rent for the hired PETC buildings during the period 1999-2003 alone⁵⁸, and locking up of Government funds of Rs 42.50 lakh with the APSC. Reasons for non-release of funds for construction of PETC buildings were not furnished by APSC though called for.

The matter was referred to Government in April 2003; reply had not been received (November 2003).

4.4 Delays in commissioning of schemes/equipment

EDUCATION DEPARTMENT

4.4.1 Scheme of strengthening and upgrading Public Libraries did not take off

The scheme of strengthening and upgrading the Public Libraries did not take off (July 2003) as the interest of Rs 82.54 lakh accrued on the Corpus, has not been released by the State Government.

The Eleventh Finance Commission (EFC) recommended a grant-in-aid of Rs 5.60 crore for strengthening and upgrading the network of State level and District level libraries in the State during the period 2000-05. The State Government was to create a Corpus, invest the amount in Public Sector banks or in Provident Fund (PF) deposits and use the returns from it for purchase of books and periodicals for the libraries every year on sustainable basis. Government of India (GOI) released Rs 5.04 crore⁵⁹, under the scheme during November 2000- October 2001.

The State Government however, released only Rs 3.92 crore⁶⁰ between March 2001 and March 2003. While releasing the first instalment in March 2001, Government instructed the Director of Public Libraries to transfer the amount to Public Account. However, till May 2003 it did not specify the details of Minor head for creating Corpus fund, rates of interest payable and the head of account for drawal of interest rendering the funds lying in the Public Account of the Government unusable. In May 2003, Government

⁵⁸ details for the earlier period not furnished by APSC

⁵⁹ being the 90 per cent of the total grant – Rs 56.31 lakh (November 2000), Rs 56.31 lakh (March 2001), Rs 225.23 lakh (June 2001), Rs 166.15 lakh (October 2001); balance Rs 56 lakh to be released on receipt of completion certificates from the Government

⁶⁰ Rs 224 lakh (March 2001), Rs 112 lakh (March 2002), Rs 56 lakh (March 2003)

specified that interest on corpus fund should be calculated at the rate of interest applicable to Provident Fund deposits. The interest accrued on the amount was however, not released by government though the proposals were submitted (August 2001 and April 2002) by the Director with an Action plan for upgradation of Public Libraries. As of March 2003, interest benefit of Rs. 82.54 lakh was denied to the libraries for upgradation.

The Principal Secretary to Government stated (August 2003) that the proposals of the Director were still under process and the balance Rs 1.12 crore would be released shortly. The fact, however, remains that interest on the corpus had not been released.

Thus owing to inaction on the part of Government to adjust the entire EFC grants to the corpus coupled with the delay in specifying the details of heads of account under the Public Account/ drawal of interest and non-payment of interest on it, the scheme of strengthening and upgrading the Public Libraries did not take off even as of July 2003.

4.5 Regulatory issues and other points

AGRICULTURE AND COOPERATION DEPARTMENT

4.5.1 Diversion of Central Market Fund

Contrary to the provisions, Commissioner and Director of Marketing released Rs 60 crore from the Central Market Fund for purposes not related to the promotion of Agricultural Marketing.

Central Market Fund (Fund) was formed under the AP (Agricultural Produce and Livestock) Markets Act, 1966 with the contribution from market committees. The Fund is deposited in the Personal Deposit Account administered by the Commissioner and Director of Marketing and is to be utilised for promoting agricultural marketing by providing grant-in-aid/loans to the market committees and such other similar or allied purposes as specified by the Government.

It was observed, (January 2002) however that the Commissioner released (May 2000 – December 2001) Rs 60 crore⁶¹ from the Fund for other purposes which are not in the nature of promoting Agricultural Marketing. Of these, Commissioner released (March

⁶¹ Neeru-Meeru programme – Rs 49.50 crore; education and training programme, publicity and dissemination of information and technology to farmers – Rs 5 crore; and towards seed subsidy for implementation of Crop diversification programme – Rs 5 crore, restoration of breached Anicut in Cuddapah district-Rs 0.50 crore

2001) Rs 11 crore to 22 District Collectors for implementing Neeru-Meeru programme which was to be reimbursed by the concerned departments (not specified by Government). The release orders for the balance Rs 49 crore did not specify about the reimbursement. However, despite the specific orders of the Government, Rs 11 crore had not been recouped to the Fund so far (September 2003).

The utilisation of Fund for the purposes not authorised by the Act constituted unauthorised diversion, which would adversely effect the activities of the Agricultural Market Committees. The entire amount of Rs 60 crore thus remained unrecouped to the Fund as of September 2003.

The Commissioner stated (September 2003) that the Government would take action for reimbursement.

The matter was referred to Government in March 2003; reply had not been received (November 2003).

FINANCE DEPARTMENT

4.5.2 Functioning of Treasuries

Overpayments/excess payments of pension/family pension aggregating to Rs 16.37 lakh were made in 10 District Treasuries, Sub-treasuries in 18 districts and six APPOs. Stamps worth Rs 30.82 crore were retained in stock without demand in eight district treasuries and 30 sub-treasuries.

Inspection of 10 District Treasuries⁶², sub-treasuries in 18 districts and six Assistant Pension Payment Offices (APPOs)⁶³ during 2002-03 revealed the following points.

I Overpayment/excess payment of pension

(i) AP Revised Pension Rules, 1980 provide for payment of enhanced family pension (EFP), equivalent to 50 per cent of last pay drawn, in the event of death of a government servant while in service, for a period of seven years or till the date on which the Government servant would have attained the age of 65 years whichever being earlier. To restrict the payment of EFP to the relevant period the DTO/Sub Treasury Officers (STOs)/Pension Payment Officers (PPOs) are required to maintain a time limit register. It was seen that in three district treasuries and

⁶² Anantapur, Chittoor, Cuddapah, East Godavari, Khammam, Krishna, Mahboobnagar, Nizamabad, Srikakulam and Warangal

⁶³ Motigally, Malakpet, Narayanaguda, Panjagutta, Tarnaka and Bank & MO in the office of Joint Director, Pension payments, Nampally

22 sub-treasuries (in 11 districts) and five APPOs maintenance of incomplete register and non-maintenance of the register led to overpayment of Rs 8.65 lakh in 64 cases during April 1999 to February 2003.

(ii) Consequent on revision of pay scales of State Government employees in 1999, pension payable was revised by consolidating pension and relief. It was noticed in one district treasury, 33 sub-treasuries in 15 districts and three APPOs that consolidation was incorrectly computed in 47 cases, resulting in excess payment of pension of Rs 3.82 lakh from April 1999 to December 2002.

(iii) As per the pension rules in force, where a pensioner commuted a part of his pension, his pension should be reduced to the extent of commuted portion. It was noticed in 15 sub-treasuries in 11 districts and two APPOs in 30 cases that the commuted portion of pension was either not reduced or less reduced resulting in excess payment of pension of Rs 3.90 lakh during April 1994 to January 2003.

The excess payments aggregating to Rs 16.37 lakh have been reported to Director of Treasuries and Government in July 2003 for taking remedial action.

II Retention of huge excessive stock of stamps

Contrary to the codal provisions, in eight district treasuries and 30 sub-treasuries (in 11 districts) stamps⁶⁴ worth Rs 30.82 crore for which there was no demand were retained in stock. The DTO/STO-wise details are given in *Appendix XLIII*.

The Secretary to Government in Finance Department stated (December 2003) that retention of huge excessive stock of stamps was due to supply of stamps by the Inspector General of Registration and Stamps without indents from the Treasuries.

⁶⁴ Special Adhesive, Court-fees, Hundi, Share transfer, non-judicial, foreign bills, etc.

INDUSTRIES AND COMMERCE DEPARTMENT

4.5.3 Investment subsidy not recovered

Investment subsidy of Rs 1.32 crore released to 31 industrial units, under a “New Industrial Policy - Target 2000”, had not been recovered even though the units failed to fulfill the conditions of continuing commercial production for five/seven years.

To accelerate industrial development, Government introduced a 'New Industrial Policy-Target 2000' in May 1996. Under the policy, all industrial units, other than those located within the Municipal Corporation areas of Hyderabad, Vijayawada and Visakhapatnam, which went into commercial production on or after 15 November 1995 were eligible for investment subsidy at 20 per cent of the fixed capital investment subject to a maximum of Rs 20 lakh. Investment subsidy granted to units was to be recovered from the units in the event of the units going out of production within five years (seven years in case of units set up by SCs and STs) from the date of commencement of commercial production. The recoveries were to be treated as arrears of Land Revenue under AP Revenue Recovery Act, 1864.

It was noticed (September 2002) that the State and District Level Committees released investment subsidy of Rs 1.32 crore to 31 units in five districts⁶⁵ during the period 1996-2001. But the General Managers of District Industries Centres/Commissioner of Industries did not recover (as of July 2003) the amounts due⁶⁶ from the units from 2000-01 onwards even though these units were found (October 2000 and July/August 2001) closed within five/ seven years of their going into commercial production.

The matter was referred to Government in February 2003; reply had not been received (November 2003).

⁶⁵ Cuddapah (2 cases) - Rs 16 lakh; Nalgonda (16 cases) - Rs 59 lakh; Warangal (5 cases) – Rs 25 lakh; Nizamabad (2 cases) - Rs 8 lakh; and Visakhapatnam (6 cases-not falling under municipal limits) - Rs 24 lakh.

⁶⁶ 2000-01 : Rs 46.43 lakh, 2001-02 : Rs 85.09 lakh

LABOUR, EMPLOYMENT, TRAINING AND FACTORIES DEPARTMENT

4.5.4 ITI buildings not completed in six years

Construction of workshops, classrooms and hostel buildings for ITI, Vakadu (Nellore District) taken up in May 1997 had not been completed even after spending Rs 76.02 lakh.

Government accorded approval (September 1992) for construction of workshop buildings, classrooms and hostel buildings for the Industrial Training Institute (ITI), Vakadu in Nellore District at a cost of Rs 1 crore. Technical sanction was accorded (March 1996) by Engineer-in-Chief (Buildings) for Rs 1.03 crore. The executing agency⁶⁷ (SE) entrusted (May 1997) the works to a contractor (agreement value: Rs 72.11 lakh) for completion in nine months i.e., by February 1998. However, the site was handed over to the contractor only in September 1997 due to delay in acquisition of land and completion date was extended to September 1999.

The contractor executed the works valued Rs 66.70 lakh and stopped the works (April 1999) due to non-payment of bills for Rs 10.42 lakh. The SE failed to pay the bills due to non-release of funds by the Department⁶⁸. However, the amount was paid (November 2002) to the contractor on the orders of High Court (November 2000) and the contract was closed in December 2002 at the request of the contractor. The leftover works were electrification, sanitation, etc., valued Rs 31.50 lakh. Besides, SE paid Rs 9.32 lakh for construction of compound walls, internal roads, etc leaving a balance of Rs 7.54 lakh. The Commissioner stated (August 2003) that though proposals were submitted to Government from time to time, funds were not provided even in the Budget for 2003-04.

Thus due to non-release of funds by Government, the ITI buildings taken up in May 1997 had not come up as of November 2003 even after spending Rs 76.02 lakh with a further committed liability of Rs 7.54 lakh rendering the expenditure unfruitful. The students of the ITI could not be provided the benefit of hostel facilities.

The matter was referred to Government in June 2003; reply had not been received (November 2003).

⁶⁷ Superintending Engineer, PWD (R&B), Nellore Circle, Nellore

⁶⁸ Employment and Training department

4.6 Stores and Stock

HEALTH, MEDICAL AND FAMILY WELFARE DEPARTMENT

4.6.1 Procurement of drugs in Health Department

Government entrusted (May 1998) to AP Health and Medical Housing and Infrastructure Development Corporation (Corporation) the centralized procurement and distribution of drugs to the Health Institutions (HI). A review of procurement and distribution system of drugs by the Corporation during 1998-2003 revealed the following.

Failure to conclude written agreement resulted in avoidable expenditure of Rs 1.05 crore

(a) As per Government order (November 1997) purchase of antibiotics were made only from Public Sector Undertakings (PSUs) by inviting tenders. However, as all the PSUs quoted (June 2001) the same prices for the antibiotics, the Rate Contract (RC) committee finalised the rates after conducting negotiations with the tenderer as per the instructions issued by Government. During negotiations for purchase of antibiotics for 2001-03 one PSU⁶⁹ assured verbally that it had not quoted lower rate to any other Government, and was prepared to give matching price if quoted less elsewhere for other Government. However, the PSU supplied antibiotics to another PSU⁷⁰ and South Central Railway at much lower rates. Corporation demanded (July 2002) the PSU to remit the differential cost of supply, but the PSU did not remit the same. Corporation referred the matter to Government in December 2002. Government stated that as no agreement was signed by Government with the PSU, differential amount cannot be recovered from the PSU.

Failure of the Corporation to enter into a written agreement with the PSU on the above oral assurance resulted in avoidable expenditure of Rs 1.05 crore being the differential cost of the drugs.

Undue benefit of Rs 97.13 lakh to Corporation due to retention of excess collected CED

(b) As per the RC 1998-99, the cost of drugs was exclusive of Central Excise Duty (CED), Sales Tax (ST) and service charges. Software was developed accordingly for charging the Primary Health Centres (PHCs) for the cost of drugs after adding the CED, ST, etc. As per the RC for 2001-03 (effective from 1 April 2002) the cost of the drugs was inclusive of CED. But necessary correction was not carried out to the existing software. As a result, the CED at 8 per cent was levied for second time. During 2002-03, the PHCs were overcharged by the Corporation and obviously supply of drugs

⁶⁹ Goa Antibiotics, Goa

⁷⁰ Singareni Collieries Company Limited

to the PHCs were less to the extent of Rs 97.13 lakh. The excess CED collected was retained by the Corporation.

The above points were referred to the Government in July 2003; reply had not been received (November 2003).

4.7 General

4.7.1 Follow-up on Audit Reports

(a) Non-submission of Explanatory (Action taken) Notes

As per the instructions issued by Finance and Planning (FW:PAC) Department in November 1993, the administrative departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports within three months of presentation of the Audit Reports to the Legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken.

It was, however, noticed that 21 departments had not submitted explanatory notes, as of November 2003, in respect of 105 paragraphs/reviews for the years 1996-2002. The details are given in *Appendix XLIV*.

(b) Action taken by the Government

Compliance of some of the important irregularities/ system deficiencies pointed out in the Audit Reports of previous years were reviewed in audit. The following points emerged.

<p>I Education Department</p>	<p>Mention was made in Para 3.5 of the Audit Report 2001-02 about release of grants-in-aid aggregating to Rs 2.21 crore to two private unrecognised schools⁷¹ by the District Educational Officers (DEOs), Krishna and Mahboobnagar. Based on audit observation issued to Government, the Commissioner of School Education issued instructions (May 2002) stopping further release of grant-in-aid in cases where recognition was not renewed.</p> <p>However, further scrutiny (August 2003) revealed that DEO, Kurnool released grants-in-aid of Rs 96.62 lakh to 12 schools during the academic years 2002-04 and DEO, RangaReddy released Rs 1.97 crore to 11 schools during the academic year 2002-03. School-wise details are given in <i>Appendix XLV</i>. Responsibility for unauthorised releases had not been fixed as of September 2003.</p>
<p>II Health, Medical and Family Welfare Department</p>	<p>Mention was made in Para 3.9 of Audit Report 2001-02 about continuation of 150 staff working in ten basic training schools established under the Centrally Sponsored Programme to impart training to Multi-Purpose Health (MPH) Assistants, and</p>

⁷¹ CBKSM High School, Machilipatnam (Krishna district) and Sri Ravindra High School, Gadwal (Mahboobnagar district)

	<p>consequential unfruitful expenditure of Rs 9.64 crore on the pay and allowances of the staff, establishment and rentals for the buildings during the period 1995-2002.</p> <p>Further scrutiny (August 2003) revealed that the staff was continuing in the training schools despite the absence of training activity for fresh candidates; proposals (August 2002) of the Commissioner of Family Welfare for allowing fresh admissions into the MPHWS (M) training awaited (November 2003) Government's approval.</p> <p>Thus Government's delay in taking a decision regarding fresh admissions into these schools for MPHWS (M) training has rendered the further expenditure of Rs 2.03 crore from April 2002 to July 2003 on pay and allowances and contingencies unfruitful.</p>
III Home Department	<p>Mention was made in Para 3.11 of the Audit Report (Civil) 2000-01 about continuation of 144 staff members dealing with procurement, storage and distribution of stationery in the Commissionerate of Printing, Stationery and Stores Purchase Department after decentralisation (November 1997) of procurement of stationery and its entrustment to heads of departments, and consequential infructuous expenditure of Rs 3.91 crore on their pay and allowances.</p> <p>Further scrutiny (September 2003) revealed that 127 staff members⁷² were continuing and orders for their re-deployment were not issued resulting in further infructuous expenditure of Rs 89.37 lakh on their pay and allowances during the period September 2002 to August 2003.</p>
IV Youth Advancement, Tourism and Culture Department	<p>It was pointed out in para 3.2.7 (a) of the Audit Report (Civil) 2000-01 about misappropriation of Chief Minister's Empowerment of Youth (CMEY) programme funds of Rs 1.91 crore by the Chief Executive Officers (CEOs) of Medak (Rs 1.30 crore) and Guntur (Rs 60.64 lakh).</p> <p>Further scrutiny (August 2003) revealed that no amount was recovered subsequent to reporting of mis-appropriation in the Audit Report. Departmental as well as criminal proceedings were stated to be in progress (September 2003) in both these cases.</p> <p>Adequate measures were not taken to prevent recurrence of such cases and this was evident from the fact that in two more cases Programme funds of Rs 3.08 lakh were misappropriated after April 2001 by Assistant Manager, SETNEL⁷³, Nellore (Rs 1.76 lakh) and Manager, SETSRI⁷⁴, Srikakulam (Rs 1.32 lakh). Enquiry reports were awaited (September 2003) in both these cases.</p>

4.7.2 Action not taken on recommendations of the Public Accounts Committee

One thousand one hundred and seventy one (1171) recommendations of the Public Accounts Committee (PAC), made in their First Report of Third Legislative Assembly (1962-63) to Fifteenth Report of Eleventh Legislative Assembly (2002-03), in regard to

⁷² the decrease is due to retirement/expiry of staff members

⁷³ Self Employment Training Nellore

⁷⁴ Self Employment Training Srikakulam

22 departments were pending settlement as at the end of September 2003. Of these, the PAC had discussed Action Taken Notes (ATNs) in respect of 289 (25 per cent) recommendations relating to 15 departments. Of the remaining 882 recommendations, the concerned administrative departments were yet to submit ATNs in respect of 511 (44 per cent) recommendations (222 ATNs were due from Irrigation and Command Area Development department alone) even though the Finance and Planning Department issued (May 1995) instructions to all administrative departments and the Heads of Departments to submit the ATNs within six months from the date(s) of receipt of recommendations. Department-wise details are given in *Appendix XLVI*.

4.7.3 Lack of response to Audit

Accountant General (Audit) (AG) arranges to conduct periodical audit inspections of the government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). HandBook of Instructions for speedy settlement of audit observations/IRs, etc. issued by Government in Finance and Planning Department provides for prompt response by the executive to the IRs issued by the AG to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. noticed during his inspection. A half-yearly report of pending IRs is sent to the Secretary of the Department concerned to facilitate monitoring of the audit observations and its disposal. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects promptly and report their compliance to the AG.

At the end of June 2003, 21044 IRs issued up to March 2003 were not settled as shown below:

	As at the end of		
	June 2001	June 2002	June 2003
Number of IRs	22207	21286	21044
Number of Paragraphs	85256	83305	79084

Of the 21044 IRs (79084 paragraphs) which were pending as on 30 June 2003, even first replies had not been received in the case of 1960 IRs (10680 paragraphs). The year-wise and Department-wise breakup of these IRs and paragraphs is indicated in *Appendix XLVII and XLVIII* respectively. The Principal Secretaries/Secretaries who were also informed of the position through half yearly reports, failed to ensure prompt and timely action by the concerned officers. Lack of response to Audit indicated inaction against the defaulting

officers, facilitating continuation of serious financial irregularities and loss to government even after these were pointed out in audit.

It is recommended that Government should relook into this matter and ensure that procedures exist for (a) revamping the system to ensure proper response to the audit observations in the departments and (b) recovery of loss/outstanding advances/ overpayments in a time-bound manner.

4.7.4 Write off of losses, revenue, etc.

Rupees 14.70 lakh representing losses due to misappropriation of funds, fire accident, loss to the buildings, evaporation of petrol, condemnation of unserviceable Government vehicle (jeep) etc. were written off or recoveries waived by the competent authorities in 28 cases during the year 2002-03. Department-wise details are given below:

S.No.	Department	Losses, irrecoverable amounts, etc., written off	
		Number of cases	Amount (Rupees)
1.	Agriculture and Cooperation	1	30000.00
2.	Animal Husbandry, Dairy Development and Fisheries	1	17692.07
3.	Environment, Forests, Science and Technology (Forests wing)	1	74223.00
4.	Home	23	51563.91
5.	Law	1	1144294.00
6.	Social Welfare	1	152539.52
	Total	28	1470312.50

4.7.5 Audit arrangement for local bodies

Audit of local bodies (Zilla Parishads, Mandal Parishads, Municipal Corporations, Municipalities and Grandhalaya Samsthas) and Universities is conducted by Director of State Audit while the Registrar of Co-operative Societies is the statutory auditor for Co-operative Societies. Audit of the District Rural Development Agencies is conducted by Chartered Accountants.

Out of 1579 bodies/authorities, accounts had been received for 2001-02 from 315 bodies/authorities. Of these, 300 bodies/authorities attracted audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Further, accounts for earlier years in respect of 102 bodies were also received and 99 bodies/authorities attracted audit. Of these 399 bodies, the accounts of 135 bodies/authorities were audited during 2002-03.