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**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2007

(CIVIL)

GOVERNMENT OF ANDHRA PRADESH

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COMPTROLLER AND AUDITOR GENERAL OF INDIA
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Table of Contents

	Reference to	
	Paragraph	Page
Preface		ix
Overview		xi
CHAPTER I		
FINANCES OF THE STATE GOVERNMENT		
Introduction	1.1	1
Methodology adopted for the assessment of Fiscal position	1.2	3
Trends and Composition of Aggregate Receipts	1.3	5
Application of Resources	1.4	9
Expenditure by Allocative Priorities	1.5	14
Misappropriations, losses, defalcations, etc.	1.6	18
Assets and Liabilities	1.7	19
Undischarged Liabilities	1.8	21
Debt Sustainability	1.9	24
Management of deficits	1.10	26
Fiscal Ratios	1.11	29
Conclusions	1.12	30
CHAPTER II		
ALLOCATIVE PRIORITIES AND APPROPRIATION		
Introduction	2.1	31
Summary of Appropriation Accounts	2.2	31
Fulfillment of Allocative Priorities	2.3	32
CHAPTER III		
PERFORMANCE AUDIT		
Social Welfare and Tribal Welfare Departments		
Schemes for Development of Education for SC/ST	3.1	39
Irrigation and Command Area Development Department		
Godavari Water Utilisation Authority	3.2	56

	Reference to	
	Paragraph	Page
Education (Higher Education) Department		
Functioning of Andhra University	3.3	72
Home (Police) Department		
Modernisation of Police Force	3.4	86
Municipal Administration And Urban Development Department		
Information Technology Audit of Hyderabad Metropolitan Water Supply and Sewerage Board	3.5	101
Panchayati Raj And Rural Development Department		
Implementation of Fashion Designing Project	3.6	107
CHAPTER IV		
AUDIT OF TRANSACTIONS		
Fraud/misappropriation/embezzlement/losses detected in audit		4.1
<i>Finance/Tribal Welfare/ Women Development, Child And Disabled Welfare Departments</i>		
Failure of Treasury Officers in exercising checks while admitting Bills	4.1.1	111
<i>Health, Medical And Family Welfare Department</i>		
Payment of fraudulent claims by Director of Health on telecast of advertisement	4.1.2	113
Excess payment; wasteful/infructuous expenditure		4.2
<i>Agriculture And Co-operation Department</i>		
Ineffective implementation of Green Village Model Demo Project	4.2.1	114
<i>Finance Department</i>		
Payment of excess/inadmissible claims on foreign travel	4.2.2	116
<i>Irrigation And Command Area Development Department (Projects Wing)</i>		
Unfruitful expenditure on diversion of road	4.2.3	117
Unfruitful expenditure due to non-completion of work	4.2.4	118

	Reference to		
	Paragraph		Page
<i>Municipal Administration And Urban Development Department (Public Health Wing)</i>			
Excess payment to a contractor	4.2.5		119
Unfruitful expenditure on an incomplete Sewage Treatment Plant	4.2.6		120
<i>Panchayati Raj And Rural Development Department</i>			
Unfruitful expenditure on a protected water supply schemes	4.2.7		121
Delay in completion of check dams	4.2.8		122
Avoidable extra expenditure and unproductive expenditure on Special Coir Project	4.2.9		123
Payment of inflated rates in implementation of 'Computer in Education Project'	4.2.10		124
<i>Transport, Roads And Buildings Department (Roads wing)</i>			
Unfruitful outlay on an incomplete bridge	4.2.11		126
Violation of contractual obligations, undue favour to contractors and avoidable expenditure		4.3	
<i>Irrigation & Command Area Development And Transport, Roads And Buildings Departments (Irrigation, Roads, Buildings Wings)</i>			
Unintended benefit to contractors	4.3.1		127
<i>Irrigation And Command Area Development Department (Irrigation Wing)</i>			
Loss of interest due to undue financial assistance to a contractor	4.3.2		128
Undue benefit to contractor	4.3.3		129
Avoidable extra payment to contractor	4.3.4		130
<i>Irrigation And Command Area Development Department (Projects Wing)</i>			
Avoidable payment of surcharge on power bills	4.3.5		131
Avoidable expenditure due to non-installation of capacitors	4.3.6		132
<i>Municipal Administration And Urban Development Department (Visakhapatnam Urban Development Authority)</i>			
Loss of revenue due to adoption of incorrect rates for sale of plots	4.3.7		133

	Reference to		
	Paragraph		Page
<i>Transport, Roads And Buildings Department (Roads & Buildings wing)</i>			
Doubtful viability of roadwork and avoidable extra expenditure	4.3.8		134
<i>Youth Advancement, Tourism and Culture Department (Sports Authority of Andhra Pradesh)</i>			
Undue favour to a firm in Games Village Project	4.3.9		135
Idle investments/idle establishments/blocking of funds/ delays in commissioning of equipment; diversion/ misutilisation of funds		4.4	
<i>Animal Husbandry and Fisheries and Transport, Roads and Buildings (Ports) Departments</i>			
Deficient planning in construction of Machilipatnam Fishing Harbour	4.4.1		137
<i>Higher Education Department (Potti Sreeramulu Telugu University)</i>			
Unproductive expenditure on construction of buildings	4.4.2		138
<i>Irrigation And Command Area Development Department (Projects Wing)</i>			
Blocking up of funds due to non-completion of a pilot project	4.4.3		139
Non-creation of irrigation potential	4.4.4		140
<i>Revenue Department (District Gazetteers)</i>			
Nugatory expenditure on pay and allowances of idle staff	4.4.5		141
<i>Social Welfare (Tribal Welfare) Department</i>			
Non-implementation of Minor Irrigation Scheme in Tribal areas	4.4.6		142
<i>Women Development, Child Welfare And Disabled Welfare Department</i>			
Delay in construction of Government Children Home	4.4.7		143
<i>Youth Advancement, Tourism and Culture Department (Sports Authority of Andhra Pradesh)</i>			
Unproductive expenditure on cycling equipment and loss on defective equipment	4.4.8		144

	Reference to	
	Paragraph	Page
Regularity issues and others		4.5
<i>Environment, Forests, Science And Technology Department (Forest Wing)</i>		
Loss due to non-collection of Net Present Value	4.5.1	145
<i>Planning/Rural Development Departments</i>		
Irregularities in implementation of Member of Parliament Local Area Development Scheme	4.5.2	146
<i>School Education Department</i>		
Release of grant-in-aid to ineligible schools	4.5.3	148
General		4.6
Follow-up on Audit Reports – Non-submission of Explanatory (Action taken) Notes	4.6.1	149
Action taken by Government	4.6.2	150
Action not taken on recommendations of the Public Accounts Committee	4.6.3	151
Lack of response to Audit	4.6.4	151
CHAPTER V		
INTERNAL CONTROL MECHANISM AND INTERNAL AUDIT		
Health, Medical and Family Welfare Department		
Internal Controls in Medical Education Department	5.1	153

APPENDICES

		Reference to	
		Paragraph	Page
1.1 Part-A	Structure and Form of Government Accounts	*1.1	169
1.1 Part-B	Layout of Finance Accounts	1.1	170
1.1 Part-C	List of terms used in Chapter I and basis for their calculation	1.2	171
1.2	Outcome indicators of the State's Own Fiscal Correction Path	1.2 & 1.2.1.2	172
1.3	Summarised financial position of the Government of Andhra Pradesh as on 31 March 2007	1.2 & 1.7	173
1.4	Time Series data on State Government Finances	1.2 & 1.7	174
1.5	Abstract of Receipts and Disbursements for the year 2006-07	1.2	176
1.6	Sources and Application of Funds	1.2	179
1.7	Accounts due by autonomous bodies covered under Sections 19(2), 19(3) and 20(1) of the Act	1.5.6	180
1.8	Cases of Misappropriation reported to Audit	1.6	181
1.9	Departmentally managed commercial and quasi-commercial undertakings for which proforma accounts upto 31 March 2007 have not been received	1.7.1.1	182
2.1	Arrears in which major savings occurred	2.3.1	183
2.2	Statement of various grants/appropriations where expenditure fell short by more than Rs one crore and more than 10 <i>per cent</i> of the total provision	2.3.1	184
2.3	Excess over provision relating to previous years requiring regularisation	2.3.2	185
2.4	Excess over grants/appropriations	2.3.2	186
2.5	Unnecessary Supplementary Grants	2.3.3	187
2.6	Excessive/unnecessary reappropriation of funds (cases where injudicious reappropriation of funds proved excessive or resulted in savings by over Rs 5 crore)	2.3.4	188
2.7	Anticipated savings not surrendered	2.3.5	191
2.8	Amount surrendered on the last day of March 2007	2.3.6	193

		Reference to	
		Paragraph	Page
2.9	Surrenders in excess of actual saving/even without saving	2.3.7	195
2.10	Expenditure without provision (Rs 50 lakh and above)	2.3.8	195
2.11	Statement showing the details of non-adjustment of Abstract Contingent bills	2.3.10	196
2.12	Statement showing department-wise unreconciled expenditure during the year 2006-07	2.3.11	197
2.13	Parking of Central funds	2.3.13	198
3.1	Scheme-wise details of budget, expenditure etc. for Educational development of SC/ST	3.1.6.2, 3.1.8, 3.1.9, 3.1.10 & 3.1.12.1	199
3.2	Lack of uniform procedure in implementation of Book bank scheme	3.1.10	201
3.3	Audit findings in the test-checked districts under Book bank scheme	3.1.10	201
3.4	Coaching and allied schemes -Year-wise details of number of students enrolled and passed	3.1.14	202
3.5	Brief description of the projects	3.2.6	203
3.6	Project-wise packages grounded and their progress	3.2.8	204
3.7	Source-wise details of Actual Receipts	3.3.6.2	205
3.8	Details of outstanding Advances as of March 2007	3.3.6.5	205
3.9	Success rate in Degree/PG courses conducted by Andhra University	3.3.7.3	206
3.10	Teacher -student Ratio (Andhra University)	3.3.7.5	206
3.11	Workload of Professors/Readers during the period 2004-05 to 2006-07 in Andhra University	3.3.7.6	207
3.12	Delays in submission of Annual Action Plans (MOPF) to Ministry of Home Affairs	3.4.6.1	207
3.13	Status of Non- residential buildings under Modernisation of Police Force	3.4. 8.1	207
3.14	Non-providing of vehicles (four wheelers) to police stations	3.4.9.1	208
3.15	Approximate cost for replacement of defective meters with new meters	3.5.4.1	208
3.16	Bills not generated at all	3.5.4.2	209

		Reference to	
		Paragraph	Page
4.1	Procurement of motorised ratts by DRDA, East Godavari District for distribution to Swarozgaries	4.2.9	209
4.2	A) Statement showing the works sanctioned, completed and not yet completed under MPLAD funds in six districts	4.5.2	210
	B) Statement showing the details of works sanctioned but not commenced	4.5.2	210
4.3	Statement showing the ineligible works under MPLAD Scheme	4.5.2	211
4.4	Statement showing the irregular diversion of MPLAD Scheme funds to other schemes	4.5.2	211
4.5	Statement showing MPLAD Schem funds invested in FDRs	4.5.2	211
4.6	Statement showing number of paragraphs in respect of which Explanatory Notes had not been received for specific paras from Government (as of 31 July 2007)	4.6.1	212
4.7	Status of outstanding Recommendations of the PAC as of 31 July 2007	4.6.3	213
4.8	Year-wise break-up of Inspection Reports/ Paragraphs	4.6.4	213
4.9	Department wise details of outstanding Inspection Reports and Paragraphs as on 30 June 2007	4.6.4	214
5.1	Statement showing variation of release of funds under APSIAF	5.1.7.6	215
5.2	Statement showing the short supply of drugs by APHMHIDC to five test-checked hospitals	5.1.8.1	215
5.3	Statement showing the balances available with the Hospitals/Colleges out of Maintenance grant released	5.1.8.3	216
5.4	Statement showing the vacancy position in DME	5.1.9	216
Glossary			217

Preface

- 1 This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
- 2 Chapters I and II of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2007.
- 3 The remaining chapters deal with the findings of performance audit and audit of transactions in the various departments including the Public Works and Irrigation Department, audit of Autonomous Bodies and evaluation of Internal control mechanism including internal audit in a Government department.
- 4 The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on Revenue Receipts are presented separately.
- 5 The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2006-07 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2006-07 have also been included wherever necessary.

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1862.

2. The second part is a report from the Secretary of the Treasury, dated January 3, 1862.

3. The third part is a report from the Secretary of the Interior, dated January 3, 1862.

4. The fourth part is a report from the Secretary of the War, dated January 3, 1862.

5. The fifth part is a report from the Secretary of the Navy, dated January 3, 1862.

6. The sixth part is a report from the Secretary of the State, dated January 3, 1862.

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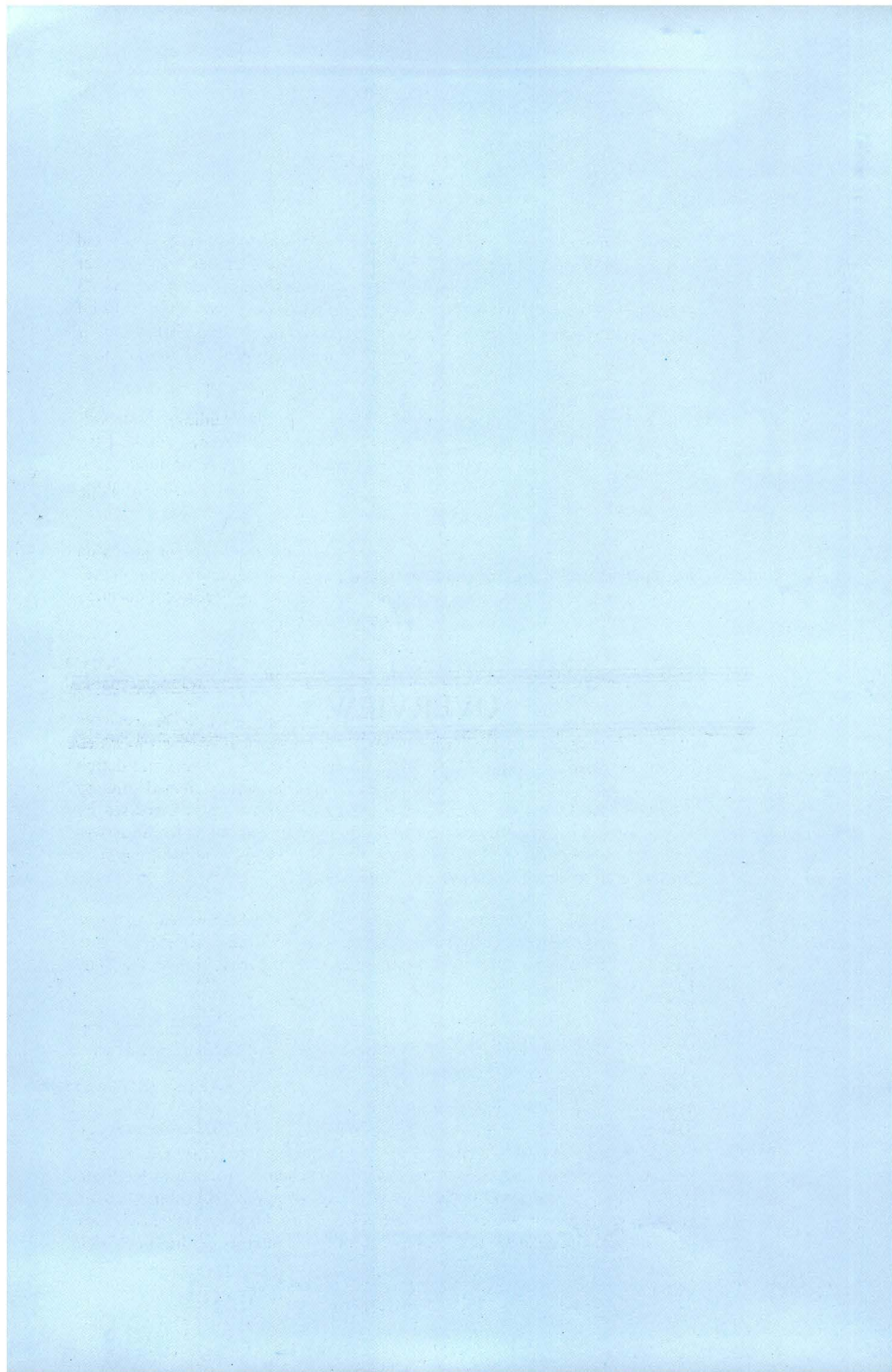
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28. The twenty-eighth part is a report from the Secretary of the War, dated January 3, 1862.

29. The twenty-ninth part is a report from the Secretary of the Navy, dated January 3, 1862.

30. The thirtieth part is a report from the Secretary of the State, dated January 3, 1862.

OVERVIEW



Overview

This Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of Andhra Pradesh for the year 2006-07 and three others comprising seven reviews/long paragraphs and 33 paragraphs (other than four general paragraphs) dealing with the results of performance audit of selected schemes/programmes, internal control system as well as audit of the financial transactions of the Government and Autonomous Bodies under Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgmental basis. Audit conclusions have been drawn and recommendations made, taking into consideration the views of the Government.

A summary of the financial position of the State and the audit comments on the performance of the Government in implementation of certain programmes and schemes, as well as internal control mechanism in Medical Education Department and transaction audit findings is given below:

1. Financial position of the State Government

During 2006-07, Revenue receipts were Rs 44245 crore while the Revenue expenditure was Rs 41438 crore. As a result the revenue deficit was eliminated during the year and surplus of Rs 2807 crore was built up. The fiscal deficit was also contained at a sustainable level. The fiscal deficit created primary surplus of Rs 1636 crore. Capital expenditure (Rs 9904 crore) increased by Rs 2564 crore over previous year and lion's share of Capital expenditure was absorbed by Irrigation and Flood Control. The outstanding Fiscal liabilities were Rs 86622 crore which was 33.22 *per cent* of GSDP.

As against total budget provision of Rs 68349.67 crore, the expenditure was Rs 57387.05 crore. However, there was excess expenditure of Rs 198.71 crore under seven grants and one appropriation requiring regularisation by the State Legislature.

2. Schemes for Development of Education for SC/ST

One of the main objectives of the departments of Social Welfare (SW) and Tribal Welfare (TW) is to encourage the Scheduled Castes (SC) and Scheduled Tribes (ST) students studying in schools, colleges and universities to pursue their education through various schemes sponsored by Central and State Governments. The implementation of the schemes suffered in the State due to improper planning, inefficient budgeting, poor supervision and lack of effective monitoring. Neither was any survey conducted nor did the departments have any reliable database to assess and identify the number of eligible SC/ST

students. This left a large number of students outside the coverage of the schemes. Financial resources were not managed effectively. Substantial funds under the scheme of pre-matric Scholarships were not utilised for the intended purpose denying payment of scholarships to students. The benefits of the Book Bank scheme did not reach the beneficiaries. There was belated supply of books and supply of books not related to courses. Hostels were constructed without assessing the requirement resulting in either overcrowding or underutilisation of hostels and an amount of Rs 15.84 crore was locked up with executive engineers. Basic amenities were not provided in the hostels. The State Government failed to implement the scheme of upgradation of merit despite the availability of Central assistance. In all, the implementation of various schemes failed to have the desired impact on educational development of the students belonging to SCs and STs.

[Paragraph 3.1]

3. Godavari Water Utilisation Authority

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. The schemes were undertaken without proper care in finalising the ayacut, source and availability of assured power supply. There were delays in acquisition of land and implementation of Rehabilitation and Resettlement packages severely hampering the progress of works. The projects prioritised for completion before March 2007 were not completed and consequently, the objectives of utilising allocated water of river Godavari and creating irrigation potential to 2.16 lakh acres in the Telangana region were not achieved. There was no suitable provision in the agreements to safeguard the Government interest wherein the deviations are more than the prescribed limit, resulting in substantial reduction in quantity of material and the agreements were one sided in favour of the contractors. The consultants were not made responsible for any deviations in quantities, designs and drawings during execution. On the other hand the contractors enjoyed huge unintended and undue benefits amounting to Rs 539 crore due to incorrect projection of materials required, boosting of unrealistic estimates, etc. Liquidated damages amounting to Rs 36.36 crore were not recovered from the contractors. Despite being monitored at all levels, the rate of progress in the works under Sripada Sagar Project and J Chokka Rao Devadula Lift Irrigation Scheme was not as per the milestones fixed.

[Paragraph 3.2]

4. Functioning of Andhra University

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. Financial management was deficient. Preparation of annual accounts was delayed. Colleges had either not maintained cashbooks or were not properly maintained. Advances of Rs 6.57 crore given to various colleges and other departmental officers remained unadjusted. Mess charges amounting to Rs 2.04 crore collectable from students were not recovered. Of this Rs 1.72 crore was irrecoverable. The University failed to obtain from Government, reimbursement of tuition fee/scholarships amounting to Rs 8.44 crore in respect of SC/ST students. Annual Reports were perfunctory and did not include essential information that could be useful to the Academic Senate. Academic programmes were not managed effectively. A huge shortfall in teaching hours of the academic staff coupled with a very high teacher-student ratio was noticed. Research projects were not efficiently managed. Physical verification of library books was not conducted since inception. Estate and other assets were poorly managed. There was very little supervision and monitoring. Internal audit was absent in the University.

[Paragraph 3.3]

5. Modernisation of Police Force

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. The implementation of the scheme in the State suffered mainly due to deficient planning and poor monitoring at both department and Government level. Annual Action Plans were not need based and their delayed approval necessitated several deviations from the approved plans. While there was short release of the Central share, the State Government did not release its matching share (Rs 99 crore) 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 including the police station buildings remained incomplete, resulting in locking up of Rs 80 crore transferred to the AP State Police Housing Corporation. There was no significant increase in the mobility of police force as vehicles purchased were mainly used for replacement of old vehicles. 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 of Rs 4.35 crore incurred on POLNET was redundant. Computerisation of police stations was also ineffective rendering the expenditure of Rs 30.47 crore unfruitful. Overall, the objectives of the scheme were not fully achieved.

[Paragraph 3.4]

6. Information Technology Audit of Computerisation in Hyderabad Metropolitan Water Supply and Sewerage Board

Board had made pioneering efforts in IT especially in the areas 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 loss of revenue of Rs 60.86 crore to the Board. The Metro customer care module was poorly designed and the complaints of the consumers were not given adequate attention.

[Paragraph 3.5]

7. Implementation of Fashion Designing Project

The implementation of the project 'Economic Generation through Fashion Designing and Garment Manufacture by Women Self Help Groups in East Godavari District, Andhra Pradesh' under 'Swarnajayanthi Gram Swarozgar Yojana' (SGSY), failed. There was little evidence of any planning having been done or of feasibility studies having been conducted. Project guidelines were violated and services of National Institute of Fashion Technology had not been utilised. Marketing tie-ups contemplated under the scheme were not provided. Monitoring was poor. Only six *per cent* (821) of the targeted units were commissioned. This rendered the entire expenditure of Rs 7.87 crore incurred so far unproductive.

[Paragraph 3.6]

8. Internal Controls in Medical Education Department

A system of effective internal controls is a critical component of an organisation and by which the organisation directs its activities to effectively achieve its objectives. An evaluation of internal controls in the Medical Education Department has shown that there was lack of discipline in Budget preparation, weak expenditure controls, poor implementation of Central/State financed schemes and disregard for the Codal provisions as well as the instructions issued by Government/Director of Medical Education (DME), involving money value of Rs 64.15 crore. Issue of orders by the Government in contravention of the Treasury Rules resulted in appropriation of departmental receipts by the Corporation and the medical institutions as well. There was no watch by the DME over the release of funds, services provided and drugs supplied to the AP Health and Medical Housing and Infrastructure Development Corporation (nodal agency) and sub-unit offices. Inspection of Teaching Hospitals/Medical colleges was altogether neglected by the DME and Internal Audit was ineffective. Thus, there was no assurance to the management on the adequacy of the internal controls in the Department. Overall, this adversely affected the quality of medical education to students and medical care to public.

[Paragraph 5.1]

Transaction Audit Findings

The audit of financial transactions, subjected to test-check, in various departments of the Government and their field formations revealed instances of losses, overpayments and wasteful expenditure, etc. of Rs 374.38 crore as mentioned below:

- Payment of fraudulent claims/excess/irregular/inadmissible payments/loss amounted to Rs 3.13 crore in Finance/Tribal Welfare/Women Development, Child and Disabled Welfare (Rs 3 crore), Health, Medical and Family Welfare (Rs 0.13 crore).
- Excess payments; wasteful/infructuous expenditure amounting to Rs 34.01 crore in Agriculture and Co-operation (Rs 0.65 crore), Finance (Rs 0.11 crore), Irrigation and Command Area Development (Rs 7.39 crore), Municipal Administration and Urban Development (Rs 4.48 crore), Panchayat Raj and Rural Development (Rs 16.99 crore) and Transport, Roads and Buildings (Rs 4.39 crore) Departments.
- Violations of contractual obligations and undue favour to contractors amounting to Rs 172 crore in Irrigation and Command Area Development/Transport, Roads and Buildings (Rs 149.22 crore), Municipal Administration and Urban Development (Rs 1.18 crore) and Youth Advancement, Tourism and Culture (Rs 21.60 crore) Departments.
- Idle investments/Idle establishments/blocking up of funds, etc., amounting to Rs 27.01 crore in Animal Husbandry and Fisheries/Transport, Roads and Buildings (Rs 4.75 crore), Higher Education (Rs 4.34 crore), Irrigation and Command Area Development (Rs 6.17 crore), Revenue (Rs 2.76 crore), Tribal Welfare (Rs 7.20 crore), Women Development, Child and Disabled Welfare (Rs 0.50 crore) and Youth Advancement, Tourism and Culture (Rs 1.29 crore) Departments.
- Loss due to non-collection of Net Present Value by Forest Department (Rs 33.68 crore), irregularities in implementation of MPLAD Scheme (Rs 77.63 crore) by Planning/Panchayat Raj and Rural Development Department, Release of Grant-in-Aid to ineligible schools by School Education Department (Rs 2.18 crore).
- Non-realisation of arrears of rentals in Housing Department (Rs 6.98 crore), non-commissioning of a drinking water supply scheme by Panchayat Raj and Rural Development Department (Rs 17.76 crore) despite being pointed out in the Audit Report 2004-05.

Some of the major findings are summarised below:

- (i) Inclusion of a clause in works agreements, that cess as specified in Building and Other Construction Workers' Welfare Cess Act, 1996 is required to be paid by contractors when the Act has yet to be implemented in the State, has resulted in unintended benefit of Rs 131.19 crore to the contractors.

[Paragraph 4.3.1]

- (ii) Failure of the Forests Department in collecting Net Present Value of 431.85 ha of forest land diverted for non-forest purposes as stipulated by GOI resulted in loss of Rs 33.68 crore.

[Paragraph 4.5.1]

- (iii) Implementation of MPLAD scheme in six DRDAs, showed several irregularities like non-completion/commencement of works, diversions, parking of funds in fixed deposits, irregular payments, etc. involving Rs 77.63 crore in the implementation of MPLAD Scheme.

[Paragraph 4.5.2]

- (iv) Government/Sports Authority of Andhra Pradesh/AP Industrial Infrastructure Corporation Ltd., ignored contract conditions to give undue favour of Rs 21.60 crore to a firm, in Games Village project at Hyderabad.

[Paragraph 4.3.9]

- (v) Due to inept planning in laying the Hyderabad - Srisailem road, and later an alternate road, the end gates of the Neelam Sanjeeva Reddy Sagar dam could not be operated resulting in continued scouring of the foundations of toe of the dam, as well as unfruitful expenditure of Rs 6.56 crore on incomplete alternate road.

[Paragraph 4.2.3]

- (vi) The High Density Polyethylene liner material imported in August 2005 for a pilot project on Wazeerabad major canal remained unutilised as the civil works contractors did not commence the lining work due to improper planning by the department. This had resulted in blocking up of Rs 5.55 crore and the larger objective of increased agricultural productivity at lesser financial and environmental costs remains unachieved.

[Paragraph 4.4.3]

- (vii) Lack of proper supervision in the initial stages and acceptance of defective work, resulted in a bridge on Yanamadurru drain remaining incomplete even after four years of its scheduled date of completion, rendering the entire expenditure of Rs 3.56 crore unfruitful besides non-recovery of Rs 83.12 lakh from the contractor.

[Paragraph 4.2.11]

- (viii) Non-observance of codal provisions while procuring motorised ratts for distribution to Swarozgaris, by the DRDA, East Godavari, led to extra expenditure of Rs 1.02 crore. Besides, expenditure of Rs 2.14 crore incurred on 2324 motorised ratts remains unproductive, as they have been non-functional.

[Paragraph 4.2.9]

- (ix) Project Directors, DRDA, Warangal, showed undue favour to three firms and paid inflated rates in implementation of 'Computer in Education Project', resulting in loss/extra burden of Rs 1.97 crore.

[Paragraph 4.2.10]

- (x) Improper planning in the implementation of a Comprehensive Protected Water Supply Scheme by the Executive Engineer, Rural Water Supply, Nellore, resulted in failure to provide drinking water to the targeted habitations besides unfruitful expenditure of Rs 8 crore.

[Paragraph 4.2.7]

- (xi) Buildings constructed for a men's Hostel and department of publications of Potti Sreeramulu Telugu University, remained unutilised since December 2004, rendering the expenditure of Rs 1.34 crore unfruitful. Besides, Rs 3 crore provided by Government was lying unutilised in bank account.

[Paragraph 4.4.2]

- (xii) Treasury officers failed in their duty to exercise adequate checks while admitting bills and to protect the financial interests of the Government, resulting in excess/inadmissible drawal of Rs 3 crore in a few test-checked cases alone.

[Paragraph 4.1.1]

- (xiii) Non-deployment of idle staff of District Gazetteers Department resulted in nugatory expenditure of Rs 2.76 crore towards their pay and allowances.

[Paragraph 4.4.5]

1. The first part of the paper discusses the importance of the study and the objectives of the research.

2. The second part of the paper describes the methodology used in the study, including the data collection and analysis techniques.

3. The third part of the paper presents the results of the study, including the findings and conclusions.

4. The fourth part of the paper discusses the implications of the study and the future research directions.

5. The fifth part of the paper provides a summary of the study and the key findings.

6. The sixth part of the paper discusses the limitations of the study and the potential sources of error.

7. The seventh part of the paper provides a conclusion and the final remarks.

8. The eighth part of the paper provides a list of references and the sources used in the study.

9. The ninth part of the paper provides a list of appendices and the additional information.

10. The tenth part of the paper provides a list of figures and the visual representation of the data.

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

CHAPTER

HISTORY OF THE STATE OF NEW YORK

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (*Appendix 1.1-Part A*). The Finance Accounts of the Government of Andhra Pradesh are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State of Andhra Pradesh. The lay out of the Finance Accounts is depicted in *Appendix 1.1-Part B*.

1.1.1 Summary of Receipts and Disbursements

Table-1.1 summarizes the finances of the Government of Andhra Pradesh for the year 2006-07 covering revenue receipts and expenditure, capital receipts and expenditure and Public Account receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1.1: SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2006-07

(Rupees in crore)

2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
Section-A: Revenue					Non-Plan	Plan	Total
34851.19	I. Revenue Receipts	44245.47	35237.03	I. Revenue Expenditure	31919.69	9518.71	41438.40
19207.40	Tax revenue	23926.20	13492.04	General Services	15197.17	116.80	15313.97
4691.37	Non-tax revenue	6487.83	12158.79	Social Services	9208.45	6160.88	15369.33
6950.86	Share of Union Taxes/ Duties	8866.00	9360.80	Economic Services	7269.24	3241.03	10510.27
4001.56	Grants from Government of India	4965.44	225.40	Grants-in-aid / Contributions	244.83	---	244.83
Section-B: Capital							
-	II. Miscellaneous Capital Receipts	1889.32	7339.95	II. Capital Outlay	(-) 4.89	9908.89	9904.00
182.43	III. Recoveries of Loans and Advances	471.33	756.49	III. Loans and Advances disbursed	723.14	183.55	906.69
3970.72	IV. Public Debt receipts*	4550.22	5294.74	IV. Repayment of Public Debt			4252.72
0.03	V. Contingency Fund	0.85	0.79	V. Contingency Fund			0.33
41365.80	VI. Public Account receipts	51059.57	31421.49	VI. Public Account disbursements			44215.88
3087.93	Opening Cash Balance	3407.61	3407.61	Closing Cash Balance			4906.35
83458.10	Total	105624.37	83458.10	Total			105624.37

*Excluding Ways and Means Advances and Overdraft

Following are the significant changes during 2006-07 over the previous year:

- Revenue receipts grew by Rs 9394 crore over the previous year. The increase was mainly contributed by tax revenue (Rs 4719 crore), Non-tax revenue (Rs 1796 crore), and State's share of Union Taxes and Duties (Rs 1915 crore).
- Revenue expenditure and Capital expenditure increased by Rs 6201 crore and Rs 2564 crore respectively over the previous year.

- Receipts of Rs 1889 crore on account of sale of land and buildings were classified under Miscellaneous capital receipts instead of under revenue receipts as per the accounting norms, as a result of which revenue receipts and in turn revenue surplus were understated to that extent.
- Sharp increase in recovery of loans and advances were reported during current year (Rs 471 crore) compared to the previous year (Rs 182 crore). This was mainly due to recovery of Rs 316 crore from Housing partly offset by fall in recovery of loans (Rs 41 crore) from Power projects.
- Public Debt receipts increased by Rs 579 crore over previous year mainly due to increase in Market Loans by Rs 769 crore. However, borrowings from Central Government decreased by Rs 208 crore.
- Public Account disbursements increased by Rs 12795 crore over previous year.
- Cash balance of the State increased by Rs 1499 crore over previous year.

1.1.2 State Fiscal Position by Key Indicators

The fiscal position of the State Government as reflected by the key fiscal indicators during the current year as compared to the previous year is given in Table 1.2.

Table 1.2

(Rupees in crore)

2005-06	S. No.	Major Aggregates	2006-07
34851	1.	Revenue Receipts (2+3+4)	44245
19207	2.	Tax Revenue (Net)	23926
4691	3.	Non-Tax Revenue	6488
10953	4.	Other Receipts	13831
182	5.	Non-Debt Capital Receipts	2361
182	6.	Of Which Recovery of Loans	471
35033	7.	Total Receipts (1+5)	46606
28830	8.	Non-Plan Expenditure (9+11+12)	32638
28432	9.	On Revenue Account	31920
7008	10.	Of which Interest Payments	7280
(-) 38	11.	On Capital Account	(-) 5
436	12.	On Loans disbursed	723
14503	13.	Plan Expenditure (14+15+16)	19611
6805	14.	On Revenue Account	9519
7378	15.	On Capital Account	9909
320	16.	On Loans disbursed	183
43333	17.	Total Expenditure (13+8)	52249
386	18.	Revenue Deficit (-)/ Surplus (+) (9+14-1)	(+) 2807
8300	19.	Fiscal Deficit(-)/ Surplus (+) (1+5-17)	(-) 5644
1292	20.	Primary Deficit (-)/ Surplus (+) {(1+5) - (17+10)}	(+) 1636

During the current year revenue receipts increased by 27 per cent, revenue expenditure increased by 18 per cent over the previous year. The capital expenditure increased by 35 per cent and fiscal deficit decreased by Rs 2656 crore over previous year. The State finances have shown revenue surplus and primary surplus during the current year indicating a reversal of the trend of past several years.

1.2 Methodology adopted for the assessment of Fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analyzed wherever necessary over a period of last five years and observations have been made on their behavior. In its Restructuring Plan of State finances, Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States are required to enact the Fiscal Responsibility Act (FR Act) and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so that fiscal position of the State could be improved as committed in their respective FR Acts/Rules during medium to long run. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Governments in their FR Acts and in other Statements required to be laid in the Legislature under the Act were used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP)¹ is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc, with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates have also been affected by factors other than GSDP. The new GSDP series 1993-94 as base (Table 1.3) as published by the Directorate of Economics and Statistics of the State Government have been used in estimating these percentages and buoyancy ratios.

The key fiscal aggregates for the purpose have been grouped under four major heads: (i) Resources by Volume and Sources, (ii) Application of Resources, (iii) Assets and Liabilities, and (iv) Management of Deficits (*Appendix 1.2 to 1.6*). The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in *Appendix 1.1 Part C*.

Table - 1.3: Trends in Growth and Composition of GSDP

Estimates	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Gross State Domestic Product (GSDP)	157149	168143	190881	208149	232331	260734
Rates of Growth of GSDP (<i>per cent</i>)	8.31	7.00	13.52	9.05	11.62	12.23

Source: Directorate of Economics and Statistics, Government of Andhra Pradesh

¹ GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production

1.2.1 The Fiscal Responsibility and Budget Management (FRBM) Act, 2005

The State Government has enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 to ensure prudence in fiscal management and to maintain fiscal stability in the State. To improve the fiscal position and to bring fiscal stability, the Act envisages progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability. To ensure fiscal prudence, the Act also provides for greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and matters connected therewith or thereto. To give effect to the fiscal management principles as laid down in the Act, and/or the rules framed thereunder prescribed the following fiscal targets for the State Government:

- reduce revenue deficit by an amount equivalent to at least 0.32 percentage point of Gross State Domestic Product (GSDP) in each financial year, beginning from 1st day of April 2005, so as to eliminate it by 31st March 2009 and generate revenue surplus thereafter
- reduce fiscal deficit by an amount equivalent to at least 0.25 percentage point of GSDP in each financial year beginning from 1st day of April 2005 so as to bring it down to not more than 3 *per cent* by the year ending March 2009
- ensure within a period of five years, beginning from the initial financial year on the 1st day of April 2005 and ending on the 31st day of March 2010 that the outstanding total liabilities do not exceed 35 *per cent* of the estimated GSDP for that year
- limit the amount of annual incremental risk weighted guarantees to 90 *per cent* of the total revenue receipt in the year preceding the current year.

It was also stated that revenue deficit and fiscal deficit may exceed the limits specified in the Act due to ground(s) of unforeseen demands on the finances of the State Government arising out of internal disturbances or natural calamities or such other exceptional grounds as the State Government may specify.

1.2.1.1 Fiscal Policy Statement(s) 2006-07

As prescribed in the Act, the State Government has laid the following statement(s) of fiscal policy along with the budget, before the legislature during 2006-07:

- Macro Economic Framework Statement giving an overview of State economy.
- Medium Term Fiscal Policy Statement prescribing fiscal targets and assumptions for achieving them.
- Fiscal Policy of the State for the ensuing year relating to taxation, expenditure, borrowings etc.

- Statement on the number of employees in Government, Public Sector Undertakings and Aided institutions and expenditure of State Government towards salaries and pensions.

1.2.1.2 Roadmap to Achieve the Fiscal Targets as laid down in FRBM Act/Rules

The State Government has developed its own Fiscal Correction Path indicating the milestones of outcome indicators with target dates of implementation during the period from 2004-05 to 2009-10 (*Appendix 1.2*) keeping in view the fiscal targets laid down in the FRBM Act and/or the rules made thereunder and the anticipated annual rate of reduction of fiscal deficit of the States worked out by the Government of India for the Twelfth Finance Commission (TFC) award.

The State achieved Fiscal target laid down in the Act two years ahead, with the current year ending in Revenue surplus of Rs 2807 crore. Fiscal deficit of Rs 5644 crore was 2.16 *per cent* of GSDP. The guarantees given were well within the limit prescribed in the Act. As a result the State Government received debt relief of Rs 1186.31 crore from Government of India under Debt Consolidation and Relief Facility².

1.2.1.3 Mid-Term Review of Fiscal Situation

As per the half yearly review report placed before State Legislature in compliance with Sec 11(1) of AP Fiscal Responsibility and Budget Management Act, 2005, the Revenue collection to end of September 2006 was below the target while the revenue and capital expenditure were kept within the targeted levels. However due to constant efforts made to correct fiscal imbalance, the revenues realised to end of March 2007 exceeded the targets projected in the Fiscal Correction Path and also Budgeted amount. The revenue expenditure exceeded the targets projected in Fiscal correction path but was well within the Budget estimates.

1.3 Trends and Composition of Aggregate Receipts

The aggregate receipts of State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as

² In pursuance of the recommendations of the Twelfth Finance Commission (TFC) for fiscal consolidation and elimination of revenue deficit of the States, Government of India formulated a scheme "The States' Debt Consolidation and Relief Facility (DCRF) (2005-06 to 2009-10)" under which general debt relief is provided by consolidating and rescheduling at substantially reduced rates of interest the Central loans granted to States on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficits of States

accruals from Public Account. Table-1.4 shows that the total receipts of the State Government for the year 2006-07 were Rs102217 crore. Of these, the revenue receipts were Rs 44245 crore, constituting 43 *per cent* of total receipts. The balance came from capital receipts, borrowings, receipts from Contingency Fund and Public Account (*Appendix 1.6*).

Table 1.4: Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

Sources of State's Receipts	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I Revenue Receipts	21845	23003	26869	28750	34851	44245
II Capital Receipts	8287	8262	11883	11206	4153	6911
Recovery of Loans and Advances	947	460	1256	1373	182	472*
Public Debt Receipts	7340	7802	10627	9833	3971	4550
Miscellaneous Capital Receipts	--	--	--	--	--	1889
III Contingency Fund	1	3	--	23	--	1
IV Public Account Receipts	21777	25646	30495	39439	41366	51060
a. Small Savings, Provident Fund, <i>etc.</i>	2224	4264	3473	7560	5952	5934
b. Reserve Fund	420	602	857	728	823	1023
c. Deposits and Advances	9409	9514	11823	14071	17067	22824
d. Suspense and Miscellaneous	5240	6186	9134	10458	8554	9594
e. Remittances	4484	5080	5208	6622	8970	11685
Total Receipts	51910	56914	69247	79418	80370	102217

*higher rounding adopted

The revenue and capital receipts constituted 43 and 57 *per cent* of total receipts respectively. An amount of Rs 1889.32 crore realized on sale of land and property was misclassified under capital receipt. This had the effect of increasing capital receipt and decreasing revenue receipt and consequently revenue surplus to that effect. The total receipts of the State increased from Rs 51910 crore in 2001-02 to Rs 102217 crore in 2006-07. The Debt capital receipts which create future repayment obligation decreased from Rs 7340 crore in 2001-02 to Rs 4550 crore in 2006-07. The recovery of loans and advances has improved by Rs 290 crore over previous year.

1.3.1 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancy are indicated in Table-1.5.

Table-1.5: Revenue Receipts - Basic Parameters

(Value in crore of Rupees)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Receipts (RR)	21845	23003	26869	28750	34851	44245
Own Taxes (<i>per cent</i>)	11551 (52.9)	12618 (54.9)	13806 (51.4)	16254 (56.5)	19207 (55.1)	23926 (54.1)
Non-Tax Revenue (<i>per cent</i>)	2918 (13.4)	3529 (15.3)	3605 (13.4)	3756 (13.1)	4691 (13.5)	6488 (14.7)
Central tax Transfers (<i>per cent</i>)	4061 (18.6)	4316 (18.8)	5069 (18.9)	6059 (21.1)	6951 (19.9)	8866 (20.0)
Grants-in-aid (<i>per cent</i>)	3315 (15.2)	2540 (11.0)	4389 (16.3)	2681 (9.3)	4002 (11.5)	4965 (11.2)
Rate of Growth of RR (<i>per cent</i>)	12.2	5.3	16.8	7.0	21	27
Revenue Receipt/GSDP (<i>per cent</i>)	13.90	13.68	14.08	13.81	15.00	16.97
Revenue Buoyancy (ratio) ³	1.468	0.757	1.243	0.773	1.826	2.204
State's own taxes Buoyancy (ratio)	1.136	1.320	0.697	1.959	1.563	2.009
Revenue Buoyancy with reference to State's own taxes (ratio)	1.292	0.574	1.785	0.395	1.169	1.097
GSDP Growth (<i>per cent</i>)	8.31	7.00	13.52	9.05	11.62	12.23

General Trends

The revenue receipts have shown a progressive increase over the period 2001-07 with only marginal changes in its composition, i.e. the share of Own taxes, Non-tax revenue and Central tax transfers almost remained same. The sharp increase of 27 *per cent* during 2006-07 was mainly on account of increase in state's own taxes (24.6 *per cent*), non-tax revenue (38 *per cent*) and in central tax transfers (27.5 *per cent*).

The actual Revenue receipts vis-à-vis assessments made by TFC and State Government are given below:

(Rupees in crore)

	Assessments made by TFC	Assessments made by State Government in Fiscal Correction Path	Actuals
	(1)	(2)	(3)
Tax Revenue	22123	23440	23926
Non-Tax Revenue	3897	4801	6488

The Tax Revenue increased by 8.15 *per cent*, the Non Tax revenue by 66.49 *per cent* over the assessments made by Twelfth Finance Commission. The actual realization also exceeded the assessments made by the State Government. For the first time after 1993-94, revenue receipts were more than revenue expenditure resulting in Revenue Surplus.

Tax Revenue: The Tax Revenue has increased by 24.57 *per cent* during the current year (Rs 23926 crore) over previous year (Rs 19207 crore). The revenue from Sales Taxes not only contributed major share of tax revenue (65 *per cent*) but also increased by 23 *per cent* over the previous year. The sharp increase in sales tax revenue during the last two years has been on account of implementation of VAT by the State. State Excise, Stamps and Registration fees on account of

³ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 2.2 during 2006-07 implies that revenue receipts tend to increase by 2.2 percentage points if the GSDP increases by one *per cent*.

duty on impressing of documents, sale of stamps and fees for registering documents, taxes on vehicles remained other major contributors in the State's tax revenue. Table 1.6 below shows the trend of Tax Revenue during 2001-07.

Table 1.6: Tax Revenue

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Land Revenue	19.72	86.17	34.51	33.59	68.75	113.50
Stamps and Registration	804.89	999.65	1111.75	1387.91	2013.45	2865.38
State Excise	1651.90	1856.46	1914.98	2092.67	2684.57	3436.63
Sales Tax	7740.89	8322.20	9186.93	11040.59	12541.61	15467.08
Taxes on Vehicles	9391.18	929.47	1067.76	1168.64	1355.74	1364.74
Other Taxes *	394.02	423.62	490.00	531.09	543.29	678.87
Total	11550.60	12617.57	13805.93	16254.49	19207.41	23926.20

* Other Taxes: includes taxes on income and expenditure, taxes on immovable property other than agricultural land, taxes on goods and passengers, taxes on duties and electricity, other taxes on duties and commodities and services.

Non Tax Revenue: The non tax revenue which constituted 14.7 *per cent* of total revenue receipts increased by Rs 1796 crore recording a growth rate of 38 *per cent* over previous year. The debt relief (Rs 1186.31 crore) given by Government of India under DCRF booked under the head 'Miscellaneous General Services' led to a sharp increase in non tax revenue of the State. The other areas where substantial increases were observed include elementary education (Rs 80.76 crore), mineral concession fees, rent and royalties (Rs 207.31 crore) and other receipts under rural development programme (Rs 43.04 crore). Of Rs 58.85 crore realised from Civil Supplies Department, Rs 52.53 crore were on account of sale of coupons to below poverty line (BPL) beneficiaries under Public Distribution System. The amount of Rs 2013.92 crore realised towards interest from Departmental Commercial Undertakings included Rs 1890.84 crore which is notional in nature arising out of book adjustment from Irrigation Project.

Central Tax Transfers: The Central Tax transfers increased by Rs 1915.14 crore over the previous year and constituted 20 *per cent* of revenue receipts. The increase was mainly under corporation tax (Rs 847.96 crore), customs duties (Rs 374.17 crore) and service tax (Rs 338.02 crore).

Grants-in-aid: The Grants-in aid from Government of India (GOI) increased from Rs 4002 crore in 2005-06 to Rs 4965 crore in the current year. The increase was mainly under State plan scheme (Rs 924 crore) and Centrally Sponsored Schemes (Rs 111 crore) partly offset by decrease in Central Plan Schemes (Rs 72 crore). As per the recommendations of Twelfth Finance Commission (TFC), the GOI released during the current year Rs 338 crore under non-plan for specific purposes viz. roads and bridges (Rs 123 crore), maintenance of buildings (Rs 61 crore), maintenance of forests (Rs 19 crore), heritage conservation (Rs 10 crore) and drinking water supply to fluoride effected areas and improving socio economic condition of the people living in remote areas (Rs 125 crore). However, grants-in-aid to local bodies and schemes for modernization of police force were reduced by Rs 276 crore and Rs 36 crore respectively. Details of Grants-in-aid from GOI are given in Table 1.7.

Table No 1.7: Grants-in-aid from GOI

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Grants for State plan schemes	1843	1172	2356	1260	1449	2372
Non Plan grants	627	592	1045	533	1183	1183
Grants for Central Plan Schemes	90	148	136	70	172	100
Grants for Centrally Sponsored Plan Schemes	755	628	852	818	1198	1310
Total	3315	2540	4389	2681	4002	4965
Percentage of increase/decrease over previous year	50.61	(-) 23.38	72.80	(-) 38.92	49.26	24.06

1.4 Application of Resources

1.4.1 Growth of Expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs 29515 crore in 2001-02 to Rs 52249 crore in 2006-07. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in Table – 1.8.

Table-1.8: Total Expenditure - Basic Parameters
(Value in Rupees crore and others in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total Expenditure (TE)*	29515	31088	35575	38315	43333	52249
Rate of Growth	8.6	5.3	14.4	7.70	13.1	20.6
TE/GSDP Ratio	18.78	18.49	18.64	18.41	18.65	20.04
Revenue Receipts/TE Ratio	74.0	74.0	75.5	75.04	80.43	84.68
Buoyancy of Total Expenditure with						
GSDP (ratio)	1.035	0.757	1.065	0.851	1.127	1.682
Revenue Receipts (ratio)	0.705	1.005	0.859	1.1	0.642	0.763

*Total expenditure includes revenue expenditure, capital expenditure and loans & advances

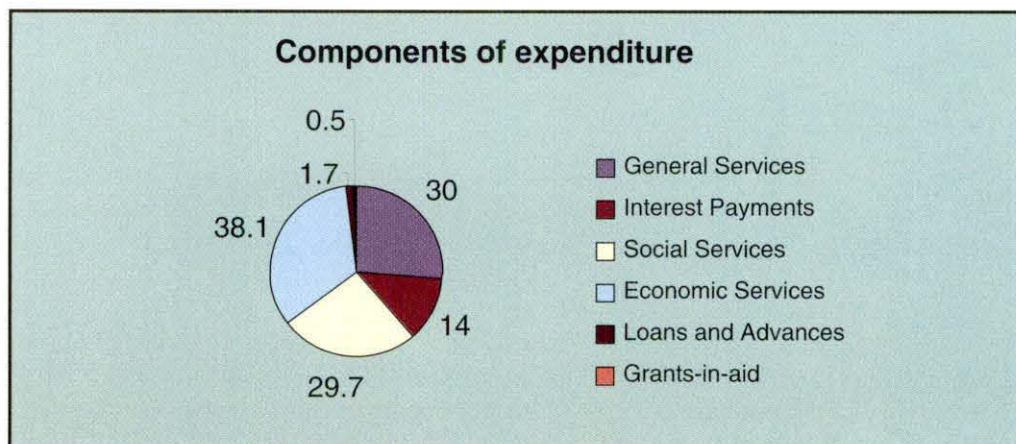
The total expenditure during the current year has increased by Rs 8916 crore over the previous year of which revenue expenditure shared Rs 6201 crore, capital expenditure contributed Rs 2564 crore and Rs 151 crore by repayment of loans and advances. During the current year, 85 percent of total expenditure was met from revenue receipts and the remaining from capital receipts and borrowed funds. The buoyancy of total expenditure to GSDP stood at 1.7 in 2006-07 indicating tendency to spend more than the increase in income and higher elasticity of total expenditure with respect to GSDP.

Trends in Total Expenditure by Activities: In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in Table-1.9.

Table 1.9: Components of Expenditure – Relative Share

(in per cent)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General Services	31.7	35.6	34.3	34.5	31.2	30.0
Interest Payments	15.5	19.7	19.3	18.5	16.2	14.0
Social Services	29.5	30.3	30.5	29.4	28.4	29.7
Economic Services	32.1	29.2	30.2	31.3	38.1	38.1
Loans and Advances	5.8	4.0	4.2	4.2	1.8	1.7
Grants-in-aid	1.0	0.8	0.8	0.6	0.5	0.5



Although the share of total expenditure on Economic Services remained at 38 per cent during the last two years, its capital expenditure component has sharply increased during 2005-07 indicating the impetus now being given to economic growth. Payment of loans and advances decreased from 5.8 per cent in 2001-02 to 1.7 per cent in 2006-07 of total expenditure. The share of expenditure on General services, Social Services was maintained at the level of 2001-02.

1.4.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payments for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in Table -1.10.

Table 1.10 :- Revenue Expenditure - Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure (RE) Of which	25488	26925	30640	32137	35237	41438
Non-Plan Revenue Expenditure (NPRE)	19575	21077	23295	24908	28432	31919
Plan Revenue Expenditure (PRE)	5913	5848	7345	7229	6805	9519
Rate of Growth and Ratios (per cent)						
Rate of Growth of NPRE	2.17	7.67	10.52	6.92	14.15	12.26
Rate of Growth of PRE	28.68	(-) 0.01	25.59	(-) 1.57	(-) 5.86	39.88
NPRE/GSDP (per cent)	12.46	12.54	12.20	11.97	12.24	12.24
NPRE as per cent of TE	66.32	67.79	65.48	65.00	65.61	61.09
NPRE as per cent of RR	89.60	91.62	86.69	86.63	81.58	72.14
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	0.951	0.800	1.021	0.541	0.826	1.439
Revenue Receipts (ratio)	0.648	1.064	0.821	0.700	0.455	0.653

The revenue expenditure increased by 63 *per cent* from Rs 25488 crore in 2001-02 to Rs 41438 crore in 2006-07. The NPRE has shown a consistent increase at an average rate of nine *per cent* over the period and continued to share the dominant proportion varying in the narrow range of 75-80 *per cent* of the revenue expenditure. The plan expenditure on the other hand has reflected wild fluctuations varying from a decline of six *per cent* in 2005-06 to an increase of 40 *per cent* during the current year. The increase in NPRE during the current year was mainly due to increase in pension (Rs 954 crore), salaries (Rs 1562 crore), assistance to Zilla Parishads (Rs 55 crore), Mandal Parishads (Rs 22 crore), Gram Panchayats (Rs 151 crore). The increase in PRE by Rs 2714 crore over previous year was mainly due to increase in Rural Development (Rs 509 crore), and Welfare of SCs (Rs 46 Crore), Welfare of STs (Rs 19 crore) and Welfare of BCs (Rs 76 crore) especially focusing on the improvement of their educational status during the year.

The actual Non-plan revenue expenditure vis-à-vis assessments made by TFC and State government are given below:

(Rupees in crore)

	Assessments made by TFC	Assessments made by State Government in Fiscal Correction Path	Actual NPRE
	(1)	(2)	(3)
Non-plan revenue expenditure	27192	31891	31919

NPRE during current year is almost at par with the assessment made by State Government, however it exceeded the normative assessment made by TFC by Rs 4727 crore.

1.4.3 Committed expenditure

1.4.3.1 Expenditure on Salaries and Wages

The trends in expenditure on salaries both under plan and non-plan heads are presented in Table 1.11.

Table 1.11: Expenditure on salaries

(Rupees in crore)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on salaries* & wages of which	8017	8367	8975	9078	10455	12155
Non-Plan Head	-	-	-	-	9343	10906
Plan Head**	-	-	-	-	1112	1249
As a percentage of GSDP	5.1	4.9	4.7	4.4	4.5	4.7
As a percentage of Revenue Receipts	36.7	36.4	33.4	31.58	30	27

*expenditure under 010- salaries, 020wages, 030 overtime allowance, 273 work charged establishment and 311 grants in aid towards salaries under revenue and capital sections of both non plan and plan

**Plan head also includes the salaries and wages paid under Centrally Sponsored Schemes

Expenditure on salaries under Non-plan and Plan during the current year is Rs 10906 crore and Rs 1249 crore respectively recording a growth rate of 17 *per cent* and 12 *per cent* respectively. The Macro Economic Frame Work projected the Non plan salary expenditure during current year at Rs 11155 crore and the Fiscal correction path assessed it at Rs 9878 crore. The Salary expenditure is 41 *per cent* of revenue expenditure net of interest and pension payments which is marginally higher than the norm of 35 *per cent* recommended by the TFC. The increase in expenditure under salaries (both Non plan and Plan) was stated to be due to implementation of the recommendation of the Commission appointed by the State Government for resolution of certain further demands following the implementation of Revised Pay Scales in 2005.

1.4.3.2 Pension Payments

Table 1.12: Expenditure on Pensions

(Rupees in crore)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Pensions	2321	2364	2425	3017	3197	4150
Rate of growth	(-) 2.4	1.9	2.6	24.4	6.0	30.0
As per cent of GSDP	1.48	1.41	1.27	1.45	1.38	1.59
As per cent of RR	10.62	10.28	9.02	10.49	9.17	9.38
As percent of RE	9.10	8.77	7.91	9.38	9.07	10.02

The Pension payments during current year have increased by Rs 953 crore recording a growth rate of 30 *per cent* over the previous year. The increase in expenditure under pensions was stated to be due to implementation of the recommendation of the Commission appointed by the State Government for resolution of certain further demands following the implementation of Revised Pay Scales 2005 and also increase in number of pensioners by 18730 over previous year. The State Government did not estimate yearly pension liabilities worked on actuarial basis. However, as informed by the Finance department of State Government, a study conducted by M/s Darasha & Company estimated the expenditure on pension payment to go up from Rs 2682 crore in 2003-04 to Rs 5263 crore by 2009-10. It estimated expenditure on pension for 2006-07 at Rs 3666 crore while actual expenditure on pensions exceeded the estimate by 584 crore. The comparative analysis of actual pension payments and the assessment/projections made by TFC and the State Government (Table 1.13)

reveals that actual pension payments exceeded the projections made by TFC and the State Government. It is likely that the actual pension payments may exceed the projections made by M/s Darasha & Company in ensuing years.

Table 1.13: Actual Pension Payments vis-à-vis Projections

(Rupees in crore)

	Assessments made by TFC	Assessments made by State Government in Fiscal Correction Path	Assessments made by State Government in FPS	Actual Exp on pensions
	(1)	(2)	(3)	(4)
Pension payments	3716	3834	3934	4150

The Government therefore needs to work out the pension liabilities on actuarial basis as prescribed in APFRBM Act. The Government also introduced a Contributory Pension Scheme for employees recruited on or after 1 September 2004 to mitigate the impact of raising pension liabilities in future.

1.4.3.3 Interest payments

Table 1.14: Interest Payments

Year	Total Revenue Receipts	Total Revenue Expenditure	Interest payments	Percentage of interest payment with reference to	
	(Rupees in crore)			Revenue Receipts	Revenue Expenditure
2001-02	21845	25488	4584	20.98	17.98
2002-03	23003	26925	6131	26.65	22.77
2003-04	26869	30640	6856	25.52	22.38
2004-05	28750	32137	7091	24.66	22.06
2005-06	34851	35237	7008	20.11	19.89
2006-07	44245	41438	7280	16.45	17.57

The major source of borrowings is Market loans at the interest rates varying from 6 *per cent* to 14 *per cent*. The increase in interest payments was mainly due to payment of interest on special securities issued to the Reserve Bank of India which was partly off-set by decrease in payment of interest in State plan schemes. Although a marginal increase was observed in interest payments during 2006-07 over the previous year but it remained lower than the projections made in Macro Economic Framework (Rs 7983 crore), Fiscal correction path (Rs 7752 crore) and TFC (Rs 8573 crore) for the year 2006-07.

1.4.3.4 Subsidies

The trends in the subsidies given by the State Government are given in Table 1.15. Though the subsidies are a drain on State finances, the Government is extending subsidies keeping in view the welfare of farmers and population of below poverty line. Subsidy on Rice distributed through fair price shops increased from Rs 454 crore in 2001-02 to Rs 704 crore in 2006-07 while subsidy on power decreased from Rs 2095 crore in 2001-02 to Rs 1367 crore in 2006-07. The Subsidy is still being provided to Andhra Pradesh Transmission Corporation (APTRANSCO) after unbundling of the State Electricity Board to meet the cost in supplying free power to farmers.

Table 1.15: Subsidies

(Rupees in crore)

S. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1.	APTRANSCO(Energy Sector)	2095	1554	1552	1816	1696	1367
2.	Subsidy on Rice	454	242	341	500	541	704
3.	Others	20	40	58	106	220	255
	Total	2569	1836	1951	2422	2457	2326
	Percentage of increase (+)/ decrease (-) over previous year	(-) 17.3	(-) 19.5	(+) 6.3	(+) 24.1	(+) 1.44	(-) 5.33
	Percentage of subsidy in total expenditure*	9.2	6.2	5.7	6.6	5.8	4.5

* Total expenditure excludes Loans and Advances

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP better the quality of expenditure. Table 1.16 gives these ratios during 2001-07.

Table 1.16 – Indicators of Quality of Expenditure

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Capital Expenditure	2329	2928	3441	4585	7340	9904
Revenue Expenditure	25488	26925	30640	32137	35239	41438
<i>Of which</i> Social and Economic Services with	15922	15659	18226	18709	13096	25880
(i) Salary & Wage Component	---	---	---	---	---	9251
(ii) Non Salary & Wage component	---	---	---	---	---	16629
As per cent of total expenditure (excluding loans and advances)						
Capital expenditure	7.89	9.42	9.67	11.97	16.94	19.29
Revenue expenditure	86.35	86.60	86.12	83.87	81.31	80.71
As per cent of GSDP						
Capital expenditure	1.48	1.74	1.80	2.20	3.16	3.80
Revenue expenditure	16.22	16.01	16.05	15.44	15.17	15.89

Though no specific norms were laid down for prioritization of capital expenditure, the progressive increase in capital expenditure upto 2004-05 and substantial increase during the last two years indicate the improvement in the quality of expenditure and the impetus being given to asset formation. Irrigation, Flood Control and Transport were beneficiary sectors where capital expenditure was absorbed. The non-salary and wage component constituted 64 per cent of revenue expenditure under Social and Economic Services.

1.5.2 Expenditure on Social Services

Given the fact that human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient

provision of these services in the State. Table 1.17 summarizes the expenditure incurred by the State Government in expanding and strengthening of social services in the State during 2001-07.

Table 1.17: Expenditure on Social Services

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Education	3871.04	4027.17	4667.84	4598.55	5370.49	6113.50
Revenue Expenditure of which	3794.20	4025.73	4665.77	4592.76	5337.53	6035.62
(a) Salary & wage Component	3412.08	3557.42	3859.63	3883.83	4518.11	5250.56
(b) Non-Salary & Wage Component	382.12	468.31	806.14	708.93	819.42	785.06
Capital Expenditure	76.84	1.44	2.07	5.79	32.96	77.88
Health and Family Welfare	1367.56	1378.08	1484.31	1502.28	1622.25	1860.69
Revenue Expenditure of which	1314.25	1344.60	1476.08	1487.07	1616.47	1853.92
(a) Salary & wage Component	847.35	869.98	946.15	954.20	1073.06	1278.51
(b) Non-Salary & Wage Component	466.90	474.62	529.93	532.87	543.41	575.41
Capital Expenditure	53.31	33.48	8.23	15.21	5.78	6.77
Water Supply, Sanitation, Housing and Urban Development	992.86	1394.22	1448.76	1814.81	1959.16	2640.42
Revenue Expenditure of which	677.15	776.07	1098.82	1297.91	1953.31	2637.41
(a) Salary & wage Component	60.71	99.14	107.87	93.90	140.40	171.36
(b) Non-Salary & Wage Component	616.44	676.93	990.95	1204.01	1812.91	2466.05
Capital Expenditure	315.71	618.15	349.94	516.90	6.25	3.01
Other Social Services	2476.55	2622.38	3257.62	3341.33	3361.18	4918.54
Revenue Expenditure of which	2424.97	2439.35	3026.60	3102.11	3250.27	4842.37
(a) Salary & wage Component	457.42	464.34	504.92	520.85	593.99	704.11
(b) Non-Salary & Wage Component	1967.55	1975.01	2521.68	2581.26	2656.28	4138.26
Capital Expenditure	51.58	183.03	231.02	239.22	110.90	76.17
Total (Social Services)	8708.01	9421.85	10858.53	11256.97	12313.08	15533.15(30)*
Revenue Expenditure of which	8210.57	8585.75	10267.27	10479.85	12157.58	15369.32
(a) Salary & wage Component	4777.56	4990.88	5418.57	5452.78	6325.56	7404.54(48)®
(b) Non-Salary & Wage Component	3433.01	3594.87	4848.70	5027.07	5832.02	7964.78
Capital Expenditure	497.45	836.10	591.26	777.12	155.89	163.83

*The Salary expenditure include grants-in-aid towards salaries

®The figure in bracket against Total indicate the percentage of expenditure on social service to Total expenditure

The allocation to social sector increased from Rs 8708 crore in 2001-02 to Rs 15533 crore in 2006-07 indicating the Government's commitment to improve social well being of the society. Expenditure on Social Sector during current year (Rs 15533 crore) accounted for 30 *per cent* of total expenditure and 44 *per cent* of developmental expenditure⁴. Expenditure on Education is increased by Rs 743 crore over previous year mainly due to increased assistance to Local Bodies for improvement of Primary and Secondary education while the expenditure on health and family welfare has shown an increase of only Rs 238 crore over previous year. Recognizing the need to improve the quality of education and health services, TFC recommended that the non-plan salary expenditure under education and health and family welfare should increase only by five to six *per cent* while non-salary expenditure under non-plan heads should increase by 30 *per cent* per annum during the award period. However, trends in expenditure (taking expenditure under both plan and non plan heads) reveal that the salary and wage component under education sector increased by 16 *per cent* over 2005-06 while non-salary and wage component decreased by four *per cent*. Similarly under Health and Family Welfare sector, the salary and wage component increased by 19 *per cent* while Non-salary and wage

⁴ Development expenditure is defined as the total expenditure made on social and economic services

component increased by six *per cent*. The expenditure pattern both in education and health services has not been as per the norms of the TFC which needs correction in the ensuing years.

1.5.3 Expenditure on Economic Services

The expenditure on economic services includes all such expenditure as to promote directly or indirectly, productive capacity within the States' economy. The expenditure on Economic Services (Rs19906 crore) accounted for 38 *per cent* of the total expenditure and 56 *per cent* of developmental expenditure (Table 1.18). Irrigation and flood Control consumed 57 *per cent* Economic Services expenditure indicating the Government's commitment to complete on going projects.

Table 1.18: Expenditure on Economic Services

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Agriculture, Allied Activities	779.46	886.74	1110.39	1419.29	1207.04	1456.22
Revenue Expenditure of which	761.00	871.14	1083.69	1196.11	1199.82	1438.12
(a) Salary & wage Component	480.20	486.21	516.07	534.09	594.43	686.91
(b) Non-Salary & Wage Component	280.80	384.93	567.62	662.02	605.39	751.21
Capital Expenditure	18.46	15.60	26.70	223.18	7.22	18.10
Rural Development	1653.73	1322.04	1836.90	1801.05	2011.79	2445.95
Revenue Expenditure of which	1201.04	1043.84	1595.72	1620.85	1691.26	2445.95
(a) Salary & wage Component	283.64	435.63	442.69	438.83	485.69	558.49
(b) Non-Salary & Wage Component	917.40	608.21	1153.03	1182.02	1205.57	1887.46
Capital Expenditure	452.69	278.20	241.18	180.20	320.53	0.00
Irrigation and Flood Control	2727.29	3116.84	3413.37	5224.43	8778.16	11394.26
Revenue Expenditure of which	1584.37	1762.41	1875.34	1921.37	2620.41	3176.56
(a) Salary & wage Component	114.91	209.26	219.68	227.65	323.64	326.23
(b) Non-Salary & Wage Component	1469.46	1553.15	1655.66	1693.72	2296.77	2850.33
Capital Expenditure	1143.42	1354.43	1538.03	3303.06	6157.75	8217.70
Power & Energy	2328.45	1669.28	2484.05	1925.99	1801.41	1617.12
Revenue Expenditure of which	2306.32	1645.11	1644.42	1896.08	1801.40	1601.12
(a) Salary & wage Component	114.51	3.44	3.28	4.96	11.63	23.46
(b) Non-Salary & Wage Component	2191.81	1641.67	1641.14	1891.12	1789.77	1577.66
Capital Expenditure	22.13	24.17	839.63	29.91	0.01	16.00
Industry and Minerals	212.91	217.63	333.31	255.57	299.03	265.33
Revenue Expenditure of which	162.04	189.65	207.91	181.80	254.31	232.10
(a) Salary & wage Component	58.01	57.41	53.11	60.41	70.79	78.85
(b) Non-Salary & Wage Component	104.03	132.24	154.80	121.39	183.52	153.25
Capital Expenditure	50.87	27.98	125.40	73.77	44.72	33.23
Transport	1342.31	1478.39	1115.24	1117.43	1879.93	2023.95
Revenue Expenditure of which	583.03	591.99	561.21	570.19	1040.78	1134.25
(a) Salary & wage Component	13.58	50.83	53.80	52.84	60.78	67.60
(b) Non-Salary & Wage Component	569.45	541.16	507.41	517.35	980.00	1066.65
Capital Expenditure	759.28	886.41	554.03	547.24	839.14	889.70
Science, Technology and Environment	5.24	1.01	1.21	4.34	2.79	7.23
Revenue Expenditure of which	5.24	1.01	1.21	4.34	2.79	7.23
(a) Salary & wage Component	0.31	0.33	0.32	0.49	0.60	1.25
(b) Non-Salary & Wage Component	4.93	0.68	0.89	3.85	2.19	5.98
Capital Expenditure	0.00	0.00	0.00	0.00	0.00	0.00
Secretariat Economic Services	421.82	390.69	456.37	269.23	540.09	696.17
Revenue Expenditure of which	346.83	295.89	382.64	269.36	429.49	474.93
(a) Salary & wage Component	73.87	77.17	77.52	80.90	98.61	103.49
(b) Non-Salary & Wage Component	272.96	218.72	305.12	188.46	330.88	371.44
Capital Expenditure	74.99	94.80	73.73	(-) 0.13	110.59	221.24
Total (Economic Services)	9471.21	9082.62	10750.84	12017.33	16520.24	19906.23(38)*
Revenue Expenditure of which	6949.87	6404.04	7352.14	7660.10	9040.26	10510.26
(a) Salary & wage Component	1139.03	1320.28	1366.47	1400.17	1646.17	1846.28(9)®
(b) Non-Salary & Wage Component	5810.84	5080.76	5985.67	6259.93	7394.09	8663.98
Capital Expenditure	2521.84	2681.59	3398.70	4357.23	7479.96	9395.97

*The figure in bracket against Total indicate the percentage of expenditure on Economic service to Total expenditure

®The Salary expenditure include grants-in-aid towards salaries

Out of total expenditure on Economic Services during 2006-07, 57 per cent on Irrigation Flood Control, 10 per cent on Transport, eight per cent on Power and Energy and seven per cent on Agriculture and allied activities was incurred. As compared to 2001-02, significant increases in 2006-07 were observed in Irrigation and Flood control (318 per cent), Agriculture and allied activities (87 per cent) and Transport services (51 per cent). The salary component in total expenditure on Economic Services ranged between 12 and nine per cent during the period. The non-salary component consistently increased from Rs 5081 crore in 2002-03 to Rs 8664 crore in 2006-07 at an average rate of growth of 14 per cent per annum.

The trends in revenue and capital expenditure on Economic Services indicate that capital expenditure consistently increased from Rs 2522 crore (27 per cent) in 2001-02 to Rs 9396 crore (47 per cent) in 2006-07, while revenue expenditure from Rs 6950 crore (73 per cent) in 2001-02 to Rs 10510 crore (53 per cent) in 2006-07. An increase of Rs 1470 crore (16 per cent) during 2006-07 over the previous year in revenue expenditure was mainly due to increase in Rural Development (Rs 434 crore) and Irrigation & Flood Control (Rs 556 crore) and Transport (Rs 144 crore). Of the revenue expenditure, salary component ranged from 16 per cent to 18 per cent during 2001-07. It increased from Rs 1139 crore (16 per cent) in 2001-02 to Rs 1846 crore (18 per cent) in 2006-07 whereas non- salary component increased from Rs 5811 crore (84 per cent) to Rs 8664 crore (82 per cent) indicating allocative priorities probably towards their maintenance and the better quality of services.

1.5.4 Financial Assistance by State Government to local bodies and other Institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the six year period 2001-07 is presented in Table 1.19.

Table – 1.19: Financial Assistance by Government to local bodies and other institutions

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1272.93	1243.64	1217.48	1066.31	1503.97	1766.50
Municipal Corporations and Municipalities	388.54	509.31	298.06	643.97	464.95	233.43
Zilla Parishads and other PR Institutions	3259.35	2895.64	2895.25	2749.84	842.19	1309.82
Development Agencies	3478.37	2642.27	3420.65	2720.91	2549.76	1747.02
Hospital and Other Charitable Institutions	--	--	--	--	238.98	387.44
Other Institutions ⁵	2384.33	1967.89	3133.91	4031.87	4102.16	5321.88
Total	10783.52	9258.75	10965.35	11212.90	9702.01	10766.09
Assistance as percentage of Revenue Expenditure	42.30	34.40	35.80	34.90	27.5	26.00

⁵ Other institutions include those institutions who received ad-hoc or one time grants during the year

The grants and loans extended to local bodies and other institutions with inter year variations increased by 11 *per cent* to Rs 10766 crore during the current year over Rs 9702 crore in the previous year. The share of grants and loans in revenue expenditure indicated a declining trend which has decreased from 42 *per cent* in 2001-02 to 26 *per cent* during the current year. Another important trend emerging from the Table 1.19 is that share of other institutions has sharply increased by more than two and half times from Rs 1968 crore in 2002-03 to Rs 5322 crore in 2006-07 indicating the fact that huge amount of financial assistance is being given on ad hoc basis to various State Government institutions. During 2006-07, the major beneficiaries under this category being Labour and Employment (Rs 6.51 crore), Relief on account of Natural Calamities (Rs 576.93 crore) and Civil Aviation (Rs 3.62 crore).

1.5.5 Delay in furnishing utilization certificates

Of the 3007 utilization certificates (UCs) due in respect of grants aggregating Rs 602 crore paid upto 30 September 2005, 2899 UCs for an amount of Rs 600 crore were outstanding as of August 2007 from five departments⁶.

1.5.6 Non-submission/delay in submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions.

Submission of 1038 accounts from 360 Autonomous Bodies to the Accountant General which were due as of February 2007 have not been received even by end of July 2007. These accounts were to be submitted in order to examine if they attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (Act).

Accounts of 21 Autonomous Bodies had not been submitted to Accountant General for audit under Sections 19(1), 19(2), 19(3) and 20(1) of the Act for periods ranging from one to seven years (one body for 7 years and four bodies for 5 years and more) as detailed in *Appendix 1.7*.

1.6 Misappropriations, losses, defalcations, etc.

State Government reported 484 cases of misappropriation, defalcations, etc. involving Government money amounting to Rs 34.53 crore upto the period June 2007 on which final action was pending. The department-wise break up of pending cases is given in *Appendix 1.8*.

⁶ Education (Rs 1.44 crore), Relief (Rs 473.66 crore), Tribal welfare (Rs 35.14 crore), Social welfare (Rs 4.86 crore), Panchayat Raj (Rs 61.39 crore) and (Municipal Administration & Urban Development (Rs 23.86 crore)

1.7 Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix 1.3* gives an abstract of such liabilities and the assets as on 31 March 2007, compared with the corresponding position on 31 March 2006. While the liabilities consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. In real terms the assets grew by 11837 crore (22 *per cent*) and liabilities grew by Rs 7140 crore (nine *per cent*) over previous year reversing the trend of growth in liabilities over assets in earlier years. High priority on capital outlay and increased expenditure on developmental activities have very good impact on asset formation. Though during the current year the assets have increased substantially the ratio of liabilities to assets remained at 0.73. Thus 27 *per cent* of liabilities did not have an asset back up. The total liabilities as defined in APFRBM Act 2005 also did not conform the norm of 35 *per cent* of GSDP as envisaged in the Act. *Appendix 1.4* depicts the time series data on State Government finances for the period 2001-2007.

1.7.1 Financial Analysis of Government Investments

1.7.1.1 Departmental Commercial Undertakings

Activities of quasi-commercial nature are performed by departmental undertakings of certain Government departments. These undertakings are required to prepare annually *Proforma accounts* in prescribed format showing the results of financial operations so that Government can assess the results of their working. The department-wise position of arrears in preparation of *pro forma* accounts and the investment made by the Government are given in *Appendix 1.9*.

1.7.1.2 Government Investment and Returns

As of 31 March 2007, Government had invested Rs 5776 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.20**). The return on this investment was 0.1 *per cent* to 0.82 *per cent* during 2001-07 while the government paid interest at the average rate of 8.76 to 11.99 *per cent* on its borrowings during 2001-07.

Table 1.20: Return on Investment

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Investment (Rupees in crore)	3975.02	4334.74	5223.84	5673.70	5715.89	5776.17
Returns (Rupees in crore)	0.57	1.34	48.68	45.49	45.88	47.40
Percentage of returns	0.01	0.03	0.93	0.80	0.80	0.82
Average Interest Rate ⁷	10.41	11.99	11.49	10.21	9.11	8.76
Difference between interest rate and return (<i>per cent</i>)	10.40	11.96	10.56	9.41	8.31	7.94

⁷ Average interest rate is defined as the percentage of interest payment made to, average financial liabilities of the State during the year i.e. (Average of opening and closing balances of fiscal liabilities/2) x 100

The investment of State Government included Rs 3613 crore in 49 Government Companies, of which only four companies declared dividend aggregating to Rs 46 crore. The sectors/companies where major investments were made during 2006-07 were (i) Co-operative banks and Societies (Rs 14.48 crore), (ii) AP Backward Classes Co-operative Finance Corporation (Rs 3.64 crore), (iii) Transmission Corporation of Andhra Pradesh (Rs 16 crore), (iv) Leather Industries Development Corporation (Rs 1.67 crore) and (v) AP State Minorities Finance Corporation Ltd (Rs 14.10 crore).

1.7.1.3 Loans and Advances by State Government

In addition to investment in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organizations. Total outstanding loans and advances as on 31 March 2007 were Rs 10649 crore (Table 1.21). Interest received against these loans advanced was 1.1 *per cent* during 2006-07 as against 0.18 *per cent* in previous year.

Table 1.21: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Balance	7654	8405	9180	9419*	9639	10213
Amount Advanced during the year	1698	1235	1494	1593	756	907
Amount repaid during the year	947	460	1256	1373	182	471
Closing Balance	8405	9180	9418	9639	10213	10649
Net Addition	751	775	238	220	574	436
Interest Received	341	282	422	68	18	114
Interest Received as per cent to Loans advanced	4.3	3.2	4.5	0.71	0.18	1.1
Average Interest Rate	10.4	12.0	11.5	10.2	9.11	8.8
Difference between interest paid and received (<i>per cent</i>)	6.2	8.8	7.0	9.5	8.93	7.7

*differs by Rs one crore (increased) due to lower rounding of CB in 2003-04

During the current year, major portion of loan was advanced to Housing department (Rs 547 crore) for construction of Police quarters, Sainik Aramgarh and for repayment of loans. Industrial sector received Rs 35 crore towards Margin Money to Cooperative Spinning Mills for restructuring of Cooperative Sugar factories and implementation of VRS. An amount of Rs 20 crore was advanced to APTRANSCO for power development and village Electrification Programme (Dalit Bastis).

1.7.2 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) – ordinary and special – from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities. The Government did not have to resort to WMA for the successive third year.

The State Government's cash balances at the end of the current year amounted to Rs 4906 crore. The major portion of which (Rs 3409.19 crore) is invested in 14 days Treasury Bills of the Government of India and earned an interest of Rs 57.35 crore during the year. Further an amount of Rs 1775.72 crore is invested in earmarked funds, i.e. Consolidated Sinking Fund (Rs 1378.20 crore), Guarantee Redemption Fund (Rs 383.76 crore) and other funds. The State Government as per Reserve Bank of India guidelines has been contributing one *per cent* of the outstanding open market loans at the end of previous year.

Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State during 2001-04 is detailed in Table 1.22.

Table 1.22: Ways and Means and overdrafts of the State and interest paid thereon

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Ways and Means Advances						
Taken in the year	5114.48	2189.40	5653.13	-	--	---
Outstanding	--	--	--	--	--	---
Interest paid	24.88	10.67	12.66	--	--	---
Number Of Days	164	137	181	--	--	---
Overdraft						
Taken in the year	5582.68	1925.40	1600.06	--	--	---
Outstanding	--	--	--	--	--	---
Interest paid	8.74	1.08	3.01*	--	--	---
Number Of Days	172	33	31	--	--	---

*includes interest of Rs 1.17 crore paid on overdraft availed during 2002-03

1.8 Undischarged Liabilities

According to AP Fiscal Responsibility and Budget Management Act 2005, the total liabilities means, the liabilities under the Consolidated Fund of the State and the Public Account of the State and shall also include borrowings by the Public Sector Undertakings and the Special Purpose Vehicles and other equivalent instruments including guarantees where the principal and/or interest are to be serviced out of the State Budget.

1.8.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Accounts. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. However, no law has been passed in the State to lay down any such limit. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits.

Table 1.23 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table 1.23 Fiscal Liabilities - Basic Parameters

(Values in Rupees crore and ratios in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities ⁸	47439	54831	64545	74288	79549	86622
Rate of Growth	16.8	15.6	17.7	15.1	7.1	8.9
Ratio of Fiscal Liabilities to						
GSDP	30.19	32.61	33.81	35.69	34.24	33.22
Revenue Receipt	217.2	238.4	240.2	258.4	228.25	195.78
Own Resources	327.9	339.6	370.7	371.3	332.9	284.81
Buoyancy of Fiscal Liabilities with reference to						
GSDP	2.021	2.228	1.309	1.668	0.611	0.727
Revenue Receipt	1.384	2.939	1.054	2.157	0.333	0.330
Own resources	1.907	1.344	2.263	0.011	0.364	0.326

Overall fiscal liabilities of the State increased from Rs 47439 crore in 2001-02 to Rs 86622 crore in 2006-07. Fiscal Liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liability (Rs 45256 crore) comprised of market loan (Rs 23544 crore), loan from Government of India (15169 crore) and other loan (6543 crore). The Public Account liabilities (Rs 41366 crore) comprise of Small Saving, Provident Fund (Rs 30165 crore), interest bearing obligation (Rs 4678 crore) and non interest obligation like deposits and other earmarked funds (Rs 6523 crore). The growth rate of fiscal liability was 8.9 *percent* during 2006-07 over previous year. The ratio of fiscal liabilities to GSDP increased from 30 *per cent* in 2001-02 to 33 *per cent* in 2006-07. These liabilities stood at 1.95 times of revenue receipts and 2.85 times of the States own resources as at the end of 2006-07. The fiscal liabilities had grown faster than the State's GSDP. The buoyancy of these liabilities with respect to GSDP during the year was 0.727. The State Government set up a Sinking Fund during the financial year 1999-2000 for amortization of open market loans and has been contributing every year an amount equivalent to one *per cent* of the outstanding open market loan at the end of the previous year as per the guidelines of the Reserve Bank of India. As on 31st March 2007, the outstanding balance in Sinking Fund was Rs 1378.20 crore. It is however pertinent to mention in this context that the Scheme of Sinking Fund was revised in 2006 to incorporate the recommendations of TFC relating to all loans (not just market borrowings) and state also needs to revise its scheme and enhance its contribution accordingly.

1.8.2 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per Statement 6 of the Finance Accounts, the maximum amount for which

⁸ Includes internal debt (market loans Rs 23544 crore, other loans Rs 6543 crore and loans and advances Rs 15169 crore from GOI). Small saving, Provident fund Rs 1681 crore, interest bearing obligations such as - depreciation reserve funds of Government commercial Undertakings, etc. Rs 1.44 crore and other obligations Rs 1102 crore. Non-interest obligations e.g. deposits, other earmarked funds, etc. Rs 955 crore at the end of the year

guarantees were given by the State and outstanding guarantees at the end of year since 2001-02 is given in Table 1.24.

Table 1.24: Guarantees given by the Government of Andhra Pradesh

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Maximum amount guaranteed	18537	24810	29545	28165	30200	29160
Outstanding guarantees	10325	15317	17427	17893	17711	18018
Revenue receipts	21845	23003	26869	28750	34851	44245
Outstanding guarantees/ revenue receipt of the second preceding year (in <i>per cent</i>)	---	--	79.8	77.8	65.9	62.7

As per the APFRBM Act, 2005 the annual incremental risk weighted guarantees is to be limited at 90 *per cent* of revenue receipts in the year preceding the current year. The incremental guarantees given by the State Government are well within the prescribed ceiling limit.

The Government set up a Guarantee Redemption Fund during 2001-02 and as on 31-03-2007, Rs 383.76 crore is invested in the Fund which comprise guarantee fee, special contribution and return earned on the funds invested. In the current year the Government received Rs 26.61 crore as guarantee commission.

1.8.3 Off - Budget Borrowings

The borrowings of a State are governed under Article 293(1) of the Constitution of India. In addition to the liabilities shown in Table 1.23, the State guaranteed loans availed of by Government companies/corporation. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Although the estimates of the plan programmes of the State Government project that funds for these programmes would be met out of the resources of the companies/corporations outside the State budget, however, in reality the borrowings of many of these concerns ultimately turn out to be the liabilities of the State Government termed as 'off-budget borrowings'. Though off-budget borrowings are not permissible under Article 293(3), the State continues to undertake such off-budget borrowings as per the data furnished by the Finance Department. Table 1.25 captures the trends in the off-budget borrowings by the State during 2001-07.

Table 1.25: Off-Budget Borrowings

(Rupees in crore)

Year	Source through which borrowed	Amount borrowed	Amount outstanding as on 31 March 2007
2001-02	AP TRANSCO	876	7
2002-03	AP TRANSCO bonds	850	850
2003-04	AP TRANSCO bonds	380	380
	AP Water Resources Development Corporation (APWRDC)	568	568
2004-05	APWRDC	737	737
2005-06	APWRDC	455	455
2006-07	APWRDC	600	600
Total		4466	3597

The fiscal liabilities together with off-budget borrowings at the end of March 2007 worked out to Rs 90219 crore and increase the ratio of fiscal liabilities to GSDP to 34.60 *per cent*. The Government created Special Purpose Vehicle (SPV) “AP Water Resources Development Corporation” in January 1997 by an Act of Legislature for promotion and operation of Irrigation Project and other allied incidental activities. This SPV raised Rs 2360 crore during 2003-07. During the current year, the Government repaid Rs 869 crore out of Rs 876 crore raised by APTRANSCO during 2001-02 and also paid an interest of Rs 443 crore on these borrowings.

1.9 Debt Sustainability

The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilization in terms of debt/GSDP ratio.

1.9.1 Debt Stabilization

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards debt stabilization are indicated in Table 1.26.

Table 1.26: Debt Sustainability- Interest Rate and GSDP Growth (in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average Interest Rate	10.4	12.0	11.5	10.2	9.1	8.8
GSDP Growth	8.3	7.0	13.5	9.1	11.6	12.2
Interest spread	(-) 2.1	(-) 5.0	2.0	(-) 1.1	2.5	3.4
quantum spread (Rupees in crore)	(-) 853	(-) 2372	1097	(-) 710	1857	2705
Primary deficit (-)/Surplus (+)	(-) 2139	(-) 1494	(-) 594	(-) 1101	(-) 1292	(+) 1636

Table 1.26 reveals that quantum spread together with primary deficit has been consistently negative during 2001-03 and 2004-05 indicating rising debt-GSDP ratios during the period. Debt-GSDP has increased steadily from 30.19 *per cent* in 2001-02 to 35.69 *per cent* in 2004-05. It was only from 2005-06, the quantum spread together with primary deficit turned into positive resulting in decline in debt/GSDP ratio to 33.22 in 2006-07. The ratio of fiscal deficit to GSDP also moved almost on the similar trajectory indicating a significant

decline only after 2004-05. These trends indicate the State is moving towards the debt stabilization which in turn improve the debt sustainability position of the State.

1.9.2 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Table 1.27 indicates the resource gap as defined for the period 2002-07.

Table 1.27: Incremental revenue receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2001-02	2915	1541	435	1976	(+) 939
2002-03	671	26	1547	1573	(-) 902
2003-04	4662	3762	725	4487	(+) 175
2004-05	1998	2505	235	2740	(-) 742
2005-06	4910	5101	(-) 83	5018	(-) 108
2006-07	11573	8644	272	8916	(+) 2657

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. During the period 2001-07, although three out of six years reflects the negative gaps but the last two are the pointers towards the increasing capacity of the State to sustain the debt in the medium to long run.

1.9.3 Net Availability of Borrowed Funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e. they are (a) not being used for financing revenue expenditure; and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table 1.28 gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last five years.

Table-1.28: Net Availability of Borrowed Funds

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Internal debt						
Receipt	14891	9479	14865	7992	3448	4236
Repayment (Principle + Interest)	14211	8506	13652	3059	9783	8632
Net Fund Available	680	973	1213	4933	(-) 6335	(-) 4396
Net Fund Available (<i>per cent</i>)	4.6	10.3	8.2	61.7	---	---
Loans and Advances from GOI						
Receipt	3717	2548	3118	1841	522	315
Repayment (Principle + Interest)	3243	4653	6054	6595	2046	2437
Net Fund Available	474	(-)2105	(-) 2936	(-)4754	(-) 1524	(-) 2122
Net Fund Available (<i>per cent</i>)	12.8	---	---	---	---	---
Other obligations						
Receipt	11838	14189	15823	22169	23685	29626
Repayment (Principle + Interest)	10739	11796	11241	15242	17572	23314
Net Fund Available	1099	2393	4582	6927	6113	6312
Net Fund Available (<i>per cent</i>)	9.3	16.9	29.0	31.2	25.8	21.3
Total liabilities						
Receipt	30446	26216	33806	32002	27655	34177
Repayment (Principle + Interest)	28193	24955	30947	24896	29401	34384
Net Fund Available	2253	1261	2859	7106	(-) 1746	(-) 207
Net Fund Available (<i>per cent</i>)	7.4	4.8	8.5	22.2	--	---

The net funds available on account of the internal debt and loans and advances from Government of India and other obligations after providing for the interest and repayments varied from minus during the last two years to 22 *per cent* during 2004-05. During the current year the Government repaid internal debt of Rs 3062.53 crore, Government of India loans of Rs 1190 crore and also discharged other obligations of Rs 22851 crore along with interest of Rs 7280 crore as a result of which no borrowed funds were available. During the last two years, in view of the large cash balances, the focus of the Government seems to be on discharging the past debt obligations both on account of principal and interest payments on loans raised from the market as well as from the Government of India.

1.10 Management of deficits

The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health.

1.10.1 Trends in Deficits

The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in Table 1.29.

Table-1.29: Fiscal Imbalances- Basic Parameters
(Values in Rupees crore and ratios in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Deficit (-) /Surplus (+)	(-) 3643	(-) 3922	(-) 3771	(-) 3387	(-) 386	(+) 2807
Fiscal Deficit (-) /Surplus (+)	(-) 6723	(-) 7625	(-) 7450	(-) 8192	(-) 8300	(-) 5644
Primary Deficit (-) /Surplus (+)	(-) 2139	(-) 1494	(-) 594	(-) 1101	(-) 1292	(+) 1636
RD/GSDP	2.32	2.33	1.98	1.63	0.17	-
FD/GSDP	4.28	4.53	3.90	3.94	3.57	2.16
PD/GSDP	1.36	0.89	0.31	0.53	0.56	-
RD/FD	54.2	51.4	50.6	41.3	4.65	-

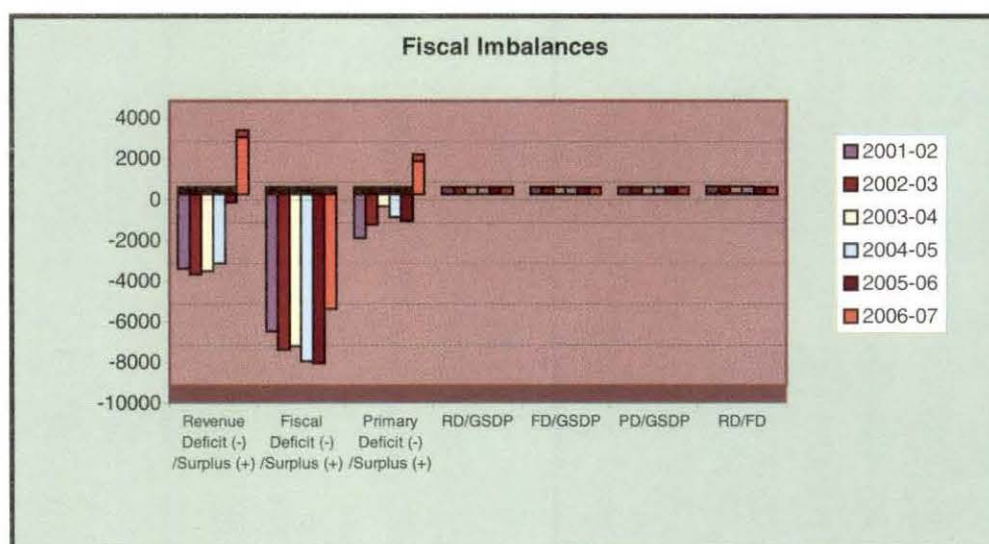


Table 1.29 reveals that the revenue account experienced a situation of huge deficit during the period 2001-05 which hovered around an average of Rs 3681 crore during these years. The deficit was reduced sharply to Rs 386 crore during 2005-06 and revenue account turned into a huge surplus of Rs 2807 crore during the current year. The turnaround situation in revenue account during the current year was mainly on account of an increase of Rs 9394 crore in revenue receipts (27 *per cent*) against the increase of Rs 6201 crore in revenue expenditure (17.6 *per cent*). The sharp increase in revenue receipts during 2006-07 was mainly on account of increase in state's own taxes (24.6 *per cent*), non-tax revenue (38 *per cent*) and in central tax transfers (27.5 *per cent*). On the other hand, despite a big push in plan revenue expenditure (40 *per cent*) Government could maintain the growth in revenue expenditure below the revenue receipts by containing the growth in NPPE (12 *per cent*). The revenue surplus was understated to the extent Rs 1889 crore on account of proceeds from the sale of land and buildings which were accounted for by the State Government under Miscellaneous Capital Receipts instead of under revenue receipts as per the established accounting norms.

The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, decreased from Rs 6723 crore in 2001-02 to Rs 5641 crore in 2006-07. Despite an increase of Rs 2564 crore in capital expenditure and a moderate increase of Rs 151 crore in loans and advances disbursed during the current year over the previous year, fiscal deficit was reduced by

Rs 2656 crore on account of the cushion of Rs 2807 crore available from the revenue account.

The primary deficit⁹ which persisted in the State budget till the previous year also took a turnaround and resulted into a primary surplus during the current year. A sharp decline of Rs 2656 crore in fiscal deficit together with a moderate increase of Rs 272 crore in interest payments resulted into a primary surplus of Rs 1636 crore during the current year indicating the fact that fiscal deficit in the State's budget was solely on account of payment obligations arising from the past fiscal operations of the Government.

1.10.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit¹⁰ and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. The ratio of RD to FD which moderately declined during 2002-05 was reduced vary steeply during 2005-06 and RD was wiped out and turned into surplus during the current year. This trajectory shows a consistent improvement in the quality of the deficit and during 2006-07 all borrowings (fiscal liabilities) were used in activities resulting in expansion in the asset backup of the State.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2001-07 reveals (Table 1.30) that throughout this period, the primary deficit was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure¹¹ requirements in the revenue account, rather left some receipts to meet the expenditure under the capital account. But the surplus non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.30: Primary deficit/surplus - Bifurcation of factors

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and Advances	Primary Expenditure	Primary deficit (-) / surplus (+) with reference to revenue expenditure	Primary deficit (-) / surplus (+) with reference to capital expenditure
1	2	3	4	5	6(3+4+5)	7 (2-3)	8 (2-6)
2001-02	22792	20904	2329	1698	24931	(+) 1888	(-) 2139
2002-03	23463	20794	2928	1235	24957	(+) 2669	(-) 1494
2003-04	28125	23784	3441	1494	28719	(+) 4341	(-) 594
2004-05	30123	25046	4585	1593	31224	(+) 5077	(-) 1101
2005-06	35033	28229	7340	756	36325	(+) 6804	(-) 1292
2006-07	46606	34159	9904	907	44970	(+) 12447	(+) 1636

⁹ Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit which is an outcome of the fiscal transactions of the States during the course of the year

¹⁰ Primary revenue deficit defined as gap between non interest revenue expenditure of the state and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account

¹¹ Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year

1.11 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table-31** below presents a summarized position of Government finances over 2001-2007, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table 31: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I. Resource Mobilisation						
Revenue Receipt/ GSDP	13.9	13.7	14.1	13.8	15.0	17.0
Revenue Buoyancy	1.468	0.757	1.243	0.773	1.826	2.204
Own tax/GSDP	7.4	7.5	7.2	7.8	8.3	9.2
Own Taxes Buoyancy	1.136	1.320	0.697	1.959	1.563	2.009
II. Expenditure Management						
Total Expenditure/GSDP	18.8	18.5	18.6	18.4	18.7	20.0
Revenue Receipt/Total Expenditure	74.0	74.0	75.5	75.0	80.43	84.7
Revenue Expenditure/Total Expenditure	86.4	86.6	86.1	84.0	81.32	79.3
Plan Expenditure/Total Expenditure	27.9	27.7	30.3	30.9	32.73	37.2
Capital Expenditure /Total Expenditure	7.9	9.4	9.7	12.0	16.94	19.0
Development Expenditure/Total Expenditure	33.7	59.5	60.7	60.7	66.54	67.8
Buoyancy of TE with RR	0.70	1.01	0.86	1.10	0.642	0.763
Buoyancy of RE with RR	0.648	1.064	0.821	0.700	0.454	0.653
III. Management of Fiscal Imbalances						
Revenue deficit (Rs in crore)	3643	3922	3771	3387	386	---
Fiscal deficit (Rs in crore)	6723	7625	7450	8192	8300	5644
Primary Deficit (Rs in crore)	2139	1494	594	1101	1292	---
Revenue Deficit/Fiscal Deficit	54.2	51.4	50.6	41.3	4.65	---
IV. Management of Fiscal Liabilities (FL)						
Fiscal Liabilities/ GSDP	30.2	32.6	33.8	35.7	34.2	33.2
Fiscal Liabilities/RR	217.2	238.4	240.2	258.4	228.25	195.8
Buoyancy of FL with RR	1.384	2.939	1.054	2.156	0.615	0.330
Buoyancy of FL with own receipts	1.907	1.344	2.263	1.011	0.364	0.326
Interest spread	(-) 2.1	(-) 5.0	2.0	(-) 1.1	2.5	3.4
Net Funds Available	7.4	4.8	8.5	22.2	---	---
V. Other Fiscal Health Indicators						
Return on Investment	0.01	0.03	0.93	0.80	0.80	0.82
BCR (Rs in crore)	(-) 327	(-) 22	230	1694	3600	8330
Financial Assets/ Liabilities	0.65	0.62	0.62	0.68	0.65	0.73

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP during the current year was 17 *per cent*, an increase of two percentage points over the previous year. During 2001-07, the ratio of own taxes to GSDP showed continued improvement except in 2003-04 when it declined marginally.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilization efforts. The revenue expenditure as a percentage to total expenditure remained stable around 86 *per cent* till 2003-04 but indicates a declining trend thereafter. Though, the higher buoyancy ratio of total expenditure as compared to that of revenue expenditure with respect to revenue receipts indicates the propensity of the State Government to create assets by resorting to capital expenditure. Increasing reliance on revenue receipts to finance the

total expenditure which amounts to 85 *per cent* during 2006-07 indicates decreasing dependence on borrowed funds. This is also reflected by the decreasing ratio of financial liabilities to revenue receipts. Increasing proportion of plan expenditure and capital expenditure in the total expenditure also indicates improvement in both developmental and quality of expenditure.

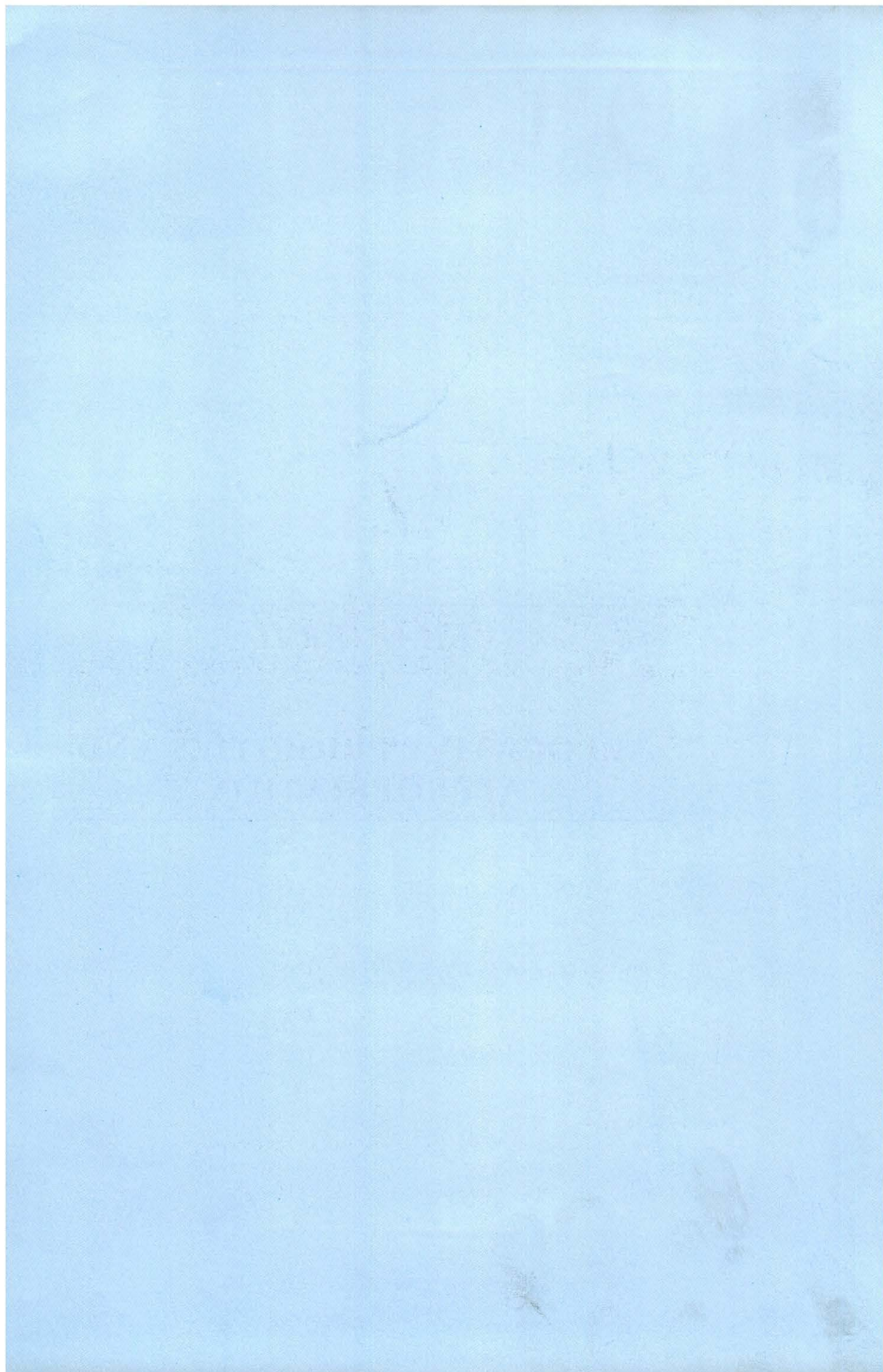
Revenue surplus and significant decline in fiscal deficit during 2006-07 indicates an improvement in fiscal position of the State. The Balance from Current Revenue (BCR) (Rs 8330 crore) increased by 131 *per cent* over previous year indicating ample funds were available for creation of assets and to meet state plan schemes.

1.12 Conclusions

During 2006-07, Government succeeded in taking appropriate measures to eliminate revenue deficit and build up revenue surplus and also contain fiscal deficit to 3 *per cent* ahead of two years than stipulated in APFRBM act 2005. The Revenue surplus of Rs 2807 crore during current year was due to increase in revenue receipts by 27 *per cent* though revenue expenditure increased by 18 *per cent* over the previous year. However, the expenditure on salaries and pension increased by 16 *per cent* and 30 *per cent* respectively over the previous year. The misclassification of revenue receipts of Rs 1889 crore on account of sale of land and building as capital receipts reduced revenue surplus to that extent. The fiscal deficit decreased by Rs 2656 crore over previous year mainly due to increased receipts and better recovery of loans and advances. The decrease in fiscal deficit, also resulted in primary surplus of Rs 1636 crore. The developmental expenditure constituted 68 *per cent* of total expenditure. Capital expenditure of Rs 9904 crore recorded a growth rate of 35 *per cent* over previous year. The lion's share of capital expenditure was absorbed by Irrigation and Flood Control sector. During current year, assets grew by Rs 11837 crore and liabilities grew by Rs 7140 crore. Despite better asset formation during the year, 27 *per cent* of liabilities have no asset back up. Due to better management of cash balances, the Government did not resort to ways and means for successive third year.

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION



CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services *vis-a-vis* those authorised by the Appropriation Act, in respect of both charged and voted items of the budget.

Audit of Appropriation Accounts by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2006-07 against 40 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure*	Saving (-)/Excess (+)
Voted	I. Revenue	37402.38	3319.11	40721.49	34836.08	(-) 5885.41
	II. Capital	9943.06	1235.70	11178.76	9952.71	(-) 1226.05
	III. Loans and advances	1308.23	89.52	1397.75	906.69	(-) 491.06
Total Voted		48653.67	4644.33	53298.00	45695.48	(-) 7602.52
Charged	IV. Revenue	8076.59	7.60	8084.19	7358.44	(-) 725.75
	V. Capital	125.94	14.38	140.32	80.41	(-) 59.91
	VI. Loans	---	---	---	---	---
	VII. Public Debt	6827.16	---	6827.16	4252.72	(-) 2574.44
Total Charged		15029.69	21.98	15051.67	11691.57	(-) 3360.10
Appropriation to Contingency Fund (if any)	---	---	---	---	---	---
Grand Total		63683.36	4666.31	68349.67	57387.05	(-) 10962.62

*These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (Rs 756.12 crore) and capital expenditure (Rs 129.12 crore).

Note: At the end of June 2007 Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of Rs 223.74 crore drawn on Abstract Contingent bills during 2006-07. In the absence of Detailed Contingent bills, the genuineness of the expenditure could not be vouched. The total expenditure stands inflated at least to that extent.

The overall savings of Rs 10962.62 crore were the result of savings of Rs 11161.34 crore in 32 grants/appropriations partly offset by excess of Rs 198.72 crore in seven grants and one appropriation. Detailed Appropriation Accounts were sent to the controlling officers and reasons for savings/excesses were called for, but reasons were either not received or received incomplete in 75 per cent of the cases.

2.3 Fulfillment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Out of savings of Rs 11161.34 crore, as much as 65.16 per cent occurred in five grants as mentioned below.

(Rupees in crore)

Number and name of the Grant	Grant (Original/ Supplementary)	Total Grant	Actual Expenditure	Savings
IX Fiscal Administration, Planning, Surveys and Statistics				
(Revenue-Charged)	(O) 7987.51	7987.51	7289.12	698.39
	(S) NIL			
(Public Debt – Charged)	(O) NIL	6827.16	4252.72	2574.44
	(S) 6827.16			
XII School Education				
(Revenue-Voted)	(O) 5455.77	5611.71	4621.02	990.69
	(S) 155.94			
XVII Municipal Administration and Urban Development				
(Revenue-Voted)	(O) 1819.56	2380.31	1680.58	699.73
	(S) 560.75			
XVIII Housing				
(Revenue-Voted)	(O) 930.43	930.43	523.13	407.30
	(S) Nil			
(Loans – Voted)	(O) 893.66	893.66	507.34	386.32
	(S) Nil			
XXXIII Major and Medium Irrigation				
(Revenue – Voted)	(O) 4359.63	4361.30	3218.35	1142.95
	(S) 1.67			
(Capital – Voted)	(O) 7653.29	8096.27	7723.13	373.14
	(S) 442.98			

Reasons for savings in the above grants are given below:

The saving under Fiscal Administration, Planning, Surveys and Statistics was stated to be mainly due to non-availment of ways and means advances during the year 2006-07, receipt of less amount of loans than anticipated, less accumulation of funds and consolidation of loans.

No specific reasons were stated for the saving in respect of School Education and Housing.

The saving under Municipal Administration and Urban Development was stated to be due to diversion of funds to meet the expenditure on Krishna Drinking Water Supply Project and scheme wise identification of expenditure under Jawaharlal Nehru National Urban Renewal Mission.

The saving under Major and Medium Irrigation was stated to be mainly due to making provision for payment to APTRANSCO under Handri Neeva Sujala Sravanti, payment of land acquisition charges under Pulivendula Branch Canal and payment of second installment of mobilization advance under Srisaillam Left Bank Tunnel Scheme in relaxation of Treasury Control orders.

The major heads of account in which huge savings occurred under these five grants are given in *Appendix 2.1*.

In 34 grants/appropriations, savings exceeding Rs one crore and also 10 *per cent* of the total provision in each case, aggregated Rs 9573.92 crore, as indicated in *Appendix 2.2*.

2.3.2 Excess requiring regularisation

Excess over provision relating to previous years requiring regularisation:

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 12854.18 crore for the years 1997-98 to 2005-06 have yet to be regularised. Details are given in *Appendix 2.3*.

Excess over provision during 2006-07 requiring regularisation: The excess of Rs 197.42 crore under seven grants and Rs 1.29 crore under one appropriation requires regularisation under Article 205 of the Constitution (*Appendix 2.4*).

2.3.3 Unnecessary Supplementary Grants

In 24 grants/appropriations, supplementary grant of Rs 1584.79 crore proved unnecessary as the expenditure did not exceed even the original provision (*Appendix 2.5*).

2.3.4 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated, to another unit where additional funds are needed. In 56 heads of account, injudicious re-appropriation of funds proved excessive or resulted in savings, by over Rs 5 crore in each case (*Appendix 2.6*).

2.3.5 Anticipated savings not surrendered

According to the Budget Manual, the spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department, as and when the savings are anticipated. However, at the close of the year 2006-07, out of total anticipated savings of Rs 9736.35 crore under 36 grants and appropriations, savings of Rs 3172.69 crore (32.59 *per cent*) were not surrendered (*Appendix 2.7*).

2.3.6 Delay in surrender of savings

In 38 grants and appropriations, Rs 7455.01 crore (67 *per cent* of total savings) were surrendered on the last day of March 2007, indicating inadequate financial control over expenditure (*Appendix 2.8*). Due to delay in surrender of the savings, the funds could not be utilised for other purposes.

2.3.7 Surrender in excess of actual savings

In 10 grants/appropriations, the amount surrendered was in excess of actual savings. In four grants/appropriations, surrenders were made even though expenditure was in excess of the grant, indicating inadequate budgetary control. Overall, for the 10 grants and appropriations, while the savings were Rs 757.02 crore, the amount surrendered was Rs 1075.67 crore (*Appendix 2.9*).

The above instances of budgetary irregularities are being reported every year. Had the provisions of the Andhra Pradesh Budget Manual been followed, these instances could have been minimised.

2.3.8 Expenditure without provision

As per the Andhra Pradesh Budget Manual¹, expenditure should not be incurred on a scheme or service without provision of funds therefor. It was however, noticed that expenditure of Rs 125.19 crore was incurred under seven heads of account, without any provision of funds (*Appendix 2.10*).

2.3.9 Advances from Contingency Fund

The Contingency Fund of Andhra Pradesh created with a corpus of Rs 50 crore is meant for the purpose of meeting unforeseen expenditure including expenditure on a new service not contemplated in the budget pending authorisation of such expenditure by the State Legislature.

During 2006-07, Rs 6.91 crore was drawn from Contingency Fund of which Rs 0.34 crore remained unrecovered at the end of the year.

2.3.10 Non-adjustment of Abstract Contingent bills

Orders issued by the Government² stipulated that advances drawn on Abstract Contingent (AC) bills should be settled by submitting Detailed Contingent (DC) bills to the Accountant General (A&E)/Pay and Accounts Officer for the expenditure incurred with supporting vouchers, within one month.

It was, however observed that Rs 906.70 crore drawn in 1.25 lakh AC bills during the period from 1987-88 to 2006-07 have not been adjusted as of June 2007 (*Appendix 2.11*).

2.3.11 Unreconciled expenditure

The accounts of the State compiled by the Accountant General (Accounts and Entitlements) should reflect the correct and true state of affairs and this could be ensured only when the departments incurring expenditure periodically reconcile the departmental figures of expenditure with those booked by the Accountant General. Timely reconciliation will also help to detect fraudulent drawal of money or any misappropriations. However, for 2006-07, expenditure of Rs 65068.25 crore remained unreconciled as of June 2007 in respect of 27

¹ Para 20.3.1

² G.O.Ms. No.285 dated 15-10-2005 of Finance (TFR.II) Department

departments (*Appendix 2.12*). The expenditure not reconciled was Rs 1000 crore and above in each of the following departments.

(Rupees in crore)

Name of the department	Amount not reconciled
Home	2094.28
Environment, Forest, Science and Technology	1378.68
Irrigation and Command Area Development	17572.80
Panchayat Raj and Rural Development	2715.73
Transport, Roads and Buildings	1656.12
Revenue, Registration and Relief	22857.14
Education	1278.13
Finance and Planning	11269.81
Miscellaneous General Services	1865.90

2.3.12 Overpayment of Pension/Family Pension

A test check of records relating to payment of pensions and family pensions in 5 District Treasuries³, 95 Sub-Treasuries⁴ and 4 Pension Payment Offices⁵ revealed that an excess payment of Rs 40.65 lakh was made due to (a) inadmissible relief on pension (Rs 13.70 lakh), (b) payment of enhanced family pension beyond time limit (Rs 10.74 lakh), (c) fraudulent drawal of pensionary benefits on fake pension payment order (Rs 6.15 lakh), (d) incorrect computation of pension consequent on revision of pension (Rs 4.95 lakh), (e) payment of pension without reducing commuted portion (Rs 2.98 lakh), (f) drawal of pension arrears twice (Rs 0.78 lakh), (g) payment of full family pension to more than one surviving widow (Rs 0.72 lakh), (h) payment of two service pensions to the same pensioner (Rs 0.55 lakh) and (i) payment of pension due to irregular weightage (Rs 0.08 lakh).

2.3.13 Parking of Central Funds in PL account, Non-utilisation/ Diversion of Central Funds

The unspent balances of funds provided by Government of India (GOI) under Centrally Sponsored Schemes cannot be diverted to other schemes or parked elsewhere but should be returned to GOI. A test check of 12 offices⁶ revealed that:

(a) An amount of Rs 2.02 crore being unspent balances under Operation Black Board Scheme (OBB), remained unutilised in Banks. (b) Similarly, out of Rs 2.59 crore released by the Commissioner, BC Welfare between March 2005 and February 2006 to various District Officers towards Pre-Matric Scholarships, Rs 2.04 crore was diverted for purchase of note books, rice, bedsheets, etc., at the instance of Commissioner and the balance of Rs 54.85 lakh was deposited in Banks (*Appendix 2.13*).

³ Guntur, Khammam, Karimnagar, Nizamabad and Prakasam (Out of 23 District Treasuries).

⁴ Out of 230 Sub-Treasuries

⁵ Tarnaka, Motigally, Punjagutta and Chandrayanagutta (Out of 9 Pension Payment Offices)

⁶ District Educational Officer, Kakinada, RangaReddy, Nizamabad, Ongole, Guntur, Kadapa, Warangal, District B.C. Welfare Officer, Hyderabad, Anantapur, Kakinada, Nellore, and Vizianagaram

(c) GOI released (February 2005) Rs 20 lakh for renovation and strengthening of Dr. Gururaja Government Homeopathic Hospital, Gudivada. Since the hospital was functioning in a rented building, GOI requested for refund of the amount. Despite this, the amount (alongwith accrued interest of Rs 0.37 lakh) was spent towards procurement of hospital equipment, computers and other accessories.

2.3.14 Personal Deposit (PD) Accounts

Personal Deposit (PD) Accounts are opened in the Treasury in favour of designated officials of Government for specific purposes under specific sanctions issued by Government. These deposits are held and accounted for under Public Account. According to the Government orders⁷ issued in April 2000, scheme funds released and deposited in PD accounts during a financial year shall lapse by the end of the next financial year. Further, in order to prevent drawal of funds from PD account in advance of requirement, to avoid lapse of funds, the Government orders of April 2000 also stipulated that no self-cheque/cheque in the name of the manager of a bank shall be permitted to draw moneys from PD accounts.

(i) Government in Education department sanctioned (October 1999)⁸ Rs 15.62 crore Tenth Finance Commission grants to the Andhra Pradesh Residential Educational Institutions Society (APREIS) towards providing drinking water facilities in Primary and Upper Primary Schools and separate toilet facilities for girls in Upper Primary Schools. The amount was deposited in the PD account⁹ of APREIS on 7 March 2000¹⁰. The Commissioner and Director of School Education, Hyderabad (CDSE) was advised to prepare action plan and utilise the grant before the end of March 2000. However, only an amount of Rs 50 lakh was disbursed (December 2000) to the State Project Director, DPEP, Hyderabad for implementing the project in Medak District. The unspent balance of Rs 15.12 crore is still lying with APREIS (July 2007) without lapsing the same to the Government Account.

(ii) Government sanctioned¹¹ an amount of Rs 5.57 crore during the period from 2003-04 to 2005-06 to the Commissioner of Industries for revival of sick Small Scale Industrial (SSI) units under the scheme "Study of sickness of SSI units". The entire amount was deposited in the PD account No.GA128 of the Andhra Pradesh State Financial Corporation (APSFC). Neither was the amount utilised by the administrator of the PD account (Managing Director, APSFC) for the said purpose nor was it lapsed to the Government Account (August 2007).

⁷ G.O.Ms.No.43, Finance and Planning department dated 22-04-2000

⁸ G.O.Ms.No.74, Education (P&B) department, dated 28-10-1999

⁹ Personal Deposit Account No.4/87 of APREIS, Hyderabad

¹⁰ Voucher No's. 63 & 64 dated 07-03-2000

¹¹ G.O. Ms. No.203, Industries & Commerce Department, dated 20-07-2006

2.3.15 Rush of expenditure

The Andhra Pradesh Financial code¹² requires that expenditure should be evenly distributed throughout the year and no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March. Contrary to these provisions, while the expenditure during each of the three quarters ending December 2006 was between 17 and 22 *per cent* of the total expenditure, it was highest at 40 percent in the last quarter of the year. The expenditure, in the month of March 2007 alone constituted 26 per cent indicating rush of expenditure at the end of financial year.

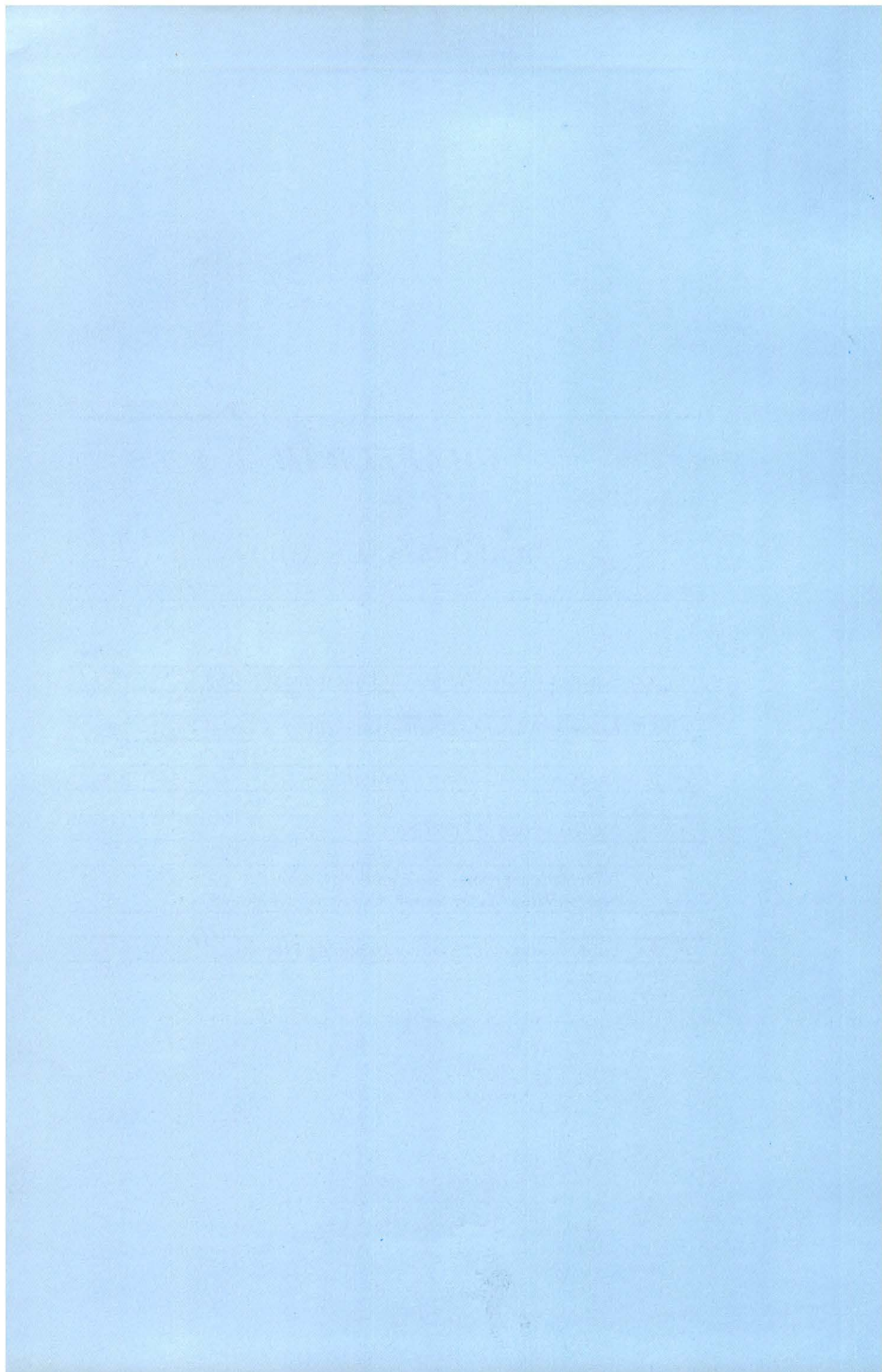
Quarter ended	Expenditure (Rupees in crore)	Percentage of total expenditure
30 June 2006	8729.77	17
30 September 2006	11141.10	22
31 December 2006	10990.67	21
31 March 2007	20480.85	40
Total Expenditure	51342.39	--
Expenditure during March 2007	13129.74	26

¹² Article 39

CHAPTER III

PERFORMANCE AUDIT

- **3.1 Schemes for Development of Education for SC/ST**
- **3.2 Godavari Water Utilisation Authority**
- **3.3 Functioning of Andhra University**
- **3.4 Modernisation of Police Force**
- **3.5 Information Technology Audit of Hyderabad
Metropolitan Water Supply and Sewerage Board**
- **3.6 Implementation of Fashion Designing Project**



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:

Expenditure on the schemes was inflated

Non-accountals of funds was also noticed

- 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.

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:

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

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

- 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 adhoc 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.

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

32 colleges misappropriated scholarship funds of Rs 56.19 lakh

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

- 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.
- 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.
- 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*.

Books were not supplied to students in the same academic season

Books not related to courses and outdated books were supplied to students

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

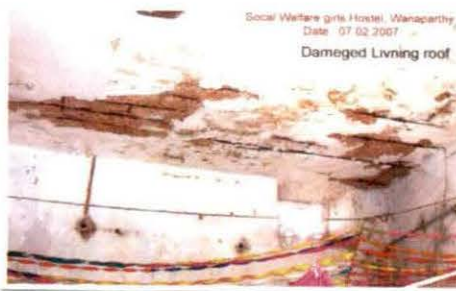
¹³ Kurnool: 10; Hyderabad: 4; Mahboobnagar: 23; Visakhapatnam: 10;

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

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

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> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <p>Common hall for all six classes, also used as dormitory</p> <p>Kitchen shed without infrastructure</p> </div>
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 'Jalayagnam²¹'.

- (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, Mancherial; 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.

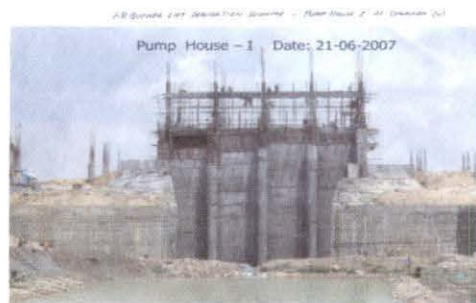


The work "SSP stage I phase II - Supply of 8.50 tmc water from SSP to NTPC" was entrusted (April 2005) for Rs 98.92 crore for completion by October 2006. Extension of time was granted up to December 2007. However, only 39 per cent (Rs 38.34 crore) work was completed as of May 2007 due to delay in land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

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

(Rupees in crore)

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 Nalgonda.

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 (Column 4+5)	Total Expenditure ⁵	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*	-

⁵The 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 Chromatograph 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 Chromatograph (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 Chromatograph 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.

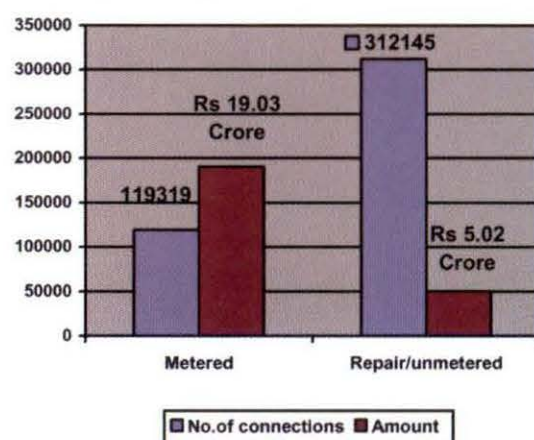
Analysis of the demand raised for the month of May in the years 2005 to 2007 revealed that the number of meters under repairs itself constituted 48 to 52 *per cent* of total number of bills generated. Further, the number of un-metered connections had also been on the increase from 12 to 17 *per cent*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

Month/ Year	Total No. of Bills generated	No. of Meters in working condition (<i>per cent</i>)	Cases of door lock (<i>per cent</i>)	No. of meters under repair (<i>per cent</i>)	No. of un-metered connections (<i>per cent</i>)
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.

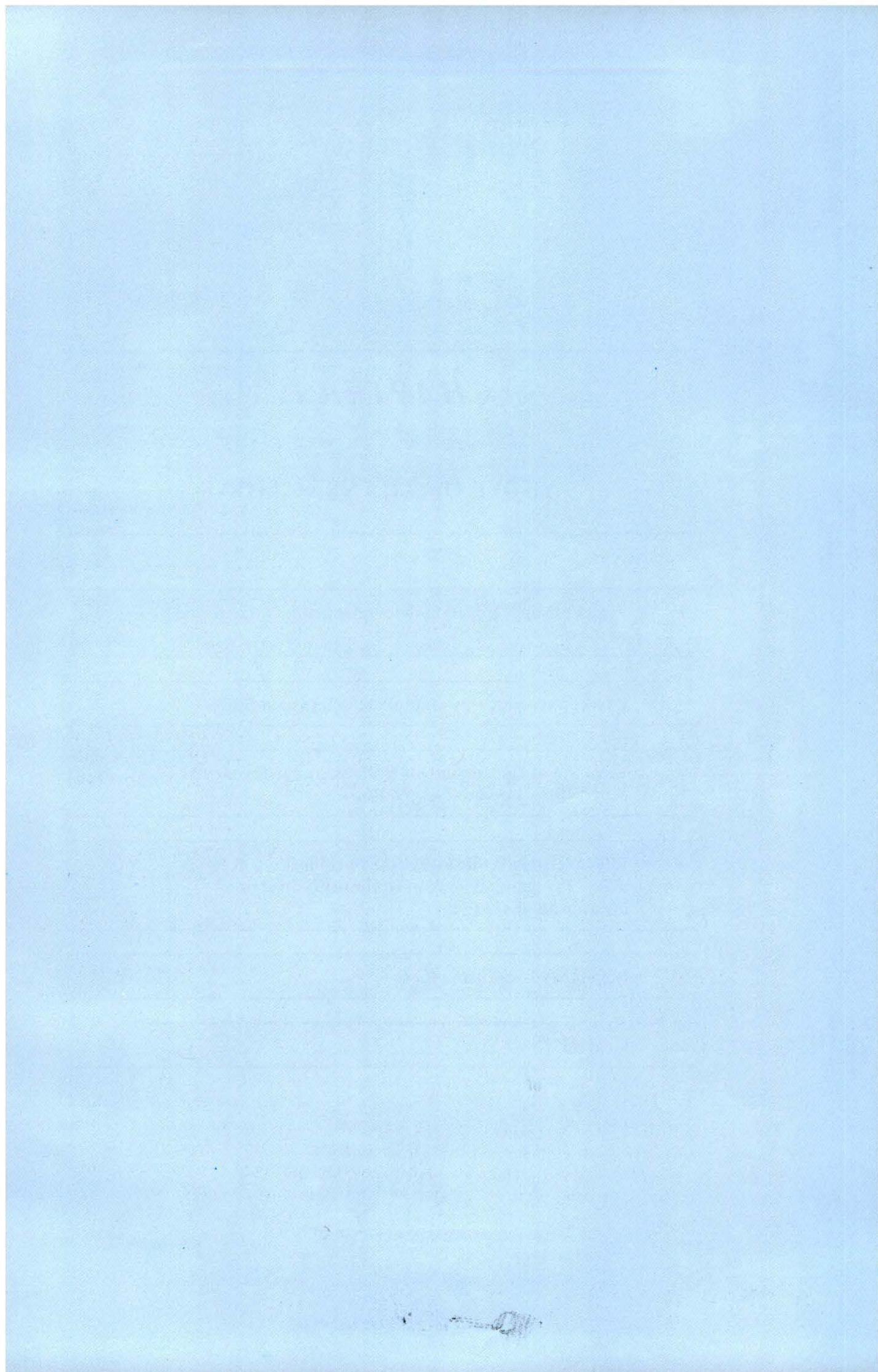
The above points were reported to Government in March 2007; their reply had not been received (July 2007). The audit points were discussed with the Chief Executive Officer, Society for Eradication of Rural Poverty, who accepted the failure of the project.



CHAPTER IV

AUDIT OF TRANSACTIONS

- **Fraud/misappropriation/embezzlement/losses detected in audit**
- **Excess payment; wasteful/infructuous expenditure**
- **Violation of contractual obligations, undue favour to contractors, avoidable expenditure**
- **Idle investments/idle establishments/blocking of funds/ delays in commissioning of equipment; diversion/ misutilisation of funds**
- **Regularity issues and others**
- **General**



CHAPTER IV

AUDIT OF TRANSACTIONS

4.1 Fraud/misappropriation/embezzlement/losses detected in audit

FINANCE/TRIBAL WELFARE/WOMEN DEVELOPMENT, CHILD AND DISABLED WELFARE DEPARTMENTS

4.1.1 Failure of Treasury Officers in exercising checks while admitting Bills

Treasury Officers failed in their duty to exercise adequate checks while admitting bills and to protect the financial interests of the Government, resulting in excess/inadmissible drawal of Rs 3 crore.

Treasury Rules enjoin Treasury Officers to perform prescribed checks and to exercise due care while passing a bill or other vouchers in order to ensure that the financial interests of the Government are protected against fraud, misappropriation and inadmissible claims.

The rules stipulate *inter alia* that Treasury Officer

- (i) ensure that a claim against Government be made by presenting at the treasury, a bill or other voucher in the prescribed form duly receipted and contains full details as to the amount and nature of the claim and all particulars;
- (ii) while admitting drawal of amounts on a fully vouched contingent bill, ensure that full particulars of the charges are given and all sub-vouchers for individual payments exceeding Rs 1000 are attached to it;
- (iii) correct any arithmetical inaccuracy or obvious mistakes in a bill presented to him for payment;
- (iv) return a bill or voucher bearing an erasure with instructions to present a fresh one; and
- (v) disallow any inadmissible or doubtful item which can be easily eliminated.

A test-check of the paid vouchers for the month of March 2006 relating to 'Tribal Welfare' and 'Women Development, Child Welfare and Disabled Welfare' Departments disclosed that the Treasury Officers had failed to exercise the legitimate checks in admitting the bills presented by the Drawing and Disbursing Officers (DDOs), resulting in excess/inadmissible drawal amounting to Rs 3 crore, as detailed in the following table:

Nature of Audit Observation	Gist of the irregularity
<p>Bills preferred and paid in 'Fully Vouched Contingent Bill Form' on 'advance bills' without full details</p>	<p>(i) The District Tribal Welfare Officer (DTWO), Bhadrachalam submitted (18 March 2006) 10 bills for a total amount of Rs 1.70 crore on fully vouched contingent bill form for supply of food provisions to the Tribal Welfare hostels and Ashram Schools by enclosing only the 'Advance Bills' issued by a supplier. However, the bills contained the stock entries even before the supplies were actually received. The Assistant Treasury Officer (ATO), Bhadrachalam admitted these bills and the amount was drawn in March 2006. Scrutiny however, revealed that the provisions were received only during September – December 2006. The DTWO could neither explain the reasons for drawal of the amounts on a fully vouched contingent bill form nor did he justify the drawals on advance bills containing stock entries.</p> <p>(ii) The Project Officer (PO), Integrated Tribal Development Agency (ITDA), Srisailam preferred (18 March 2006) six bills for a total amount of Rs 1.17 crore for supply of food provisions and materials to Tribal Welfare Ashram Schools (Rs 0.98 crore) and on other contractual services (Rs 0.19 crore) for the years 2005-06 and 2006-07. The PO submitted the bills on fully vouched contingent bill form without however, submitting the details of quantities, rates, etc. of the provisions/materials and the stock entries in proof of having received them, and the actual requirements for the maintenance of schools. The Sub-Treasury Officer (STO), Srisailam however, admitted (31 March 2006) these bills for payment.</p> <p>The PO could utilise only Rs 61.14 lakh during 2006-07, leaving a balance of Rs 55.86 lakh unspent. This unspent amount was remitted to Government account only in July 2007, at the instance of audit.</p> <p>(iii) The DTWO, Paderu submitted (18 March 2006) a bill for Rs 6.24 lakh enclosing a bill towards supply of cosmetics, on a fully vouched contingent bill form. The total amount of the invoice was Rs 6.38 lakh while the amount as per the quantities and the rates worked out to Rs 8.66 lakh. The claim was however, restricted by the DDO to Rs 6.24 lakh so as to draw the entire balance available under that particular head of account for 2005-06. As the supplies were not actually received, there were no entries for receipt of stock on the bill. However, the ATO, Paderu admitted (29 March 2006) the bill for payment.</p> <p>Scrutiny further disclosed that the amount was paid to the supplier as an advance and the entire amount of Rs 6.24 lakh was still lying with the supplier even though no supplies were made as of July 2007.</p>
<p>STOs allowed double/excess drawals</p>	<p>(i) The Executive Engineer (EE), Tribal Welfare, Srisailam had drawn (28 March 2006) an amount of Rs 11.81 lakh towards the cost of 'audio system' by submitting a bill to STO, Srisailam. The STO also irregularly allowed the EE to draw another Rs 1.18 lakh on the same day being the 10 per cent of the cost of the same item through another bill enclosing the requisition submitted by the supplier. The excess drawn amount was remitted to Government account (July 2007) at the instance of Audit.</p> <p>(ii) The PO, ITDA, Eturunagaram preferred (18 March 2006) a bill for Rs 11 lakh on STO, Eturunagaram. The claim was towards supply of electrical appliances, etc. to Government Ashram schools and hostels. It was however, observed that in the cases of invoices consisting of more than one page, page-wise totals were carried forward to last page to arrive at the grand total. However, totals of each page as well as the grand totals were claimed separately in the bill which the STO, Eturunagaram allowed to be drawn (31 March 2007). The resultant excess drawal was Rs 2.86 lakh. There was also a double drawal of Rs 0.24 lakh by allowing both the claims one on the original invoice and the other on the carbon copy of the same.</p>

<p>Arithmetical accuracy not ensured by STO/ATOs/ Tampering of bill entries</p>	<p>(i) District Tribal Welfare Officer (DTWO), RangaReddy and Hyderabad Districts preferred (28 March 2006) a bill towards post matric scholarships for Rs 27000 against the sanctioned amount of Rs 2700 and was paid (31 March 2006) by the ATO, RangaReddy District leading to an excess payment of Rs 0.24 lakh. The excess drawn amount was however, credited to Government account in November 2006 by the DTWO, only at the instance of Audit.</p> <p>(ii) The Project Director (PD), District Women and Child Development Agency, Karimnagar preferred (16 March 2006) a claim for Rs 9.01 lakh. In one of the sub-vouchers of the bill an amount of Rs 86350 was claimed against Rs 8635 towards supply of 110 Kg of Jeera at Rs 78.50 per Kg and paid by the STO, Karimnagar. It was only at the instance of Audit that the excess drawn amount of Rs 0.78 lakh was credited (July 2006) to Government account by the PD.</p> <p>(iii) The DTWO, Paderu submitted (18 March 2006) a bill for Rs 4.60 lakh along with the vouchers. It was however, observed that the vouchers submitted were not arithmetically accurate. In one of the sub-vouchers enclosed to the bill pertaining to the payment of cosmetic items for supply to Tribal Welfare Institutions, the total amount for the supplies made was initially shown as Rs 42222. This was however, altered as Rs 59893 and the quantities, rate and amount of each item were also altered with an intention to make up the altered total. The alterations for the excess claim for Rs 0.18 lakh were not attested either by the recipient of the goods or by the DDO. However, the bill was irregularly admitted by ATO, Paderu and the amount of Rs 59893 was paid.</p>
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All the above instances indicated the failure of the Treasury Officers in exercising even the basic checks while admitting the bills preferred on them, resulting in irregular drawals by the DDOs. As Audit conducted only a test-check, there is every possibility that many such cases would have escaped detection.

On the matter being pointed out (November 2006), Government instructed (February 2007) the Director of Treasuries and Accounts (DTA) to identify the treasury personnel responsible for the lapses and to initiate disciplinary action against them. The DTA accepted (August 2007) that the bills were passed by the treasuries without proper check and assured that action would be taken against the concerned for not following the procedures. Action taken against the DDOs responsible for irregular drawals is awaited from the Director, Tribal Welfare and Director, Women Development and Child Welfare Departments (August 2007).

HEALTH, MEDICAL AND FAMILY WELFARE DEPARTMENT

4.1.2 Payment of fraudulent claims by Director of Health on telecast of advertisement

Absence of a control mechanism to ensure that advertisement spots had actually been telecast before making payment, denied a majority of the targeted public the opportunity of viewing an educational documentary and led to overpayment of Rs 12.56 lakh to the producer.

The Director of Health (DOH) placed (February 2006) orders with a private firm for placing advertisements on vector borne diseases viz., Japanese Encephalitis and Dengue on Doordarshan to create public awareness. As per the terms of the offer made by the firm, for every

10 seconds of telecast, the charges would be Rs 10000 plus 10.2 per cent service tax thereon. A spot of the clip of 60 seconds duration was to be aired during 18 February - 7 March 2006 (between 3 PM and 8 PM) on DD1 channel. The Additional Director of Health (Malaria and Filariasis) paid (March 2006) Rs 20.50 lakh to the firm, for 31 spots claimed to have been telecast between 18 February - 7 March 2006, and who submitted telecast certificates shown as issued by Doordarshan authorities in support of the claim.

During the test-check (May 2006) of records of the Additional Director, Medical and Health Services (Malaria and Filariasis), Hyderabad it was observed that the telecast certificates furnished by the firm were defective as all the 31 spots were shown as telecast on DD8 channel instead of on DD1 channel and all the certificates shown as issued by Doordarshan were fake as confirmed by the Doordarshan authorities. Government replied (March 2007) that the amount was paid to the firm in good faith based on the bills submitted by it and that the excess payment of Rs 12.56 lakh as pointed out by Audit in respect of 19 spots not telecast was refunded by the firm in August 2006. It was also stated that the firm had been blacklisted. The Government further stated that it was decided to take preventive measures in order to avoid recurrence of such incidents in future. However, action to fix responsibility for making the payment on the fraudulent claim had not been taken as of July 2007.

Thus, the absence of a control mechanism to ensure that advertisement spots had actually been telecast resulted in denying a majority of the targeted public the opportunity of viewing the educational documentary.

4.2 Excess payment; wasteful/infructuous expenditure

AGRICULTURE AND CO-OPERATION DEPARTMENT

4.2.1 Ineffective implementation of Green Village Model Demo Project

Poor planning followed by ineffective implementation of Green Village Model Demo Project has not only rendered the expenditure of Rs 65.37 lakh incurred on 42 greenhouse units wasteful but also resulted in closure of the project midway thereby denying the benefit of the project to the whole farming community.

The Commissioner of Horticulture (COH) launched (June 2003) 'Green Village Model Demo Project' Scheme for cultivation of hybrid vegetables under protected and controlled conditions throughout the year. By increasing the production per unit area, the project was expected to bridge the gap between production and demand for vegetables and to enable the farmers to earn two-three times more returns. The scheme envisaged erection of shade net-cum-poly houses (greenhouses) along with micro-irrigation system each in a unit area of 504 sq. metres. The project was to be implemented in the entire

State in clusters. The Assistant Directors of Horticulture (ADHs) of all the districts were to identify the beneficiaries from two to three villages in identified mandals.

The fabrication work of greenhouses was awarded (August 2003) to a Pune based private firm with a stipulation that the target of erecting 400 units in the State would be completed within a year i.e. by August 2004. The cost of each unit was fixed at Rs 1.80 lakh (subsidy: Rs 1 lakh, farmers' contribution: Rs 0.80 lakh), and Rs 1.80 crore was released to ADHs towards subsidy for taking up 180 units. As of December 2006, the firm was paid Rs 1.38 crore (subsidy: Rs 0.77 crore and farmers' contribution: Rs 0.61 crore).

During test-check (January 2006) of records of COH and ADHs in 14 districts and from the information obtained subsequently, it was observed that, out of 180 units targeted, only 108 units were completed as of December 2006 (subsidy met: Rs 0.77 crore). Based on a mid-term review, 72 units had been shelved by the COH as the farmers were not showing interest because of the high investment involved and due to the inordinate delays (up to 21 months) in installation of shade nets by the firm. This was attributed by the COH to lack of coordination between the district horticulture officers and the engineers of the firm and award of work of all 400 units in the State to a single firm. While an amount of Rs 0.60 crore was remitted back to Government account, the balance Rs 0.43 crore was lying unutilised with the COH/ADHs. Again, out of the 108 greenhouses completed, 42 (39 *per cent*) units¹ had been damaged within a year of erection itself and were not functioning.

Though the firm was to provide free service for three years after sales, no repairs had been undertaken by the firm as of July 2007 in spite of the repeated requests being made by the ADHs concerned. Despite this, the COH had not taken action against the firm (July 2007). In the meantime, the entire project had to be shelved abruptly.

Thus, poor planning followed by ineffective implementation of the project by the COH has not only rendered the expenditure of Rs 65.37 lakh (farmers contribution: Rs 25.65 lakh) incurred on the 42 greenhouse units wasteful but the entire project had also to be stopped midway without fulfilling the objective of increasing the production of vegetables and enabling the farmers to earn more income.

The matter was reported to Government (May 2006); their reply had not been received (August 2007).

¹ Srikakulam (5), Visakhapatnam (11), West Godavari (1), Prakasam (3), Adilabad (12), Warangal (3), Nalgonda (3) and Anantapur (4)

FINANCE DEPARTMENT

4.2.2 Payment of excess/inadmissible claims on foreign travel

Failure to exercise the prescribed checks by the PAO, AP Hyderabad while admitting foreign travel claims, has resulted in excess/inadmissible payment of Rs 11.38 lakh on foreign travel claims.

The claims on foreign travel undertaken by Ministers of State Government, Members of Legislative Assembly and the State Government employees (including All India Services Officers), etc., are regulated by the Rules and Regulations issued by the Government of India from time to time. Foreign travel claims preferred by all the dignitaries and the State Government employees are pre-audited by the Pay and Accounts Officer (PAO), Andhra Pradesh, Hyderabad before admitting them for payment.

It was observed that the foreign travel claims were being admitted and passed for payment by the PAO without exercising the prescribed checks. Rules issued by the GOI/State Government from time to time were also not complied with. For instance, although, GOI issued orders in December 2000 reducing the rates of daily allowance (DA) on foreign travel, the State Government implemented it only from November 2002. However, the PAO admitted and paid claims at old higher rates of DA, if preferred after November 2002 also.

PAO did not raise any objection in any of the 150 cases received (2002-07). Audit however, found that in 60 cases relating to Government officials, claims had been irregularly admitted resulting in excess/ineligible payments amounting to Rs 11.38 lakh. Of this, a sum of Rs 1.95 lakh was recovered (from 2004-05 till-date) from 22 individuals at the instance of audit. As of August 2007, an amount of Rs 9.43 lakh still remains to be recovered from 38 Government officials.

The category-wise details are as under:

Sl. No.	Audit finding/Nature of irregularity	Number of cases (Irregularity-wise)*	Amount (Rs in lakh)
1	Daily Allowance (DA) paid in excess	32	6.21
2	Payments made without essential enclosures to bills	9	2.51
3	Agency charges paid without admissibility	3	0.02
4	Interest on belated remittance of unutilised advance not recovered	2	0.08
5	Other irregular/inadmissible payments	9	0.61
Total		55	9.43

*Out of 38 individual cases, in 14 cases more than one irregularity was noticed

When the cases of excess/inadmissible payments were pointed out (April 2007), Government replied (May 2007) that action had been taken to recover the excess drawn amounts. A report on the recoveries effected had not been received from PAO/Government (August 2007).

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

4.2.3 Unfruitful expenditure on diversion of road

Due to inept planning in laying the Hyderabad-Srisailam road, and later an alternate road, the end gates of the Neelam Sanjeeva Reddy Sagar dam cannot be operated resulting in continued scouring of the foundations of toe of the dam, as well as wasteful expenditure of Rs 6.56 crore.

Neelam Sanjeeva Reddy Sagar (NSRS) Project, Srisailam was designed with 12 spillway gates with maximum discharge capacity of 13.20 lakh cusecs of flood water and completed in 1984. Since the commencement of project operations, the flood water was being discharged only through 10 out of 12 gates i.e. from gate numbers two to 11. The end gate number 1 could not be used as it was discovered that discharge from this gate would wash out two lower tiers of Hyderabad-Srisailam road.

An international hydrological expert, invited by the Government to study the impact on the dam, found (December 2000) that due to non-usage of the end gate, the pool had not spread laterally much beyond the confines of the river. He opined that it was essential to produce a controlled liberal development of the pool and that if the end gates are not used it would result in continued scouring of the foundations of toe of the dam.

It was only in 2003, the department proposed to divert the road from km 188/300 to km 191/100 to a higher elevation to ensure that transport facilities are not disrupted when the end gates were operated. The Superintending Engineer, Dam Maintenance Circle, NSRS Project, Srisailam (SE) without verifying whether the land required for the alternate road belongs to the Department or not, entrusted (November 2003) the work to a firm for a contract value of Rs 5.79 crore (Revised to Rs 7.14 crore in April 2006) for completion in nine months. After completion of the work up to water bound macadam (WBM) level, the Forest Department objected (March 2006) that permission under Section 2 of Forest Conservation Act 1980 had not been taken as the road passes through the Rajiv Gandhi Wild Life Sanctuary, a tiger reserve. The Department closed the contract (May 2006) and paid (June 2006) the firm Rs 6.56 crore, leaving the work incomplete.

Government replied (March 2007) that the work was taken up presuming that the 890 acres of land, which had been requisitioned in 1966 from the Forest Department for Project works, had in fact been handed over to the Department. Government also stated that the alternate road would be useful in case of any damage to the existing road. It is not prudent to take up works involving huge outlay based on presumptions. Moreover, the reply of the Government contradicts their own proposal, which was to construct an alternate road as opening the end gates would wash out two lower tiers of the road. The road cannot be used in the absence of clearance by the Forest Department, and in the meantime, it would get eroded with the efflux of time as it has been completed only upto WBM level.

Thus, due to inept planning by Government, first in constructing a major road at a level which could get washed out by the waters of the dam and secondly in laying an alternate road on forest land without their clearance, the end gates of the dam cannot still be operated after 23 years of its construction.

4.2.4 Unfruitful expenditure due to non-completion of work

Taking up and entrusting dam protection work in the pre-monsoon seasons of 2004 and 2005 and subsequent inaction in resuming the balance work has resulted in the dam safety work remaining incomplete and the expenditure of Rs 83.27 lakh unfruitful.

The work "Repairs to old coffer dam on the down stream of Neelam Sanjeeva Reddy Sagar (NSRS) Dam at Srisailem" was taken up as part of protection works under the dam safety component. The estimate was technically sanctioned (November 2003) by the Chief Engineer (Projects), NSRS Project (CE) for Rs 1.08 crore. The Superintending Engineer, Dam Maintenance Circle, NSRS Project (SE) awarded (April 2004) the work to a contractor for Rs 1.15 crore with a stipulation to complete in four months i.e. by August 2004.

The scope of the work involved anchoring pre-fabricated shuttering to the girders of the old coffer dam and filling up the gap between old coffer dam and the shuttering with specified concrete. The work was to be executed on the downstream of the reservoir crest gates and under the water standing there and had to be completed before the gates are opened to release flood waters during monsoon. Andhra Pradesh Standard Specifications (APSS) requires that the rate for laying of concrete shall be for the finished item inclusive of all form work like shuttering etc. The department, however, in the instant case bifurcated the item of work into two, namely 'providing shuttering' and 'laying of concrete'.

The contractor started the work in April 2004 and could not complete the work due to the monsoon. The department granted (September 2004) extension of time up to 31 July 2005. The contractor again started the work just before onset of monsoon in June 2005 and completed the entire shuttering work. However by 30 July 2005, he had completed only 46.58 *per cent* of concrete work when he was instructed by the department to vacate the site as the flood waters were to be released. Water was released on 2 August 2005 and since the concrete was not laid to its full designed level, the work executed till then was stated to have been damaged/washed away, by the impact of flood water released. The department has not so far assessed the exact cost of the work damaged, on the ground that the site is under submergence. The SE has neither extended the contract period nor entrusted the balance work to another contractor so far (August 2007). The total value of work done and paid was Rs 83.27 lakh.

Thus, action of the SE in taking up and entrusting dam protection work in the pre monsoon seasons of 2004 and 2005 and his subsequent inaction in assessing the extent of damage and resuming the balance work, has resulted in

the dam safety work remaining incomplete and the expenditure of Rs 83.27 lakh unfruitful. Further, instead of working out a single through rate of Rs 7122 per cubic metre for the finished item of work of concrete, it bifurcated the work into two items separately at Rs 8320 per sqm and Rs 3625 per cum respectively, against the payment procedure laid down in APSS. Thus, against the payment of Rs 52.73 lakh that the contractor was entitled to if the CE followed APSS, he was paid Rs 83.27 lakh resulting in additional expenditure of Rs 30.54 lakh.

Government replied (August 2007) that the estimate was approved with two items as the quantity of under water tremie concrete was uncertain and the objection was applicable only in case of dry/surface concrete but not for under water tremie concrete. They also stated that the defects, if any, would be got rectified by the contractor after water recedes from the site. The reply is not acceptable as the APSS clause 402.7.3.1 which deals with under water tremie concrete, read with clause 401.8 specifies a single through rate per cubic metre of concrete including all necessary form work like shuttering etc. As more than three years has elapsed, Government's assertion that the rectification would be done only after the water recedes, is not reassuring since the reply is silent about the important aspect of dam safety. As the validity of the agreement was not extended and the contractor was not responding to the notices issued by the department, the possibility of rectification of defects by the contractor is remote.

MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT (Public Health Wing)

4.2.5 Excess payment to a contractor

Government decision to allow a contractor extra lead charges in contravention of the tender conditions, led to excess payment of Rs 3.73 crore to him.

Government, while streamlining tendering procedures, dispensed (September 1997) with the practice of identifying in the tender schedules, quarries from where construction material would be procured and their leads. Instead, the contractor was allowed to procure the required material from the quarries of his choice, and to quote rates inclusive of all leads and lifts as long as it met the specifications.

The Superintending Engineer, Public Health Circle, Anantapur (SE) entrusted the work 'Construction of summer storage tank at Basapuram water works at Adoni' estimated to cost Rs 19.07 crore to a contractor in September 2004 for completion by June 2005.

A scrutiny (February 2006) of records of Executive Engineer, Public Health division, Kurnool revealed that the notice inviting tenders (NIT) required that every prospective bidder, before submitting his tender and declaring the quarries selected by him, inter alia, inspect the quarries and satisfy himself as

to the quality and availability of the material. The NIT/agreement also specifically made it clear that no extra payment would be made to the contractor either for increase in the lead or for non-availability of materials in the specified quarries. This included a lead of 0.25 km to 1.00 km for black cotton (BC) soils and gravel. However, during execution of work, the contractor pleaded (February 2005) for extra payment as the required quality/quantity of gravel, BC soils and sand were not available at the specified quarries. On the recommendation of the Engineer-in-Chief, Government permitted (July 2005) additional payment of Rs 3.73 crore to the contractor for the extra leads. Thus, the action of the Government in permitting additional payment for extra leads in respect of gravel, BC soils and sand contrary to the agreement conditions and their own instructions, resulted in excess payment to the contractor.

Government replied (March 2007) that the extra leads were allowed as quarrying of sand was prohibited by the Government and the required quality/quantity of gravel and BC soils were not available at the specified quarries. The reply is not acceptable as the ban on lifting of sand existed even before the tendering of the work, and in any case, as per the conditions of agreement, no extra payment for change in lead was permissible, under any circumstances.

4.2.6 Unfruitful expenditure on an incomplete Sewage Treatment Plant (STP)

Tardiness in commencement of a STP followed by selection of unsuitable sites for its construction has led to the project remaining unfinished even after 10 years of its approval and resulting in the continuing pollution of the Godavari river besides unfruitful expenditure of Rs 74.93 lakh.

The Government of India sanctioned (August 1995) "Godavari River Pollution Abatement Scheme" for Rs 12.13 crore under National River Conservation Programme. The Government accorded (September 1995) administrative approval for the scheme and the Chief Engineer, Public Health Engineering Department (PHED) accorded (October 1995) technical sanction for the same amount.

During the audit (July 2006) of Public Health Circle, Hanumakonda it was observed that after a delay of about five years, in April 2001, a Sewage Treatment Plant (STP) with a capacity of 14 million litres per day, was proposed for construction at Ramagundam as the sewage from the town was polluting the river Godavari. PHED identified (April 2001) a site in Sundilla village for construction of the STP. Two of the main components under the scheme, Interception and Diversion (I&D) works and laying of pumping mains were completed between March 2002 and January 2003 at a cost of Rs 60.00 lakh. The required land for construction of STP was acquired in June 2003. The construction of STP was entrusted (October 2003) to a contracting firm for Rs 65.28 lakh with a stipulation to complete the work by March 2004. While the work was in progress, M/s Singareni Collieries Company Limited (SCCL) objected (February 2004) for taking up the work without obtaining their consent as the said area fell within the active mining area of SCCL. By

that time the contracting firm had executed a part of the work valued Rs 14.93 lakh and the payment was made in March 2004. The Director of Mines Safety, Hyderabad also opined (October 2004) that the proposed site location was not fully stabilised and hence there was an imminent danger to the civil structures of the proposed STP getting damaged due to the ground movements.

Accordingly, the work at the site was abandoned and an alternate site in the same village near Ooracheruvu (an irrigation tank) was identified (October 2005) by conducting a joint inspection by the Revenue, PHED and SCCL authorities for the construction of STP and the same was handed over (October 2005) to PHED by Revenue authorities. However, fearing that the construction of STP at the new site would stop the collection of drain water at Ooracheruvu, which might ultimately deprive them of the usage of the water for cultivation, the Water Users Association of Ooracheruvu filed a Writ Petition in the High Court of Andhra Pradesh objecting the construction of STP at the alternate site. The work has yet to re-commence as the matter is pending since April 2006 with the District Collector.

Thus, due to tardiness in commencement of the STP project followed by the selection of unsuitable sites for its construction, the very objective of preventing the pollution of Godavari river by the sewage of Ramagundam town was not achieved even after more than 10 years of its proposal. This has also resulted in unfruitful expenditure of Rs 60 lakh and a wasteful expenditure of Rs 14.93 lakh.

On being pointed out, the Engineer-in-Chief, PHED contended (January 2007) that the delay cannot be attributed to the department and that the components executed would be made use of. The reply is not acceptable as the work has yet to re-commence and the I&D works and pumping mains already laid have been lying unused for about five years. Meanwhile the pollution of the river continues unabated.

The matter was reported to Government in April 2007; reply had not been received (August 2007).

PANCHAYATI RAJ AND RURAL DEVELOPMENT DEPARTMENT

4.2.7 Unfruitful expenditure on a protected water supply scheme

Improper planning in the implementation of a Comprehensive Protected Water Supply scheme by the Executive Engineer, RWS, Nellore, resulted in failure to provide protected water to the targeted habitations besides unfruitful expenditure of Rs 8 crore.

Government sanctioned (March 2003) a comprehensive protected water supply scheme under Pradhana Mantri Gramodaya Yojana (PMGY) to provide water to 85 habitations in Nellore District. The work is to be carried out by the Executive Engineer, Rural Water Supply, Nellore (EE) in three phases.

Government initially sanctioned Phase I of the scheme in March 2003 to cover 13 habitations (estimated cost: Rs 4 crore). Phase II of the scheme was sanctioned in March 2005 to cover 47 habitations (estimated cost: Rs 5 crore). Proposal for Phase III of the scheme to cover remaining 25 habitations submitted in September 2006 (estimated cost: Rs 5 crore) was awaiting the Government's approval (July 2007).

It was observed (February 2007) that though the work under Phase I was completed (expenditure: Rs 4 crore) way back in April 2005, the scheme had not been commissioned mainly due to the delay in the acquisition of land for construction of approach road to the intake well required for carrying heavy vertical turbine pump sets. Finally, the physical possession of the land was taken over by the RWS division pending alienation of land and the approach road was laid in May 2006. The pump sets were erected only in July 2006. Under Phase II also, even after completion (October 2006) of the works (expenditure: Rs 3.99 crore) the commissioning of the scheme was held up for want of power till February 2007. As of July 2007 both the phases had not been commissioned to cover the targeted habitations even after four years of sanction of the scheme and water was released only to seven out of 60 habitations in the two phases. Government attributed (August 2007) the delay in commissioning of the scheme to the delay in release of high tension (HT) load for energisation.

Thus, due to improper planning by the EE, and lack of coordination firstly with the Revenue authorities and APTRANSCO authorities, the social objective of supplying protected drinking water to the specified habitations remains unachieved after incurring an expenditure of Rs 8 crore so far.

4.2.8 Delay in completion of check dams

The Executive Engineer, PR, Gudur, failed to complete the check dams even after five to seven years, after incurring an expenditure of Rs 3.86 crore resulting in non-creation of envisaged irrigation potential besides denial of the provision of drinking water facility to the people of 15 villages.

Government sanctioned (November 1998) construction of four check dams across the creeks of Pulicat lake (Nellore District) for creation of fresh water reservoir at an estimated cost of Rs 2.80 crore. This was to irrigate 7280 acres of ayacut lands and provide drinking water to 15 villages in Chittamur and D.V. Satram mandals by recharging ground water sources. The estimated cost was revised to Rs 5.24 crore in April 2002 with some additional provisions and deviations. The works were entrusted to Ayacutdar². Committees in October 1999 (two works), July 2001 (one work) and October 2002 (one work) with a stipulation to complete the works in all respects by July 2002 (three dams) and October 2003 (one dam). This was extended from time to time, the latest being June 2006.

² Land holder to be benefited under the Project

It was, however, observed (March 2006) from the records of the Executive Engineer, Panchayat Raj, Gudur (EE) that none of the check dams had been completed even after a lapse of about five to seven years since their entrustment. The works were stopped after incurring an expenditure of Rs 3.86 crore on the four check dams. The percentage of work completed was between 62 and 83 as shown in the table below:

Sl. No	Check dam across the creek at	Estimated cost	Expenditure	Due for completion	Percentage of work completed	Work stopped from
		(Rs in crore)				
1	Buradagali Kothapalem	1.69	1.87	July 2002	83	November 2001
2	Karikadu	0.68	0.46	July 2002	62	March 2006
3	Velukadu	0.60	0.37	July 2002	80	December 2002
4	Meezur	1.88	1.16	October 2003	71	December 2003
	Total	4.85 ³	3.86			

The EE stated (January 2007) that the works were stopped mainly due to lack of funds, and attributed (April 2007) the inordinate delay in completion of the check dams, to cyclones and heavy rains and entrustment of works to ayacutdars without any professional skill and experience in execution of such works. As of March 2007, water was made available for irrigation to the extent of only 4460 acres as against the 7280 acres targeted. The proposals submitted (March 2007) by the District Collector, Nellore for sanction of Rs 1.66 crore (as per SSR 2006-07) to complete the incomplete works were still awaiting Government's approval as of July 2007.

Thus, the failure of EE to complete the check dams even after five to seven years and after incurring an expenditure of Rs 3.86 crore, has resulted in the objective of creating irrigation potential as envisaged not being achieved besides denial of the benefit of drinking water facility to the people of 15 villages.

The matter was reported to Government in February 2007; their reply had not been received (August 2007).

4.2.9 Avoidable extra expenditure and unproductive expenditure on Special Coir Project

Non-observance of codal provisions while procuring motorised ratts for distribution to swarozgaris by the DRDA, East Godavari led to extra expenditure of Rs 1.02 crore in the purchase of 8730 ratts. Of these Rs 2.14 crore incurred on 2324 motorized ratts remains unproductive.

Government of India approved (March 2000) a scheme 'Production of 2-ply yarn on motorised ratts⁴ under Special Coir Project to bring 8400 women swarozgaris in East Godavari District above the poverty line at an estimated cost of Rs 18.85 crore⁵ under Swarna Jayanthi Gram Swarozgar Yojana (SGSY). District Rural Development Agency (DRDA) was to implement the

³ The estimated cost of Rs 5.24 crore for all the four check dams includes other Provisions/ charges amounting to Rs 0.39 crore

⁴ Machines used for production of 2-Ply coir yarn from coir fibre

⁵ Unit Cost @ Rs 2 lakh each for 840 groups: Rs 16.80 crore plus Training @ Rs 5.86 lakh each for 35 centres: Rs 2.05 crore

project by providing training for skill up-gradation and bank linkages for asset creation to the beneficiaries.

DRDA invited tenders from engineering workshops/fabricators for short listing the firms for supply of 8000 motorised ratts for providing to the swarozgaris. In response, 22 firms submitted their tenders. District Collector, East Godavari negotiated (May 2000) with the 15 firms short listed and placed orders. In all, DRDA procured (May 2000 - October 2003) 8730 motorised ratts (from 13 firms) at a total cost of Rs 8.02 crore.

It was however, observed that DRDA had disregarded the Codal provisions and the principles of financial propriety while procuring the machines as (i) agreements were not entered into with the firms before execution, though stipulated in the tender conditions and repeated orders were placed on the same firms at the same rates during the entire period of May 2000 to October 2003, (ii) the machines were procured at a rate in excess of the rate quoted by L1, who was also one of the suppliers, (iii) machines were procured from L2 at a rate higher than the rate quoted by him even for the first consignment, (iv) enhanced the agreed rate to the L1 and L3 from the second consignment onwards, and (v) machines were procured from a firm that had not even participated in the tendering process. However, no reasons for the aforementioned deviations from the Codal provisions were recorded. The firm-wise details are given in *Appendix 4.1*. Thus, adoption of higher rate than the lowest rate (Rs 8019) quoted by a qualified supplier firm, and enhancement of the agreed rate for subsequent consignments contrary to financial rules resulted in avoidable extra expenditure of Rs 1.02 crore⁶. The Project Director, DRDA, replied that purchases were made as per the orders of the District Collector.

It was further observed that out of 8730 motorised ratts distributed to the beneficiaries, 2324 ratts had not been in use from 2003-04 as they became defunct due to the inability of beneficiaries to pay power consumption charges. The Project Director submitted (November 2006) proposals to Government for closure of the project as decided by the GOI.

Thus, due to poor monitoring of the implementation of the scheme by the Project Director, the expenditure of Rs 2.14 crore incurred on 2324 ratts had been wasteful and the project aimed at bringing women swarozgaris in East Godavari District above the poverty line, a failure.

The matter was reported to the Government in April 2007; their reply had not been received (August 2007).

4.2.10 Payment of inflated rates in implementation of 'Computer in Education Project'

Project Director, DRDA, Warangal showed undue favour to three firms and paid inflated rates in implementation of 'Computer in Education Project', resulting in loss/extra burden of Rs 1.97 crore.

District Rural Development Agency (DRDA), Warangal implemented 'Computer in Education Project' in Warangal District under Member of

⁶ Rs 8.02 crore minus Rs 8019X8730 ratts (Rs 7 crore)

Parliament Local Area Development Scheme (MPLADS) during 2000-01 to 2002-03 at a total cost of Rs 5.55 crore. The objective of the project was to promote computer awareness amongst students of public educational institutions.

It was observed (December 2006) that, District Collector, Warangal, in violation of the guidelines of GOI, awarded the works to three firms at their quoted rates recommended by the Members of Parliament, without calling for tenders, thereby foregoing the benefit of competitive rates. DRDA initially awarded (April/June 2000) the work to firm⁷ 'A' for implementation of the project in two Junior Colleges and a High School at Rs 9.67 lakh each, even without ascertaining the prevailing market-rates by consulting the AP Technological Services (APTS), a State PSU, which undertakes such procurement. APTS communicated (June 2000) to all the District Collectors the rates for hardware and software items only. At these rates, the project cost would be Rs 6.59 lakh per institution. Later, DRDA awarded (August 2000 to December 2002) the works for 54 more institutions⁸ again, without calling for tenders to the firm 'A' (30 institutions) and two other firms⁹ 'B' and 'C' (24 institutions) as recommended by the Members of Parliament at the identical rates of Rs 9.74 lakh per institution. It was however, observed that while the firms 'A', 'B' and 'C' had quoted the rates for hardware and software as communicated by APTS, for other items not covered in APTS communication, they quoted higher rates than those quoted by firm 'A' for the first three institutions. As against the expected reduced cost of Rs 6.59 lakh, it increased the project cost per institution to Rs 9.74 lakh without change in the scope of execution/supplies by the firms as shown below:

Item	Rates quoted by Firm 'A' for the first three institutions (Rs)	Rates quoted by Firms 'A', 'B' & 'C' for the other 54 institutions (Rs)	Excess (Rs)	Quantity	Amount (Rs)
UPS	25000	26000	1000	1	1000
1.5 ton AC	25000	29250	4250	1	4250
Electrification	7885	10885	3000	-	3000
Interior Decoration	75000	85000	10000	-	10000
Study Material	450 (92700/206)	548 (167688/306)	98	306	29988
Faculty/Training Programme	340 (70000/206)	900 (275400/306)	560	306	171360
Provisions for 12 months	33000	49000	16000	--	16000
Total excess in the project cost per one institution:					235598

Note: Especially, for the item 'UPS', the firm 'A' initially quoted Rs 25000 for the three institutions. However, while quoting rates for the 54 institutions later, the higher rate Rs 26000 as communicated by APTS was adopted by all the three firms 'A', 'B' and 'C' to their advantage.

The undue favour to the three firms for execution of the project in the 54 institutions resulted in loss/extra burden to the extent of Rs 1.27 crore.

Under the project, the executing firms were also required to impart training to six teachers and 200/300 students for a period of one year. The information made available by 47 out of 57 institutions disclosed that the firms had not

⁷ BIT'S Information & Software Technology, Hyderabad

⁸ High Schools, Junior/Degree/Post Graduate Colleges, District Institute of Educational Training

⁹ Raman's Info & Software Technology, Hyderabad and Karthik Infotech, Hyderabad

conducted any training programme so far in 16 institutions and partly conducted in four institutions. However, the Project Director, DRDA, made full payments including the training component involving Rs 49.57 lakh to the firms without ensuring the fact of commencement/completion of the training programme. Further, the firms had not supplied/short supplied the course material (value: Rs 10.81 lakh) to 10 institutions, licensed software CDs (value: Rs 8.82 lakh) to 30 institutions and not executed interior decoration work (value: Rs 0.96 lakh) in one institution. Thus, the Project Director, DRDA had made excess payments to the extent of Rs 70 lakh to the firms.

It is thus clear that the inflated rates were allowed to benefit the firms to the extent of Rs 1.97 crore.

The Project Director, DRDA while admitting the lapse pointed out by Audit, promised (December 2006) to take action either to recover the amounts or to demand the required services from the firms. However, Government need to investigate the whole issue to reveal the circumstances that led to the acceptance of the inflated rates as well as excess payments if any, in all the districts. The matter was reported to Government in May 2007; their reply had not been received (August 2007).

TRANSPORT, ROADS AND BUILDINGS DEPARTMENT

(Roads Wing)

4.2.11 Unfruitful outlay on an incomplete bridge

Lack of proper supervision in the initial stages and acceptance of defective work resulted in unfruitful expenditure of Rs 3.56 crore on a bridge remaining incomplete besides non-recovery of Rs 83.12 lakh from a contractor.

The work "Construction of bridge across Yanamadurru drain" was entrusted (December 2001) to contractor 'A' for an agreement value of Rs 4.75 crore at a tender premium of 13.69 *per cent* for completion in 18 months i.e., by June 2003. After executing 67 *per cent* of the work to a tune of Rs 3.20 crore, 'A' stopped the work from May 2003. During execution, the Executive Engineer, Quality Control, Roads and Buildings, Vijayawada observed (February 2003) that the tilts and shifts in the wells for P2 and P3 piers were beyond permissible limits. The cost of these two piers was assessed at Rs 24.65 lakh. Similarly, the Engineer-in-Chief (Roads & Buildings), Administration and NABARD (ENC) observed (December 2004) that the spanning arrangement between P1, P2 and P3 piers was erroneous and that suitable remedial measures should have been taken at the initial stages of well sinking. As the contractor 'A' did not resume the work, the Executive Engineer, Roads and Buildings Division, Bhimavaram (EE), instead of getting them rectified, withdrew (January 2004) a portion of the bridge work valuing Rs 95.46 lakh, under clause 60 (c) of PS to APSS and entrusted (August 2004) at original agreement rates to contractor 'B' with stipulation to complete in six months. As the contractor 'A' had not resumed even the remaining work, the EE again withdrew (December 2004) some other portion of work i.e., forming

approaches to the main bridge and other sub-works valuing Rs 43.12 lakh and entrusted (February 2005) to another contractor 'C' with a stipulation to complete in four months. Both the contractors 'B' and 'C' also, after executing works valuing Rs 29.17 lakh and Rs 6.53 lakh respectively, stopped their works. Extensions of time were granted (September 2005) by the ENC up to February 2006 (for contractors 'A' and 'B') and December 2005 (for contractor 'C') duly imposing liquidated damages of Rs 47.46 lakh on contractor 'A'. However, all the three contracts were ultimately determined (November 2005) by the EE under clause 60 (a) of PS to APSS at the risk and cost of the contractors for lack of progress.

As it was found that the rectification of wells for P2 and P3 piers was not possible, a Professor in Oceanography, IIT, Chennai was invited (March 2006) for giving necessary guidance and alternative designs were obtained (May 2006) from reputed firms. Based on the Professor's recommendations and alternative designs, a revised estimate for Rs 7.52 crore providing pile foundation for three piers in between P1 & P4 duly discarding the P2 & P3 wells was submitted (April 2007) to the Government for approval and the same was awaited as of August 2007. Further, an amount of Rs 11.01 lakh paid to the contractor 'A' towards cost of materials which were not used on the work and found missing from the worksite, was not recovered from him. The ENC stated (June 2007) that the District Collector, West Godavari district had been addressed for recovery of the amounts under RR Act.

Thus, lack of proper supervision in the initial stages, acceptance of defective work and release of payments in full resulted in the bridge remaining incomplete even after four years of its scheduled date of completion, rendering the entire expenditure of Rs 3.56 crore unfruitful, besides non-recovery of Rs 83.12 lakh from the original contractor.

The matter was reported to Government (December 2006); their reply had not been received (August 2007).

4.3 Violation of contractual obligations, undue favour to contractors and avoidable expenditure

IRRIGATION & COMMAND AREA DEVELOPMENT AND TRANSPORT, ROADS AND BUILDINGS DEPARTMENTS (Irrigation, Roads and Buildings Wings)

4.3.1 Unintended benefit to contractors

Inclusion of a clause in agreements, that cess as specified in Building and Other Construction Workers' Welfare Cess Act, 1996 is required to be paid by contractors when the Act is not implemented in the State, has resulted in unintended benefit of Rs 131.19 crore to the contractors in the 467 agreements test-checked in audit.

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 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.

It was however, seen in audit that in pursuance of the above Acts and Rules, a clause to the effect that all such establishments are required to pay cess at the rates not exceeding two *per cent* of the cost of construction as may be modified by the Government is being incorporated in the agreements concluded after 2003-04 in respect of building or other construction works. Information was collected from all the 33 Pay and Accounts Offices/Assistant Pay and Accounts Offices regarding payments made to the contractors up to March 2007 in respect of the agreements concluded during the period 2004-07. Audit test-checked all agreements with contractors valuing rupees two crore and above under Engineering, Procurement and Construction system and more than rupees one crore in respect of other works. It was noticed that the clause for recovery of the cess had been incorporated in all 467 agreements checked.

Thus, by incorporating a clause when the Act had not been enforced in the State 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 6559.29 crore, up to March 2007, the amount of cess that would have accrued amounts to Rs 131.19 crore. Thus the contractors would have reaped huge benefits as they would have factored in the clause in the contract about the cess and loaded their rates accordingly.

The matter was reported to Government in July 2007; their reply had not been received (August 2007).

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Irrigation Wing)

4.3.2 Loss of interest due to undue financial assistance to a contractor

Payment of secured advance by the SE&PA in vitiation of the original tender/agreement resulted in undue financial assistance of Rs 4.09 crore to the contractor and loss of annual interest of Rs 27.54 lakh.

Superintending Engineer and Project Administrator, Nizam Sagar Lift Irrigation Circle, Nizamabad (SE&PA) entrusted (November 2005) the work "Construction of Lift Irrigation Scheme (LIS) at Shetpally tank under Choutpally Hanmantha Reddy LIS", to a contractor for Rs 50.65 crore under Engineering, Procurement and Construction, turn key system. The terms and conditions of bid document

as well as the agreement categorically stipulated that no secured advance against any placement and purchase of construction materials/manufactured materials/brought out items, shall be made.

Audit however, noticed (January 2007) that the SE&PA based on a separate request made by the contractor, had made (December 2005) amendment to the original conditions of the agreement, and allowed the contractor 70 *per cent* of the cost of the quoted rate of pipes as advance, for the transportation and placement of the material along the water conductor system. Accordingly, an amount of Rs 4.09 crore was paid (April 2006 to July 2006) to the contractor as advance.

The reply (July 2007) of the Government that the payment was not an advance but a part payment for the portion of 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.

Thus, acceding to the request of the contractor after conclusion of the agreement, has not only resulted in undue financial assistance of Rs 4.09 crore to the contracting firm, but also loss of annual interest of Rs 27.54 lakh to Government, at the borrowing rate of 9.50 *per cent*.

4.3.3 Undue benefit to contractor

Reduction of tender discount from 33.03 *per cent* to five *per cent* led to undue benefit of Rs 2.58 crore to the contractor.

The work “Formation of a new tank across Lingalavagu near Tekulapalli (V)” was administratively approved (February 2002) for Rs 8.12 crore and the technical sanction was accorded (March 2002) for Rs 7.78 crore. The work was awarded to a contractor and agreement concluded (May 2003) for Rs 3.56 crore at a discount of 33.03 *per cent* on the value of Rs 5.31 crore put to tender (SSR¹⁰ 2001-02) with a stipulation that the work be completed within 18 months i.e., by November 2004.

Progress of the work was hampered due to land acquisition problems, raising of crops by farmers in the work site and rains. The value of work executed to the end of agreement period was only Rs 65.70 lakh. Extension of time was granted (November 2004) to the contractor by the Superintending Engineer, Medium Irrigation Project Circle, Bellampalli (SE) up to 31 July 2005 for completion of work. During execution, the work underwent certain deviations. As a result, the cost of the work was increased to Rs 11.88 crore as per revised estimates. At this stage, the contractor represented for payment of SSR 2004-05 without deducting tender discount for the items of work executed after 1 November 2004 on the grounds of delay caused due to land acquisition, designs and change in scope of work, which were not attributable to him.

¹⁰ Standard Schedule of Rates

The Government accorded revised administrative approval (April 2005) for Rs 11.88 crore duly allowing the payment of SSR 2004-05 with five *per cent* discount in respect of balance work executed after 1 November 2004, instead of the originally quoted tender discount of 33.03 *per cent*. The usual practice, in case of delay attributable to the department, is to allow the latest SSRs without effecting the originally quoted premium or discount as the case may be.

In reply (March 2007) the Government stated that the decision was taken keeping in view the trend of tenders and steep hike in material cost prevailing during that period. Allowing the payment of SSR 2004-05 to the contractor may be justifiable, but the reduction of tender discount from 33.03 *per cent* to five *per cent* was against the usual practice. This resulted in undue benefit of Rs 2.58 crore to the contractor.

4.3.4 Avoidable extra payment to contractor

Inclusion of an unwarranted clause in the agreement in contravention of APSS resulted in avoidable extra payment of Rs 33.32 lakh to contractor.

The Chief Engineer, Medium Irrigation (CE) accorded (November 2003) technical sanction for the work "Construction of non-overflow dam from Ch. (-) 167.05 M to Ch. (-) 13.10 M including formation of earth dam etc. of Janjhavathi Reservoir Project, Vizianagaram District" for Rs 13.08 crore. Superintending Engineer, Irrigation Circle, Bobbili (SE) concluded (February 2004) an agreement with the lowest and successful tenderer for Rs 8.95 crore at a discount of 29.70 *per cent* on the estimated contract value of Rs 12.73 crore.

As per the provisions contained in clause 63(b) of APSS which formed part of the agreement, payment for excess quantity of cement should be made only after applying the tender discount duly treating the item of work requiring more cement as deductible item.

However, on a scrutiny (March 2006) of the records of the Executive Engineer, Janjhavati Reservoir Project, Paryathipuram it was noticed that the agreement for the work in question included a clause to the effect that the excess or less usage of cement due to changes in mix proportion as per design mix that would be evolved in laboratory would be paid or recovered from the contractor at Rs 2424 per MT (a rate adopted in the estimate for cement). Accordingly for the excess quantity of 4628 MT of cement used in the work over and above the originally contemplated quantity, the contractor was paid Rs 1.12 crore @ Rs 2424 per MT without however, applying the tender discount. This resulted in avoidable extra payment of Rs 33.32 lakh.

In reply Government stated (March 2007) that the relevant clause of APSS was not applicable for the present work as it was entrusted under lump sum contract. The reply is not acceptable as the Department regulated the payments for additional quantities of other items of the same work duly deducting the tender discount.

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

4.3.5 Avoidable payment of surcharge on power bills

Imprudent action of the SE/EE in limiting the payment of power bills to category VI rates, despite the APSEB turning down their request, led to avoidable payment of Rs 6.24 crore on surcharge for belated payments.

Executive Engineer, Camps and Buildings Division, Neelam Sanjeeva Reddy Sagar Project, Srisailam (EE) concluded (November 1994) an agreement with Andhra Pradesh State Electricity Board (APSEB - converted as APTRANSCO) for power supply to Right Flank Colony (colony) including water supply feeder under High Tension Category VI. upto March 1998, the monthly power bills were raised and paid at tariff rates for Category VI consumers.

The service connection was recategorised in April 1998 by the APSEB as Category II with higher tariff, retrospectively from November 1994, on the grounds that there were some commercial establishmentsⁱⁱ existing in the colony. A revised demand was raised (April 1998) for Rs 4.33 crore towards the difference in consumption charges for the period from November 1994 to March 1998 which was later waived by the APSEB at the request of the department. The subsequent monthly bills from April 1998 onwards were, however, raised under Category II. The department requested (April 1998) the APSEB to raise the bills under Category VI since the commercial establishments had existed even at the time of concluding the agreement. The Member Secretary, APSEB turned down (September 1998) the request of the department and while advising that the bills as raised under Category II be paid, promised that the matter regarding change to category VI would be re-examined. However, the EE, under instructions from the Superintending Engineer, Dam Maintenance Circle, paid the bills for the months April 1998 to November 2000 duly restricting the amounts as per tariff under Category VI. The connection was re-categorized (December 2000) with prospective effect, as Category VI after de-linking the water supply feeder.

Meanwhile, the differential amount of power consumption charges for the period from April 1998 to December 2000 had accumulated to an amount of Rs 6.50 crore on which a surcharge of Rs 6.24 crore for belated payments had also been levied. It was noticed in audit (December 2005) that the EE had paid this amount between March 2003 and February 2004 in installments. Thus, the imprudent action of the SE/EE in limiting the payment of power bills to category VI rates, despite the APSEB clearly turning down their request, led to avoidable payment of Rs 6.24 crore on surcharge for belated payments.

ⁱⁱ Cinema halls; Flour mills, Ice factories, ITI workshops, shopping complexes, etc.

Government replied (March 2007) that there was no failure on the part of the Project authorities in not admitting the bills as raised by the APCPDCL as they have acted as per the agreement. The reply is not sustainable as the department's decision was finally proved incorrect and they paid not only the consumption charges at higher rates but also the surcharge.

4.3.6 Avoidable expenditure due to non-installation of capacitors

Failure of the EE in installing necessary capacitors costing Rs 47.06 lakh has resulted in payment of avoidable surcharge of Rs 1.69 crore on electricity consumed.

Nagarjuna Sagar canals division, Miryalaguda (division) maintains 40 Lift Irrigation (LI) schemes which supply water to 79285 acres of ayacut under Nagarjuna Sagar left canals. The power bills of these LI schemes are being paid by the division as it is the policy of Government to provide free power to the farmers. As per the Tariff Order (2004-05) of Andhra Pradesh Electricity Regulatory Commission, the consumer is required to pay surcharge at prescribed percentages, if the power factor¹², in any month, falls below 0.90. The consumer could, however, install capacitors of notified rating to bring the power factor to the required standard.

Scrutiny in audit of records of the division (November 2005) showed that the power factor in most of the LI schemes was far less than the required level of 0.90. Consequently, surcharge for low power factor, amounting to Rs 58.30 lakh, had been paid for the months from January 2005 to September 2005. The remedial measure of installing capacitors, the estimated cost of which was only Rs 47.06 lakh, was not taken by the division to bring the power factor to the required level. It was only after October 2005, when the omission was brought to notice by audit, the Department took action and replied (November 2005) that capacitors would be fixed. However, capacitors for only 20 LI schemes as against 40 had been installed to the end of January 2007. As a result, the division continued to pay surcharge which amounted to Rs 1.11 crore for the period October 2005 to October 2006. As the capacitors have not been installed in all the LI schemes, the liability of paying surcharge still continues.

The failure of the Executive Engineer (EE) in installing the required capacitors has resulted in avoidable expenditure of Rs 1.69 crore till October 2006.

Government while accepting the audit observation stated (March 2007) that the capacitors were installed for 20 LI schemes and the remaining 20 LI schemes would be provided with capacitors by July 2007. However, there was no progress in fixing the capacitors for balance LI schemes as of August 2007.

¹² The power factor for the month shall be the ratio of Kilo - Watt hours to the Kilo - Volt Ampere hours supplied to the consumer during the month

**MUNICIPAL ADMINISTRATION AND URBAN
DEVELOPMENT DEPARTMENT**
(Visakhapatnam Urban Development Authority)

4.3.7 Loss of revenue due to adoption of incorrect rates for sale of plots

Adoption of incorrect rates for sale of plots/plot-cum-houses resulted in loss of revenue of Rs 1.18 crore to Visakhapatnam Urban Development Authority.

Visakhapatnam Urban Development Authority (VUDA) develops and sells plots and plot-cum-houses under the urban agglomeration of Visakhapatnam city. Government orders require that all 'High Income Group' (HIG) category applicants are sold HIG plots at 20 *per cent* over and above the rate fixed for Middle Income Group (MIG). This would apply even if lower category (MIG) plots are allotted to the HIG category.

Scrutiny (March 2006) of the transactions relating to sale of plots and plot-cum-houses by the VUDA under Phases V, Phase V extension, Phase VI, and Phase VII at Kurmannapalem disclosed that VUDA failed to apply 20 *per cent* extra over the MIG rate while allotting the plots.

For fixing the sale price of the plot-cum-houses in Phase V extension and Phase VII, VUDA had decided (March 2003) to adopt the prevailing market price (January 2002-August 2003). However, instead of Rs 625 per square yard which was the then prevailing market price as per the records of the Registration Department, VUDA adopted Rs 550 (Phase V extension) and Rs 600 (Phase VII) for both MIG and HIG categories without ascertaining the rates from the Registration Department. Moreover, the plots continued to be allotted at the same rate of Rs 550/Rs 600 without revision, despite the increase¹³ in market rate from time to time. Thus, in Phase V extension and Phase VII, VUDA suffered loss of revenue in the sale of both MIG and HIG plots, as indicated in the table below.

Phase	Type of plot	Number of plots/ plots-cum-houses	Rate fixed (Rs)	Rate required to be fixed (Rs)	Short realisation (Rs in lakh)
Phase V	HIG	88	425	488	17.12
	MIG ⁵	12	425	488	1.49
Phase VI	HIG	47	790/1107/1191	858/1202	9.07
Phase V Extension	MIG	28	550	625/781	7.05
	HIG	8	550	750/937	6.32
Phase VII	MIG	81	600	625/781	4.87
	HIG	94	600	750/937/ 2664	71.99
Total		358			117.91

⁵ Allotted to applicants of HIG Category

Overall, due to application of incorrect rates in fixing the sale price of 147 plots and 211 plots-cum-houses, VUDA sustained loss of revenue of at least Rs 1.18 crore.

¹³ Rs 781 during September 2003 - August 2004, Rs 860 during September 2004 - June 2005, Rs 1850 during July 2005 - July 2006 and Rs 2250 from August 2006 onwards

While accepting the audit points, the Vice-Chairman, VUDA (VC) assured (May 2007) that for all future projects/schemes the rates would be fixed in accordance with the orders of Government and the Government endorsed (August 2007) the reply of VC.

Thus, adoption of incorrect rates for sale of plots/plots-cum-houses resulted in loss of revenue of Rs 1.18 crore to VUDA.

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

4.3.8 Doubtful viability of roadwork and avoidable extra expenditure

Execution of chip sealing work contrary to the MORTH specifications resulted in execution of work of doubtful viability at a cost of Rs 2.82 crore and avoidable expenditure of Rs 26.70 lakh.

The work 'Providing chip sealing (crack prevention course) on Bituminous Surface for Narketpally - Addanki road from Km 0/0 to 213/0 in Nalgonda district' was administratively sanctioned (July 2004) for Rs 2.00 crore for execution with financial assistance of World Bank under Andhra Pradesh Economic Reconstruction Project (APERP). Managing Director (MD), Andhra Pradesh Road Development Corporation (APRDC), Hyderabad accorded (September 2004) technical sanction to the work for the same amount. The work was entrusted (December 2004) to a contractor for Rs 2.22 crore with a stipulation to complete the work in nine months.

The main component of the work under the agreement was 'providing and laying of stress absorbing membrane of two coats over a cracked road surface using Crumb Rubber Modified Bitumen (CRMB) 60 grade' complying to clause 522 of Ministry of Road Transport and Highways, Government of India (MORTH) specifications. After concluding the agreement, the contractor requested the MD, APRDC to change the specification from CRMB to regular Bitumen as he was facing practical difficulties while using the CRMB. The MD, APRDC permitted (July 2005) the contractor to proceed with the work changing the bitumen from CRMB-60 grade to 80/100 grade. Accordingly, the contractor completed the work within the extended contract period, i.e. by 30 March 2006 and an amount of Rs 2.82 crore was paid (July 2006) to the contractor.

Audit scrutiny revealed that the MORTH specifications (clause 522.2.1), had categorically specified that the binder to be used in the work shall be a modified binder complying with the requirements of clause 521. Therefore, the action of the MD, APRDC in changing the specification and substituting the binder from CRMB 60 to 80/100 grade bitumen contrary to the express specification of MORTH and not specified in clause 521, had resulted in the work executed at a cost of Rs 2.82 crore being of doubtful viability.

The department did not pay attention to the practical difficulties involved in execution of chip ceiling work, which was stated to be first of its kind in the

State, either at the time of according technical sanction or even after concluding the agreement. It was only after the contractor had brought the practical difficulties to the notice of the department, the specification of this item of work was changed in the month of July 2005. By that time the monsoon had arrived, necessitating granting of extension of time to the contractor. As a result the work, which was originally stipulated to be completed by September 2005, was actually completed in March 2006.

Government in July 2006 issued orders for payment of price escalation on materials used in World Bank aided APERP works also, where the final bills were not paid as on 31 March 2006. Accordingly, an amount of Rs 26.70 lakh was paid to the contractor in the instant work. Thus, poor planning by the department in assessing the practicability or otherwise in execution of work with a new specification had led to delay in completion of the work and consequential payment of price escalation of Rs 26.70 lakh, which could have been avoided, had the work been completed within original agreement period.

The matter was reported to Government (May 2007); their reply had not been received (August 2007).

YOUTH ADVANCEMENT, TOURISM AND CULTURE DEPARTMENT

(Sports Authority of Andhra Pradesh)

4.3.9 Undue favour to a firm in Games Village Project

Government/Sports Authority of Andhra Pradesh (SAAP)/AP Industrial Infrastructure Corporation Ltd. ignored contracted conditions, which resulted in undue favour of Rs 21.60 crore to the Developer.

Government decided (March 2000) to develop a Games Village at Kancha Gachibowli, Hyderabad for hosting 32nd National Games which were scheduled to be held in February 2002. An agreement was entered into (February 2001) between Sports Authority of Andhra Pradesh (SAAP) (Client), AP Industrial Infrastructure Corporation Ltd. (APIIC) (Implementation Agency) and Hyderabad based firm (Developer) for development of Games Village on 50 acres of land belonging to SAAP. As per the agreement, the Developer was to complete the Games Village through a Special Purpose Vehicle (SPV) with 1000 dwelling units (minimum built up area of 13 lakh sq.ft) with complete infrastructure and hand over to SAAP by February 2002. The Developer was to pay Rs 14.50 crore¹⁴ towards land cost at the rate of Rs 29 lakh per acre. Penal interest at the rate of 18 per cent per annum was payable for belated payments. The agreement also provided for levy of penalty at Rs 10 lakh per week for delay in each milestone in project implementation. Further, the developer, through the SPV, was required to pay a sum of Rs 14.50 crore in the shape of fixed deposit (Rs 5.45 crore) and bank guarantee (Rs 9.05 crore)

¹⁴ Rs 10 crore in cash in three instalments (Rs 2.50 crore, Rs 2.50 crore and Rs 5.00 crore by June 2002, June 2003 and June 2004 respectively) and the balance in kind (built up area equivalent to Rs 4.50 crore)

to APIIC towards non-refundable 'Approval Fee' for granting permission to raise finance on the security of the land by deposit of title deeds by SAAP in favour of financial institutions. An incentive award would be paid by SAAP/APIIC to the developer, if he successfully completed the project, by returning the bank guarantee of Rs 9.05 crore and the fixed deposit of Rs 5.45 crore after deducting the dues payable to SAAP/APIIC. The dwelling units would be taken back by the Developer after completion of the National Games.

Audit of accounts of SAAP, disclosed (March 2006) the following significant points:

Penal action not taken for violation of agreement conditions	<p>The conditions of the agreement had not been met by the Developer. The National Games, though rescheduled from February 2002 to December 2002, SAAP had to accommodate the sports persons in dwelling units which had not been completed in all respects. The Developer paid (September 2002) the first instalment of land cost after a delay of 75 days and defaulted in payment of the remaining two instalments till October 2004 when the Government allowed it to pay this amount (including that of Rs 4.50 crore for equivalent built up area in cash) in four instalments. The amount which worked out to Rs 10.20 crore¹⁵ was paid by the Developer only during the period November 2004 - February 2006.</p> <p>Government had agreed (October 2004) to waive the penal interest (amounting to Rs 1.90 crore) in exchange for Developer not asking for compensation on account of the delay caused in conducting the National Games. The contract agreement had provided for payment of compensation in the event of delay in conducting the Games beyond 60 days from the date of completion of 13 lakh sq.ft of dwelling units. As the dwelling units had not been completed by the scheduled date, or even by the rescheduled date of December 2002, there was little justification in the waiver. In fact it was incomplete even as of July 2004.</p> <p>Also, APIIC failed to impose penalty of Rs 10 lakh per week on the Developer for the delays in completion of each milestone of the project.</p>
Improper release of incentive award to the Developer	<p>Though the Developer failed to complete the project as per the milestone specified in the contract, APIIC, without the knowledge of SAAP, hurriedly released the entire incentive award of bank guarantee of Rs 9.05 crore and fixed deposit of Rs 5.45 crore to the Developer even before payment of first instalment.</p>
Benefit of acquiring the property at lesser rate foregone by Government	<p>SAAP/APIIC failed to specify and incorporate in the agreement built up area equivalent to the balance land cost of Rs 4.50 crore. The Developer had offered (June 2004) the built up area at Rs 1160 per sq.ft (including electricity and water). Had this offer been accepted the SAAP would have got an area of 38793 sft of built up area against the prevailing market rate of Rs 2500 per sq.ft. Government decided (October 2004) to accept the balance amount also in cash only resulting in foregoing the benefit of acquiring the property at a rate lesser by Rs 5.20 crore (Rs 2500 per sq.ft minus Rs 1160 per sq.ft X 38793 sq.ft).</p>
Cost of the land not revised though stipulated	<p>Although the Developer had failed to develop the land earmarked for commercial use by June 2006, the cost of the land had not been revised by SAAP/APIIC though stipulated in the agreement.</p>

The Vice-Chairman and Managing Director, SAAP (VC&MD) accepting (May 2007) the audit points, stated that it was the Government's decision in October 2004 to waive the penal interest on delayed payment of land cost and to accept cash in lieu of dwelling units for the balance amount of the land cost. He however, stated that action would be taken to revise the land cost for non-developing the land for commercial purpose.

¹⁵ Out of total land cost of Rs 14.50 crore, Rs 2.50 crore paid towards first instalment and Rs 1.80 crore kept as security deposit adjusted as payment

Thus, overall, the decisions of the Government to waive the penal interest (Rs 1.90 crore), to accept cash payment in lieu of the equitable dwelling units agreed earlier (Rs 5.20 crore), and the unauthorised and hurried release of incentive award (Rs 14.50 crore), resulted in undue benefit to the Developer of Rs 21.60 crore and consequent loss to that extent to SAAP.

The matter was reported to Government in June 2007; their reply had not been received (August 2007).

4.4 Idle investments/idle establishments/blocking of funds/delays in commissioning of equipment; diversion/misutilisation of funds

ANIMAL HUSBANDRY AND FISHERIES AND TRANSPORT, ROADS AND BUILDINGS (Ports) DEPARTMENTS

4.4.1 Deficient planning in construction of Machilipatnam Fishing Harbour

Poor planning by the Departments of Fisheries as well as Ports has resulted in a Fishing Harbour completed at a cost of Rs 4.75 crore still not being effectively used even after four years of completion.

State Government approved (September 1998) the construction of a Fishing Harbour at Machilipatnam with the avowed objective of alleviating the socio-economic conditions of the native fishermen by better exploiting the vast potential of marine fishery resources. The project was undertaken at an estimated cost of Rs 6.40 crore under a Centrally sponsored scheme on 50:50 basis. The scheme envisaged the construction of landing, berthing and outfitting requirements for 350 mechanised fishing vessels (10 and 14 metre long) which would lead to additional fish and crustaceans catches, of Rs 10 crore value, and export of frozen prawns worth Rs 8.94 crore from the fifth year of the project. Besides, it was expected to create employment opportunities for about 900 persons on fishing vessels, on shore and in market establishments. The construction of Fishing Harbour structures was completed only by March 2003 with a time overrun of 17 months at a cost of Rs 4.75 crore¹⁶ and handed over (March 2003) to the Port Officer, Machilipatnam for use and maintenance.

It was however, observed (December 2006) that the owners of mechanized fishing boats continued to operate from a fishing village two km away from the Fishing Harbour as necessary infrastructural and marketing facilities were not available at the port. This had also deterred the prawn and fish purchasing companies from shifting to the vicinity of the new Harbour.

¹⁶ from GOI: Rs 2.35 crore, State Government: Rs 2.40 crore (Civil works: Rs 3.46 crore, Dredging: Rs 0.47 crore ; recurring and non-recurring expenditure: Rs 0.82 crore)

The Machilipatnam Mechanised Fishing Boat Owner's Welfare Association had represented (February 2005) to the Port Commissioner, Kakinada to provide infrastructural facilities like petrol bunk, ice plant, water, canteen, bus facility up to harbour, etc. so that they could shift to the newly constructed fishing harbour. It was only in October 2006 that, the Director of Ports approached the Government to assign 2.5 acres of land adjacent to the harbour to the Fisheries Department for allotment of sites to fishing companies in order to put the harbour in operation. As of July 2007, only 14 plots of 216 Sq. metres each had been allotted to 14 fish traders. The workshop, canteen, gearshed, etc. were not put to use and the ice plant was also yet to be set up.

Thus, poor planning on the part of the Departments of Fisheries as well as Ports has resulted in the Fishing Harbour completed in March 2003 at a cost of Rs 4.75 crore, not being put to effective use even after a lapse of about four years.

The Government accepting (May 2007) the audit point stated that all necessary steps would be taken so as to put the harbour to use in all aspects. The very objective of improving the socio-economic condition of fisher men and creating additional employment opportunities thus remains largely unachieved.

HIGHER EDUCATION DEPARTMENT (Potti Sreeramulu Telugu University)

4.4.2 Unproductive expenditure on construction of buildings

Buildings constructed for a Men's Hostel and Department of Publications of the University remained unutilized since December 2004, rendering the expenditure of Rs 1.34 crore unfruitful besides locking up of Rs 3 crore.

The Hyderabad campus of Potti Sreeramulu Telugu University (University) established in 1985 has been functioning from a temporary accommodation in the city, with its hostel located about four km away from the main building. The Government allotted (November 2003) 100 acres of land (18 km from the existing campus) to the University, for a full-fledged Hyderabad Campus. The University took up (December 2003) the construction of buildings for a Men's Hostel and the Department of Publications at the site, and completed them by December 2004 at an expenditure of Rs 1.34 crore. It was observed by Audit that the buildings had not been put to use as of July 2007 in spite of the fact that the University is facing a problem of acute shortage of accommodation.



Buildings constructed for Department of Publications and Men's Hostel not put to use

There had been little planning before the construction of hostel and publications buildings was taken up and the University did not assess the requirement of funds for constructing necessary infrastructure essential for administrative and academic activities. Government released only Rs 3 crore (2005-06: Rs one crore and 2006-07: Rs two crore) as against Rs 12 crore sought for construction of Administrative Block and Library building. The entire amount was lying unutilised in a nationalised bank.

Government replied (March 2007) that the Men's Hostel and Publications Department would be shifted during the next academic year (2007-08) and the office by January 2008. Audit however, observed that there was no connectivity by road/rail to the proposed new campus from the city and the buildings constructed had no approach roads as could be seen from the above photograph.

Thus, construction of hostel and publications buildings without having a comprehensive plan has led to these buildings remaining unutilised for over two years rendering the whole outlay of Rs 1.34 crore unfruitful besides locking up of Rs 3 crore outside the government account.

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

4.4.3 Blocking up of funds due to non-completion of a pilot project

Lack of proper planning in execution of a pilot project resulted in its non-completion and consequential blocking up of Rs 5.55 crore for more than two years.

Government decided (January 2004) to provide a lining to the existing unlined Wazeerabad major canal from Km 0/0 to Km 10/0 in Block V of Nagarjuna Sagar Lal Bahadur Canal as a pilot project. The High Density Polyethylene (HDPE) microspike liner manufactured by an Austrian company was selected (October 2004) out of different geomembranes for its advantages of natural flexibility, puncture resistance and immunity towards microbial attacks. The pilot project was administratively approved by the Government and technically sanctioned by the Chief Engineer, Nagarjuna Sagar Project (CE) in February 2005 for Rs 12 crore.

The scope of the work included, inter alia, earthwork for preparation of seating to the lining, fixing HDPE liner and laying cement concrete lining over the HDPE liner. Government placed the supply order (October 2004) on the Austrian company for the HDPE lining material and the machinery for its laying, at a cost of Rs 5.55 crore. In the meanwhile, the Superintending Engineer, Operations and Maintenance Circle (SE) entrusted (June 2005) the lining work (excluding HDPE material and imported machinery) to firm 'H' for Rs 6.07 crore for completion in five months. However, due to delay in finalization of drawings and frequent releases of water in the canal, the firm could execute earth work excavation and silt clearance only valuing Rs 41.05 lakh (6.75 per cent) during the agreement period. Though the SE granted (June 2006) extension of time up to 31 July 2007, there was no progress in the work as of August 2007.

Further, the SE with the permission of the Government and on the advice of the Austrian company entrusted (April 2006) a portion of work (laying of HDPE liner) to another firm 'P' considering its experience in such works, on nomination basis for Rs 85.18 lakh without corresponding reduction in the contract value of firm 'H'. The feasibility of involving two different firms on the work was not considered though it was a crucial element as the cement concrete was to be laid over the HDPE liner on the same day requiring the utmost co-ordination between the two firms. Consequently, firm 'P' could not commence the work, as firm 'H' had not completed the seating to the lining. The HDPE liner material, the guarantee period of which was two years after delivery, and machinery imported in August 2005 at a cost of Rs 5.55 crore is lying in a godown as of August 2007.

Thus, the lack of proper planning in execution of the work resulted in non-completion of the pilot project and consequential blocking up of Rs 5.55 crore being the cost of HDPE liner, for more than two years and the larger objective of increased agricultural productivity, at lesser financial and environmental costs remains unachieved.

The reply (August 2007) of the Government that the work could not be completed due to non-availability of sufficient closure period of canal is not acceptable as the Department, having imported the material, could have planned to complete the work atleast in a phased manner.

4.4.4 Non-creation of irrigation potential

Delay of seven years in taking up the construction of a bridge on NH 5 resulted in unfruitful expenditure of Rs 61.81 lakh besides non-creation of irrigation potential.

The Seventh Branch Canal of Telugu Ganga Project was planned to be 27.666 km in length and to create irrigation potential of 71705 acres. Of this, 58000 acres (81 *per cent*) lay after it crosses the National Highway (NH) No.5. Since the construction of a bridge for the NH to pass over the canal was essential, the Superintending Engineer, Telugu Ganga Project, Srikalahasthi Circle (SE, TGP) approached (April 1999) the Superintending Engineer, National Highways Circle, Ongole (SE, NH) for detailed drawings and designs for the intended bridge. The SE, NH advised (June 2000) the SE, TGP to deposit estimate cost with National Highways Authority of India (NHAI) for construction of the bridge. However, the SE, TGP failed to notify the excavation of the canal for inclusion in the Detailed Project Report of the road widening work. Subsequently an amount of Rs 1.45 crore was deposited (July 2003) as an advance with NHAI. However, NHAI furnished (July 2005) the cost estimate of Rs 5.75 crore for construction of the bridge. Instead of depositing the differential amount, the Chief Engineer, TGP requested (February 2006) NHAI authorities either to construct the bridge immediately or to refund the deposit amount and permit the department to construct it. Though the NHAI refunded (March 2006) the advance of Rs 1.45 crore, the permission as sought for was not accorded. The NHAI promised (August 2006) to construct the bridge if the department deposits the required amount. The revised cost of the bridge is to be assessed as of August 2007.

Audit scrutiny (February 2005) revealed that the branch canal with its majors and distributaries had been excavated upto and beyond NH5. An amount of Rs 61.81 lakh was spent on construction of canal and other structures beyond the proposed bridge. The failure of the department in getting the bridge constructed for over seven years rendered the entire expenditure of Rs 61.81 lakh, on construction of canal and structures beyond the proposed bridge, unfruitful besides non-creation of irrigation potential for 58000 acres as envisaged in the project.

The matter was reported to Government (May 2007); their reply had not been received (August 2007).

REVENUE DEPARTMENT (District Gazetteers)

4.4.5 Nugatory expenditure on pay and allowances of idle staff

Non-deployment of idle staff of District Gazetteers Department, resulted in nugatory expenditure of Rs 2.76 crore towards pay and allowances.

The State Government constituted the District Gazetteers Department (DGD) in the year 1958 with the main objective of preparing and periodically revising the District Gazetteers as per the recommendation (1955) of expert committee. District Level Committees were to assist the DGD in collecting the required information for the Gazetteers. The whole work was to be completed within a period of five years by May 1963. It has a staff complement of 45 (permanent post: 40; temporary post: 5) including the post of State Editor, the Head of the Department.

However, the DGD compiled and published all the 23 District Gazetteers of the State only by the year 2000. No work was stated to have been turned out by the department since 2001-02. It was however, observed that 24 officers and staff including the State Editor were continuing in the DGD as of July 2007. Expenditure on their salaries and other office expenses during the period 2001-07 (upto March 2007) amounting to Rs 2.76 crore was rendered wasteful.

Government accepting the audit point stated (June 2007) that a proposal for abolishing the DGD including the post of State Editor and for accommodating the staff in the office of Chief Commissioner of Land Administration (CCLA) by creating Supernumerary posts would be placed before the Council of Ministers and necessary orders would be issued after the approval of Council of Ministers.

Thus, failure on the part of the Government to deploy the surplus staff of the DGD to other departments resulted in the staff remaining idle for over five years and consequent nugatory expenditure of Rs 2.76 crore (up to March 2007) towards pay and allowances.

SOCIAL WELFARE (Tribal Welfare) DEPARTMENT

4.4.6 Non-implementation of Minor Irrigation Scheme in Tribal areas

Inordinate delay in implementation of Minor Irrigation in tribal ayacut region resulted in irrigation facilities to ST ayacutdars remained unachieved despite availability of GOI grant of Rs 7.20 crore.

Government of India (GOI) released (September 2005) Rs 7.20 crore as Central assistance for State Plan 2005-06, for implementation of 'Minor Irrigation' in tribal ayacut region in order to promote the welfare of Scheduled Tribes in the State. The release of grant was subject to the conditions *inter alia* that the amount would be immediately transferred to the implementing agencies within one month and utilisation certificate of the grant furnished to GOI within 12 months of the closure of the financial year.

The State Government communicated in November 2005 the schemes proposed under AP Tribal Lift Irrigation Project to the Project Officers (POs) of Integrated Tribal Development Agency (ITDA) and the Commissioner of Tribal Welfare (TW) finalized (March 2006) a list of 29 works to be executed in six districts with an ayacut of 3436 acres with an estimated cost of Rs 7.23 crore (the additional amount of Rs 3.55 lakh was to be met from the available funds of PO, ITDA, Utnoor). It was only in February 2007 after a delay of 17 months, that the Government accorded administrative sanction for taking up the 29 works and released (April 2007) funds to POs, ITDA for execution of works. The status of these works as of May 2007 are as follows:

Name of the District	No. of schemes proposed for implementation	Ayacut (in acres)	Total estimated cost (Rs in crore)	Progress of works (as of May 2007)
Visakhapatnam	2	310	0.60	Works are yet to be taken up.
East Godavari	4	400	1.06	Information was not furnished.
West Godavari	2	200	0.47	Information was not furnished.
Warangal	4	1000	2.02	As the works are not concentrated on the tribal ayacut irrigation, it was proposed for cancellation, seeking alternative works.
Khammam	14	1455	2.87	Five works were proposed for cancellation due to lack of water source, taking up the work under another scheme, etc. Nine works are yet to be taken up.
Adilabad	3	71	0.21	Two works are dropped due to non-availability of 70 per cent tribal ayacut and taking up the work under another scheme, and one work is in progress.

Thus, the sanctioned works which were to be completed in 12 months, are still either under estimation stage or awaiting receipt of alternate proposals from the POs.

The Government while admitting (June 2007) the delay in giving administrative approval to the schemes attributed it to the difference of opinion between the Finance and Tribal Welfare departments regarding the nature of Grant received from the GOI resulting in the grant being released by the Finance Department only in March 2007. Government further stated that, to expedite

the process, the TW Department accorded administrative sanction in February 2007 itself and appropriate action was being taken for implementation of the scheme as well as to complete the works.

Thus, due to indifference of the State Government, Commissionerate and the POs, the implementation of Minor Irrigation in tribal ayacut region, was inordinately delayed, and GOI's objective of providing irrigation facilities to ST ayacutdars still remained unachieved (July 2007).

WOMEN DEVELOPMENT, CHILD WELFARE AND DISABLED WELFARE DEPARTMENT

4.4.7 Delay in construction of Government Children Home

Construction of building for Government children home for boys has not commenced even after two and half years of receipt of Central grant of Rs 50 lakh.

As the existing children home operating out of the old Jail Complex, was unsuitable, the State Government accorded (May 2005) administrative sanction for construction of Government children home for boys (Children Home) in Kadapa under a Centrally sponsored scheme. It placed (May 2005) Rs 50 lakh (received from GOI in January 2005) at the disposal of the Director, Juvenile Welfare, Correctional Services and Welfare of Street Children, Hyderabad (Director), who in turn, allotted (June 2005) the funds to the District Collector, Kadapa. The amount was drawn (March 2006) and kept in the Personal Deposit (PD) Account of the Collector.

Scrutiny (September 2006) of records of Superintendent, Government Children Home for Boys, Kadapa, disclosed that the construction works for the building of Children Home had not even commenced due to non-identification of a suitable site. It was only in March 2007 that a site admeasuring 2.50 acres in Chinnachowk village of Kadapa Mandal was allotted and advance possession was given to the Superintendent, Children Home, Kadapa. The site was handed over to AP Health Medical Housing and Infrastructure Development Corporation, Kadapa (Constructing Agency) in April 2007. The amount of Rs 50 lakh was lying unutilised in the PD Account of the District Collector as of July 2007.

Government while admitting the delay in the construction of Children Home stated (August 2007) that the plans and estimates prepared by the constructing agency were approved and tenders for the work invited. Government also assured that action would be taken to expedite the construction work so that the grant of Rs 50 lakh lying in the PD Account of the Collector could be utilised.

Thus, due to delay in allotting a suitable site, the construction of envisaged building for the children home has not even started even after two and half years of receipt of Central grant denying the children of the benefit of a suitable Home.

**YOUTH ADVANCEMENT, TOURISM AND CULTURE
DEPARTMENT**

(Sports Authority of Andhra Pradesh)

4.4.8 Unproductive expenditure on cycling equipment and loss on defective equipment

Cycling equipment costing Rs 1.29 crore, imported for use during the National Games was largely received after the commencement of the games in December 2002 and most of them are still lying unassembled as of March 2007.

Sports Authority of Andhra Pradesh (SAAP) proposed (April 2001) to procure cycling equipment for providing to sports persons of Andhra Pradesh for practice and participation in 32nd National Games in 2002. SAAP called for (June 2001) quotations from the three foreign firms as recommended (April 2001) by Cycling Federation of India (CFI), and got response from a Singapore based firm – A only. While the placing of orders with firm 'A' was at final stage, another Singapore based foreign firm 'X' contacted (July 2002) SAAP on its own and expressed its desire to supply the equipment. However, without consulting CFI and/or without verifying the credentials of the firm 'X', SAAP placed (August 2002) the entire order on firm 'X' as it had quoted lesser rates with overall difference of Rs 5.45 lakh, as compared to the price quoted by the firm 'A'. An amount of Rs 1.44 crore was released (October/November 2002) to a bank for payment (80 *per cent* of payment made initially for each shipment and balance 20 *per cent* paid after the last shipment) to the supplier through Letter of Credit (LOC) for supplying equipment for 47 cycles. The equipment was received in four shipments during November - December 2002.

It was observed (March 2006) that the equipment had not been received in full before commencement of the Games (December 2002) though the entire equipment had been imported by air consignments (expenditure: Rs 4.55 lakh) and could not be utilised by the cyclists of Andhra Pradesh either for practice or for use during the National Games. Most of the imported cycling equipment was lying unassembled for over four years and as of March 2007, only six cycles could be assembled (VC&MD reported assembling of another 27 cycles in May 2007 but did not indicate the usage) and issued to Cycling Academy for use leaving 41 cycles (approximate cost: Rs 1.29 crore) unassembled due mainly to non-receipt of certain vital parts.

It was only in March 2003 that SAAP noticed that the firm supplied inferior quality goods, and that the quantity supplied was different from that mentioned in the invoice. Though the supplier offered to bear the cost of to and fro journey of one authorised representative to come to Singapore for verifying the quality of the cycling equipment before airlifting, SAAP had decided to conduct the quality check at Hyderabad only and this was attributed (August 2007) by VC&MD to the urgency in procurement. The Committee constituted after 10 days of the receipt of last shipment for quality check, took four months as against three days prescribed to submit (May 2003) its report.

The cost of equipment rejected/short-supplied as per the quality check-report works out to Rs 30.14 lakh. The request (March 2003) of the SAAP to withhold the balance 20 *per cent* payment (Rs 27 lakh approximately) had been rejected by the Bank (March/April 2003) on the ground that as per the terms and conditions the discrepancies in the quality/quantity of goods had no bearing on payment under LOC and paid (April 2003) the balance out of LOC. Efforts made by SAAP for replacement/rectification of the rejected/short-supplied equipment by the firm had also not materialised (May 2007).

Thus, absence of any planning on the part of SAAP and ensuring that the equipment is received and assembled in time for use in the National Games, had not only left the intended objective of importing the equipment unachieved, but has also rendered the expenditure of Rs 1.29 crore unproductive for over four years. Besides, the expenditure of Rs 30.14 lakh (out of Rs 1.29 crore) also became wasteful due to non-replacement of defective/short-supplied equipment.

The matter was reported to Government in May 2007; their reply had not been received (August 2007).

4.5 Regularity issues and others

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

4.5.1 Loss due to non-collection of Net Present Value

Failure of the department in collecting Net Present Value of 431.85 ha of forest land diverted for non-forest purposes resulted in loss of Rs 33.68 crore.

Government of India, Ministry of Environment and Forests (Ministry), in compliance with the orders of the Supreme Court (October 2002/August 2003), instructed (September 2003) the Forests Departments of all States and Union Territories to charge Net Present Value (NPV) of forest lands diverted for non-forest purposes in all those cases which have been granted in-principle approval after 30 October 2002 and to realise the amounts before Stage-II (final) approval. Accordingly, Government of Andhra Pradesh through the Department of Environment, Forests, Science and Technology (Department) issued guidelines (September 2004) for collection of NPV at the rates ranging between Rs 5.80 lakh and Rs 9.20 lakh per hectare based on type and density of the forest land diverted. The Ministry further clarified (May 2005) that the NPV becomes chargeable in all cases of underground mining also, as it amounts to breaking up of fresh forest land, for which forest land is diverted under the Forest (Conservation) Act, 1980.

Audit scrutiny (July 2006) revealed that the Divisional Forest Officer (T), Warangal North Division (DFO) with the approval of GOI and permission from GOAP, assigned (June 2005) forest land admeasuring 431.85 hectares to Public Sector Undertaking (PSU) for underground mining of coal. However,

no demand was raised against the PSU for payment of NPV though in-principle (Stage-I) and final approvals were accorded by GOI in July 2003 and May 2005 respectively. It was only in July 2006, after it was pointed out by audit, a demand notice was issued to the PSU for payment of NPV of Rs 33.68 crore. However, no payment was received as of August 2007.

In reply, the PCCF while admitting the failure, had stated (March 2007) that the NPV was not collected as the same was not pointed out by GOI while according in-principle (Stage-I) approval in July 2003. Reply is not acceptable as the collection of NPV is mandatory as per GOI instructions in all cases where the forest land has to be diverted for non-forest purposes. Thus, the failure of the department in raising a demand and collecting the NPV not only resulted in loss of Rs 33.68 crore, but also the compensatory afforestation did not materialise.

The matter was reported to Government in January 2007; their reply had not been received (August 2007).

PLANNING/RURAL DEVELOPMENT DEPARTMENTS

4.5.2 Irregularities in implementation of Member of Parliament Local Area Development Scheme

Irregularities like non-commencement of works, diversions, irregular payments, etc. involving Rs 77.63 crore in implementation of MPLAD Scheme denied the envisaged benefits to the public.

The "Member of Parliament Local Area Development Scheme (MPLADS)", was designed to enable the Members of Parliament (MPs) to recommend works of developmental nature with emphasis on the creation of durable community assets based on the local needs. The scheme is fully funded by Government of India. Under the Scheme, each Lok Sabha MP has the choice to suggest the District Collector works to the extent of Rs 2 crore per year to be taken up in his/her constituency. Elected Members of Rajya Sabha could select one or more districts from the State from which he/she was elected. Nominated Members of Lok Sabha and Rajya Sabha could select any one or more districts anywhere in the country. The District Collector is the nodal officer at the District level and the works are executed through the District Rural Development Agencies (DRDA), District Water Management Agencies, Chief Planning Officers, etc. The execution of the Scheme is governed by the guidelines and instructions issued by the Ministry of Statistics and Programme Implementation, GOI, from time to time.

The annual accounts in respect of four districts viz. East Godavari, Chittoor, Nizamabad and Warangal for the years 2001-02 to 2004-05 and for two districts i.e. Adilabad and Nalgonda up to 2005-06 were received and audited during 2006-07. Scrutiny of the transactions of these six DRDAs, disclosed that the irregularities/deficiencies pointed out in the Reports of the Comptroller and Auditor General of India for the year 1996-97 and 1999-2000 were still persisting as detailed below:

Non-commencement/Non-completion of works

In the six districts, out of 12085 works sanctioned (cost: Rs 162.65 crore), only 10161 works (cost: Rs 133.65 crore) were completed leaving a balance of 1924 works (estimated cost: Rs 28.44 crore) not yet completed with delays ranging from one to six years, rendering the expenditure already incurred on these works, unfruitful. Similarly, In four districts, 398 works sanctioned during the years 1995-2007 (up to March 2007) costing Rs 7.30 crore were not even started resulting in locking up of funds of Rs 5.97 crore with the executing agencies. Details are given in *Appendix 4.2*. The Project Directors (PDs), DRDAs attributed the delays mainly to site disputes and technical problems.

Execution of inadmissible works

In all the six districts, Rs 3.56 crore were expended on 149 inadmissible works like road repairs and improvement works, community halls intended for particular community (not for general public), kalyanamandapams/shadikhanas, tennis courts in officers club, etc. District-wise details are given in *Appendix 4.3*.

Diversion of funds

MPLADS funds aggregating to Rs 23.82 crore were diverted towards other schemes and payment of salaries for DRDA staff. Against this Rs 2.21 crore was yet to be recouped as of March 2007. District wise details are given in *Appendix 4.4*.

Parking of MPLADS funds in Fixed Deposits

In all the six districts, scheme funds of Rs 64.78 crore were irregularly deposited in the shape of Fixed Deposits/Short Term Deposits/NSS ranging for a period from one month to more than a year. The district-wise details are given in *Appendix 4.5*. The funds deposited in Fixed Deposits with banks were also incorrectly shown as expenditure in the progress reports sent to GOI. The PD, DRDA, East Godavari was irregularly operating a Savings Bank account in a private bank for the transactions of scheme funds.

Irregular payment of funds to an unaided educational institution

The PD, DRDA, Chittoor, released (1995-2001) MPLADS funds of Rs 74.90 lakh to an unaided educational institution, at A.Rangampet. Based on the instructions of the GOI, the DRDA, while withholding the fresh release of funds directed the institution to return the amounts already paid, as the institution was considered to be a private trust. The Institution approached the Court of Law against the orders of the DRDA. The writ petition of the institution was finally dismissed by the High Court in December 2005. However, as of April 2007, the Project Director has not realised the amount from the institution.

Works entrusted on nomination basis

The works relating to 'Computer in education Project' in various educational institutions, costing Rs 13.71 crore were entrusted to the executing agencies in the five districts (Warangal: Rs 5.55 crore; Adilabad: Rs 3.15 crore;

Nalgonda: Rs 2.50 crore; Chittoor: Rs 1.85 crore; and East Godavari: Rs 0.66 crore) on nomination basis without calling for tenders. This deprived the benefit of competitive rates in implementation of the project.

Non-remittance of interest on savings

The PD, DRDAs, failed to obtain from the executing agencies an amount of Rs 23.26 lakh (Warangal: Rs 6.22 lakh, Adilabad: Rs 6.60 lakh and Nizamabad : Rs 10.45 lakh) being the interest accrued on MPLADS funds.

Non-maintenance of asset register

The DRDAs of Adilabad, Nizamabad and Chittoor were not maintaining the asset register, though envisaged in the scheme guidelines. The DRDAs of Warangal and Nalgonda though stated to have maintained the Assets registers, the registers were not produced to Audit. The DRDA, East Godavari, though maintaining the asset register was not maintaining it in the prescribed format.

Other points of interest

- (i) MP, Medak whose jurisdiction also falls partially in Nizamabad District, recommended 55 works costing Rs 87.45 lakh (2002-03: 9 works/Rs 8.00 lakh; 2003-04: 23 works/Rs 40.45 lakh; 2005-06: two works/Rs 6.50 lakh; 2006-07 :21 works/Rs 32.50 lakh). These works had not been taken up as of April 2007 due to non-release of funds by the District Collector, Medak.
- (ii) In Chittoor District, an amount of Rs 27.72 lakh was recovered by the executing agencies (Executive Engineers, Panchayat Raj/Rural Water Supply/Social Welfare) towards petty supervision charges from work bills for salaries of contingent staff in violation of scheme guidelines.
- (iii) DRDAs of Adilabad and Nizamabad had not maintained MP-wise Cash books.

The above irregularities/deficiencies (amounted to Rs 77.63 crore) adversely affected the implementation of MPLAD Scheme denying the envisaged benefits to public at large.

The matter was reported to Government in May 2007; their reply had not been received (August 2007).

SCHOOL EDUCATION DEPARTMENT

4.5.3 Release of grant-in-aid to ineligible schools

Failure of the DEOs, Visakhapatnam and RangaReddy Districts to ensure fulfillment of the prescribed criteria for renewal of recognition resulted in unauthorised aid of Rs 2.18 crore to the unrecognised schools.

Under the AP Education Act and Rules made thereunder an educational institution which has been granted recognition, is entitled to apply for grant-in-aid from Government. Educational institutions are required to seek renewal before expiry of recognition and the competent authority after verification

would grant recognition. If any of the conditions of recognition is violated at any time, the recognition is liable to be withdrawn from the school. No educational institution is entitled to any grant-in-aid from Government, the recognition of which has been withdrawn/not renewed.

It was, however, noticed during audit (October - November 2006) of the accounts of the DEOs, Visakhapatnam and RangaReddy Districts that contrary to the provisions of the Act, the DEOs released grants-in-aid to the following unrecognised schools over the years without ensuring that they fulfilled the prescribed criteria for recognition.

Name of the School	Period not covered by recognition	Grant-in-aid released for unrecognised period (Rupees in crore)
Visakhapatnam District		
Viswodaya Primary School, Visakhapatnam	1995-96 to 2005-06	0.65
Port Primary School, Visakhapatnam	1995-96 to 2005-06	0.39
Bethal Primary School, Anakapally*	2000-01 to 2006-07	0.24
RangaReddy District:		
Kanya Patashala High School, Tandur (KPHS)	2002-03 to 2006-07	0.84
MB Upper Primary School, Ibrahimpatnam (MBUPS)	2005-06 to 2006-07	0.06

* Temporary recognition was granted up to the academic year 1999-2000 and there were no renewals thereafter. The school was closed (June 2006) by the DSE due to expiry of the 'correspondent' of the school

The DEO, Visakhapatnam replied (February 2007) to Audit that the management of the institutions had applied for renewal of recognition in time, but the Deputy Inspector of Schools (U) had misplaced the renewal applications. However, from the records it was seen that the application for renewal in the case of Port Primary School had been received only in August 2001 after a lapse of five years of initial recognition. As regards the schools in RangaReddy District, the Regional Joint Director replied (August 2007) that proposals submitted by the DEO in September 2003 for renewal of recognition were pending with DSE in respect of KPHS. In the case of MBUPS, the proposals were pending with Inspecting Officer. Thus, failure of the DEOs to ensure fulfillment of the criteria for renewal of recognition resulted in unauthorised aid of Rs 2.18 crore to unrecognised schools.

The matter was reported to the Government in February 2007; their reply had not been received (August 2007).

4.6 General

Follow-up on Audit Reports

4.6.1 Non-submission of Explanatory (Action taken) Notes

As per the instructions issued by the Finance and Planning 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.

As of 31 July 2007, 22 departments had not submitted explanatory notes, in respect of 120 paragraphs/reviews for the years 1996-97 to 2005-06. The details are given in *Appendix 4.6*.

4.6.2 Action taken by Government

Government/Heads of Departments have to take necessary remedial action on the points mentioned in the Reports of the Comptroller and Auditor General of India. Audit test checked compliance of some of the crucial issues/system deficiencies pointed out in the Audit Reports of previous years by revisiting the audited units concerned.

Scrutiny of compliance of the action taken on the irregularities/system deficiencies in five cases in four departments pointed out in the Audit Report for the year 2004-05 disclosed that shortcomings/deficiencies were not rectified and the irregularities persisted in four cases as discussed in the following table:

<p>Huge pendency in disposal of cases by Consumer Courts/ Warrants not executed</p>	<p>Mention was made in paras 3.2.14 of Audit Report (Civil) for 2004-05 about the huge pendency of consumer dispute cases with the State Commission (277) and District Forums (7446) for disposal as of June 2005. It was also pointed out in para 3.2.17 that 1694 warrants issued by State Commission/District Forums were not executed by the Police Department for over six months to three years.</p> <p>Further scrutiny (June 2007) disclosed that, as of June 2007, still 194 cases with State Commission and 6020 cases with District Forums remains to be disposed. Thus, the mandate of the Commission/ Forums to decide the complaints within 90/150 days remains to be unachieved.</p> <p>Further, as of April 2007, 1984 warrants with the State Commission (11) and District Forums (1973) were yet to be executed by the police. The proposals (June 2004) of State Commission for providing the services of one Sub-Inspector of Police, two Head constables and four home guards to State Commission and one Head constable, two home guards at each district forum for execution of orders of the Forums were still pending with the Government. Thus the objective of providing justice to the consumers even after a judgment is delivered, is still not being fulfilled.</p>
<p>Unfruitful expenditure on drinking water supply scheme at Bibinagar</p>	<p>Mention was made in para 4.4.3 of Audit Report (Civil) for 2004-05 about the improper selection of water source by the Engineer-in-chief (PR) and the Chief Engineer (RWS) for a comprehensive water supply scheme, which deprived the targeted habitations in Bibinagar area (Nalgonda District) of fluoride free drinking water rendering the entire outlay of Rs 24.80 crore on the scheme unfruitful. As a third option, it was proposed to draw the water by extending its pipeline to the Bibinagar scheme from the Nalgonda Rural Drinking Water Supply (NRDWS) project, which was to be completed by March 2006 at an estimated cost of Rs 7 crore.</p> <p>Further scrutiny (June 2007) revealed that the scheme remained unfulfilled and the safe drinking water was not provided to the targeted habitations. In the meantime, the project cost was revised to Rs 26 crore (from Rs 7 crore) with a view to provide water to another 22 habitations enroute from Sunkenpally to Bibinagar pipeline. The project was awarded (August 2005) to a contractor. Although the work was scheduled for completion by August 2006, the work had not been completed as of June 2007 (expenditure incurred so far: Rs 17.76 crore) due to non-acquisition of land and for want of permission from various departments/authorities¹⁷ for execution of works.</p>
<p>Non-realisation of arrears of rent by AP Housing Board</p>	<p>Mention was made in para 4.5.2 of Audit Report (Civil) for 2004-05 about non-realization of rentals by AP Housing Board (Board) to the extent of Rs 5.58 crore as of December 2004 for the periods ranging up to 112 months (since August 1995).</p> <p>Further scrutiny (June 2007) revealed that of the dues of Rs 5.58 crore, an amount of Rs 2.13 crore was only realized up to the end of February 2007. As of now, the arrears were accumulated to Rs 6.98 crore. No action was taken by the Board to invoke Rental Regulation Act, 1974 so as to recover arrears from private parties and to address the Government in respect of Government departments. Further, the system deficiencies in maintaining the records pointed out by Audit were not rectified by the Board. The Board replied (June 2007) that due to shortage of staff the registers/ledgers were not updated. The reply is not tenable as the shortage of staff cannot be the excuse for non-recovery of revenue. Thus, poor management and follow-up of rent collections coupled with poor maintenance of records resulted in non-recovery of revenue of Rs 6.98 crore (March 2007) affecting the finances of the Board.</p>

¹⁷ Railways, Land acquisition, Roads and Buildings, Gas Authority of India Limited and Hindusthan Petroleum Chemicals Limited

Unfruitful expenditure on construction of ITI building at Srisailam	<p>Mention was made in para 4.2.4 of the Audit Report 2004-05 on the unfruitful expenditure of Rs 61.26 lakh on construction (March 2000) of ITI Building at Srisailam due to failure to provide essential amenities like water supply, sanitary arrangements and electrical instalations.</p> <p>In re-audit, it was further observed that the building still remained unoccupied as of June 2007. Even the estimates for providing basic amenities costing Rs 17.90 lakh to take up the works for execution, have not yet been approved.</p> <p>Despite being pointed out in audit, the delay in sanctioning the estimate for execution of works for providing basic amenities has resulted in non-utilisation of the asset created way back in March 2000.</p>
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4.6.3 Action not taken on recommendations of the Public Accounts Committee

The Finance and Planning Department issued (May 1995) instructions to all administrative departments and the Heads of Departments to submit the Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) within six months from the date(s) of receipt of recommendations. As of July 2007, 1220 recommendations of the PAC, made between 1962-63 to 2005-06 in regard to 24 departments remained outstanding. Of these, the PAC had discussed ATNs in respect of 299 recommendations relating to 15 departments. Of the remaining 921 recommendations, the concerned administrative departments are yet to submit ATNs for 451 recommendations. Of these, 210 ATNs (47 *per cent*) were due from Irrigation and Command Area Development Department alone. Details are given in *Appendix 4.7*.

4.6.4 Lack of response to Audit

The Principal Accountant General (Civil Audit) (PAG) 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). The Hand Book of Instructions for speedy settlement of audit observations/IRs issued (1995) by the Government in Finance and Planning Department also provides for prompt response by the executive to the IRs issued by the PAG to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies and lapses noticed during 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 the 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 PAG.

The status of pendency of IRs/Paragraphs as at the end of June 2005, June 2006 and June 2007 is shown in the following table:

	Pending as at the end of		
	June 2005	June 2006	June 2007
Number of IRs	17771	16489	12647
Number of Paragraphs	62763	54676	43482

Of the 12647 IRs/43482 paragraphs pending as on 30 June 2007, even first replies had not been received in the case of 1365 IRs/6583 paragraphs. The

year-wise and department-wise break-up of these IRs and paragraphs is indicated in *Appendix 4.8* and *4.9* respectively. The Principal Secretaries/Secretaries, who were also informed of the position through half yearly reports, could not ensure prompt and timely action by the concerned officers. Lack of action on audit IRs and paras facilitate continuation of serious financial irregularities and loss to Government.

Constitution of Audit Committees

Government while accepting the recommendations of Shakhder Committee (High Powered Committee) instructed (November 1993) all the departments to nominate a designated Officer within the department for monitoring the follow-up action on audit objections. For regular review at higher levels, the departments were instructed to ensure that there should be a monitoring committee consisting of the Secretary of the Department and the Finance Secretary. Government also reformulated (June 2004) comprehensively the orders issued in July 1986 for constitution of Audit Committees at three levels i.e., Apex level, Departmental level and District level for speedy settlement of audit objections. These three Committees are required to meet twice in a year (i.e., January and July), once in three months and once in two months respectively.

The status of audit committee meetings held during 2006-07 is discussed below:

- (i) The Apex level State Audit and Accounts Committee met once against the two meetings stipulated.
- (ii) No departmental level Audit and Accounts Committee meeting was held in 23 departments (out of 31) during 2006-07. Of the eight departments, which conducted the meetings, seven departments met only once in the year against the four meetings.
- (iii) No district level Audit and Accounts and monitoring committee meetings were held in five districts¹⁸. In the remaining districts as against six meetings to be held in a year in each district, only one meeting in nine districts¹⁹, twice in three districts²⁰, thrice in four districts²¹ and four times in two districts²² were held.

This indicates lack of seriousness on the part of these departments in rectifying the deficiencies pointed out by Audit.

It is recommended that Government should (i) ensure timely and proper response to the IRs of the PAG, (ii) conduct Audit Committee Meetings regularly for speedy settlement of pending IRs and paras and (iii) effect recoveries pointed out in the Inspection Reports, promptly.

¹⁸ Guntur, Krishna, Khammam, Nalgonda and RangaReddy

¹⁹ Srikakulam, Vizianagaram, Visakhapatnam, Medak, East Godavari, West Godavari, Prakasham, Nellore and Mahboobnagar

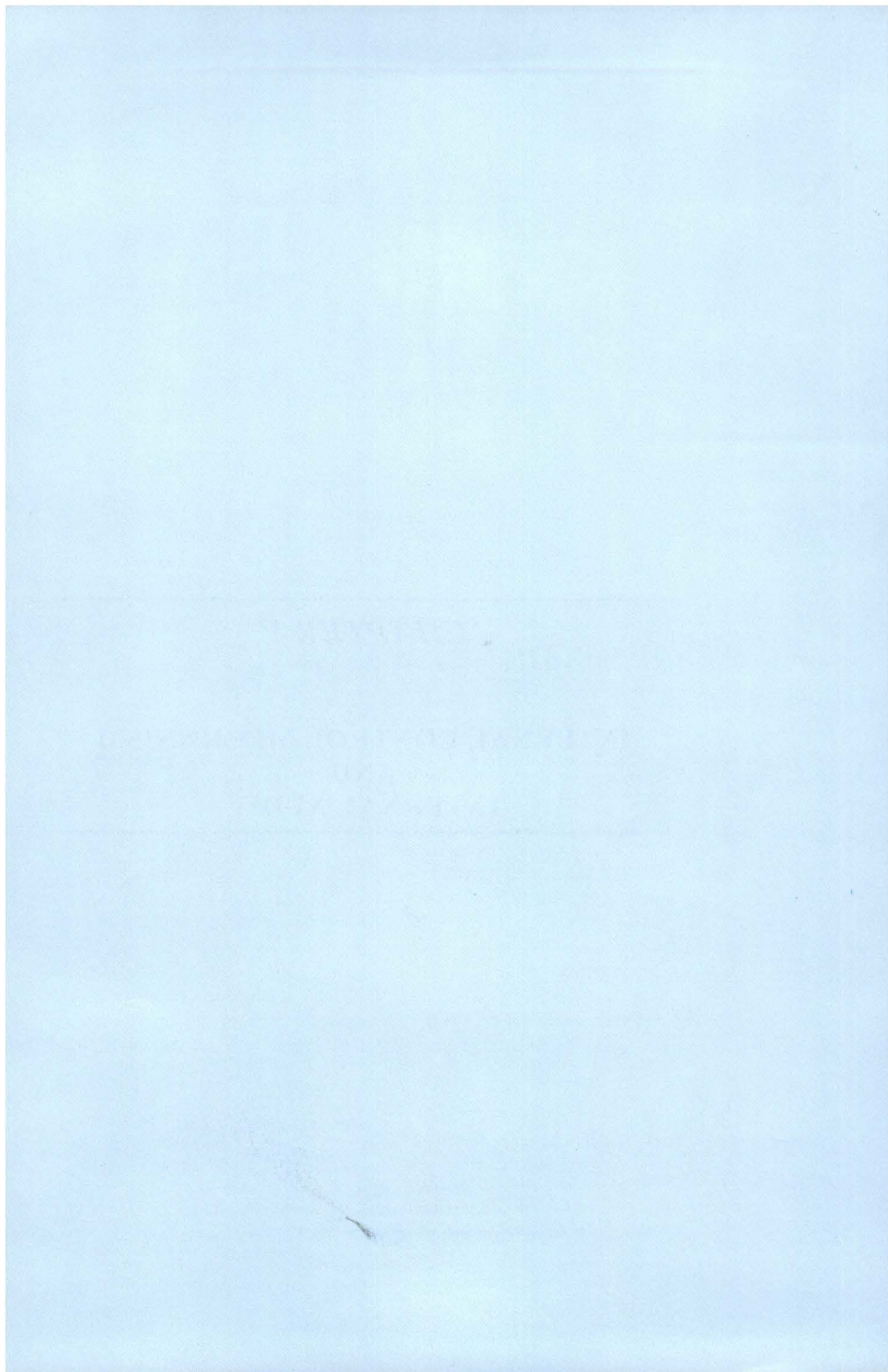
²⁰ Adilabad, Karimnagar and Nizamabad

²¹ Chittoor, Kadapa, Ananthapur and Warangal

²² Hyderabad and Kurnool

CHAPTER V

**INTERNAL CONTROL MECHANISM
AND
INTERNAL AUDIT**



CHAPTER V

INTERNAL CONTROL MECHANISM AND INTERNAL AUDIT

HEALTH, MEDICAL AND FAMILY WELFARE DEPARTMENT

5.1 Internal Controls in Medical Education Department

Highlights

Internal Control is an integral component of an organisation's management processes which is established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, that financial reports and operational data are reliable, and that the applicable laws and regulations are complied with so as to achieve organisational objectives. A review of internal controls of the Medical Education Department during the years 2002-07 has shown that there was lack of discipline in Budget preparation, weak expenditure controls, poor implementation of Central/State financed schemes and disregard for the codal provisions as well as the instructions issued by Government/Director of Medical Education (DME). Internal Audit was ineffective. Overall, these adversely affected the quality of medical care to public and medical education to students.

Budget Estimates (BEs) were finalised without any inputs from the estimating officers. The estimates were therefore, unrealistic resulting in huge surrenders and re-appropriation of funds.

[Paragraphs 5.1.5.1, 5.1.5.2 and 5.1.5.4]

Tuition fee from Non-Resident Indian (NRI) students aggregating Rs 14.40 crore was unauthorisedly diverted by the AP Health & Medical Housing and Infrastructure Development Corporation and Kurnool Medical College, Kurnool for other purposes. Demand Drafts worth Rs 67.21 lakh were lying for periods ranging between one to three years unremitted to Government account with the DME.

[Paragraphs 5.1.6.1 and 5.1.6.2]

Government instructions on maintenance of Asset register for lands, buildings, etc. and submission of relevant returns, were not observed by any of the Teaching hospitals/Medical colleges as well as the DME and there were cases of encroachments.

[Paragraphs 5.1.7.1 and 5.1.7.2]

The Centrally/State sponsored State Illness Assistance Fund (APSI AF), Paediatric Heart surgeries programmes were poorly implemented in the State. The envisaged establishment of Trauma Care Centres and upgradation of School of Nursing had not taken place despite availability of Central assistance two to three years ago. Lack of operational controls also led to foregoing of Central grant of Rs 15 crore under APSI AF.

[Paragraphs 5.1.7.3 to 5.1.7.6]

Maintenance grant aggregating to Rs 8.35 crore remained unspent and lying with 14 out of 18 test checked institutions. Equipment costing Rs 69.15 lakh were idle for over one to five years in Niloufer hospital, Hyderabad and MGM hospital, Warangal.

[Paragraphs 5.1.8.3 and 5.1.8.4]

Inspection of Teaching hospitals and Medical colleges was altogether neglected by the DME. Little importance was given to Internal Audit.

[Paragraphs 5.1.10.3 and 5.1.10.4]

5.1.1 Introduction

The Medical Education Department with a separate Director started functioning from 29 September 1987. All Teaching hospitals, Speciality hospitals, Medical colleges and Nursing colleges come under the Administrative and financial control of the Director of Medical Education.

The main objectives of the Medical Education Department are to (a) provide medical care to the people through hospitals, (b) impart Medical Education to Undergraduates and Post Graduates through medical colleges and (c) provide training in Para Medical courses like Nursing, etc. through Medical Colleges and Teaching Hospitals.

5.1.2 Organisational set up

At Government level, the Principal Secretary, Health, Medical and Family Welfare Department is responsible for overseeing the functioning of the Directorate. The Director of Medical Education (DME) is the Head of the Directorate. He is assisted by one Additional Director, two Joint Directors (Admn & Medical), two Deputy Directors (Admn & Nursing), two Assistant Directors (Planning and Nursing) and other supporting staff. One Chief Accounts Officer (CAO), one Accounts Officer (AO) and one Assistant Accounts Officer (AAO) assist the DME in all financial matters and are responsible for conduct of Internal Audit. Six Regional Directors are functioning in six regions¹ in the State. At the district level, the Principals of 11 Medical Colleges, five Nursing Colleges, two Dental Colleges and Superintendents of 11 Teaching Hospitals and 25 Specialty Hospitals with supporting staff implement the various Schemes/ Programmes.

AP Health and Medical Housing and Infrastructure Development Corporation (APMHIDC - Corporation) was entrusted to undertake construction of buildings, purchase of equipment, drugs, etc. as required by all the medical institutions.

¹ Guntur, Hyderabad, Kadapa, Rajamundry, Warangal and Visakhapatnam.

5.1.3 Audit objectives

Audit objectives were to see:

- Budgetary and Financial controls;
- Operational controls to achieve the objectives of the department;
- Procurement controls;
- Manpower management; and
- Monitoring including Internal audit and vigilance arrangements.

5.1.4 Audit coverage

A review on the Internal controls in the Directorate of Medical Education for the period 2004-05 to 2006-07 was conducted (January – May 2007) by test-check of records at the Secretariat, Directorate and 18 Colleges/Hospitals in five sample districts². The records pertaining to the earlier period were also covered wherever considered necessary. The selection of districts and sub units for test-check was made on the basis of highest budget allocation (four districts and 16 sub units) and on the basis of Grants-in-Aid released to institutions (one district and two sub units). The results of the Review are presented in the succeeding paragraphs.

5.1.5 Budgetary controls

5.1.5.1 Budgetary process

BEs were finalised without any inputs from the estimating officers

According to the Budget Manual, the Chief Controlling Officer (CCO) i.e., DME, is required to send the Revised Estimates (REs) for the current year and Budget Estimates (BEs) for the next year based on the estimates submitted by the sub-unit officers to the administrative department of the Government by 1 October of every year, who in turn submits the same to the Finance Department by 15 October every year. For the years 2004-05 to 2007-08, the submission of REs and BEs were delayed by the DME for periods ranging from 51 to 83 days. Similarly, there were also delays ranging from 42 to 74 days in submission of BEs by the administrative department to Finance department. Delay in submission of BEs by the DME left little time to both the Administrative and Finance Departments for finalising the BEs. As a result, budget provision had to be made without considering the actual requirement. The budget provision vis-à-vis the expenditure incurred by the DME during 2004-05 to 2006-07 was as under:

(Rupees in crore)

Year	Budget Provision	Expenditure booked by AG(A&E)	Variation (percentage) (+) Excess/(-) savings
2004-05	357.77	347.38	(-) 10.39 (3)
2005-06	402.01	406.15	(+) 4.14 (1)
2006-07	512.49	473.53	(-) 38.96 (8)
Total	1272.27	1227.06	(-) 45.21

² Hyderabad, Kurnool, Chittoor, Visakhapatnam and Warangal

The excess expenditure in the year 2005-06 was attributed by the DME to the implementation of Pay Revision Committee recommendations. The saving in the years 2004-05 and 2006-07 was attributed to non-release of Budget authorisation and non-filling up of vacant posts. Provision for vacant posts was, however, not permissible as per the Budget Manual.

Thus, preparation of budget estimates was not need based and hence unrealistic which rendered the entire budgetary process a futile exercise.

5.1.5.2 Delay in surrender of savings

Huge surrenders were made on the last day of financial years

As per the Budget Manual, spending departments are required to surrender the Grants/Appropriations or portion thereof to the Finance Department as and when the savings are anticipated. During the years 2004-05, 2005-06, 2006-07, an amount of Rs 78.59 crore³ was surrendered on 31 March of each year. Consequently, the funds could not be allotted to other needy departments.

5.1.5.3 Lack of expenditure control

Expenditure control was absent in the department

DME being CCO, is to receive monthly statement of expenditure from 50 Drawing and Disbursing Officers (DDOs) to enable him to monitor the expenditure and to carry out reconciliation of departmental figures with those booked by the Accountant General (Accounts and Entitlements) (AG (A&E)).

Although the DME was maintaining a Control register, all entries were not entered in the register and the receipt of monthly expenditure statements from DDOs was not being watched. The DME was not consolidating the expenditure figures of the Directorate as well as DDOs nor did he take action to reconcile those with those booked by the AG (A&E). As a consequence, huge variations (upto Rs 21.11 crore) were noticed between the departmental figures and those booked by the AG (A&E). The DME replied (May 2007) that, reconciliation work could not be done due to shortage of staff. This showed ineffective manpower management as well as lack of expenditure control on the part of the DME.

5.1.5.4 Unnecessary re-appropriation of funds

As per the provisions of the Budget Manual, any amounts re-appropriated from one sub head to another in any financial year are to be utilised in the same financial year and shall not be carried forward to the next financial year or deposited in Personal Deposit (PD) account or Bank account to avoid lapse of budget releases. On 31 March 2006 an amount of Rs 5 crore was re-appropriated from the sub head "340 – Scholarships and Stipends" to another sub head "503 – Other Expenditure" and the amount credited to PD account of DME as per the orders of Government. However, after meeting the expenditure of Rs 1 crore during the financial year 2006-07 towards bio-medical waste management, the DME transferred the balance amount to the Corporation in February 2007 to meet the requirement of Medical Council of India (MCI).

³ 2004-05 (Rs 20.41 crore), 2005-06 (Rs 23.16 crore) and 2006-07 (Rs 35.02 crore)

However, Rs 4 crore was lying unutilised in the savings bank account of the Corporation as of May 2007 beyond the financial year, against the provisions of Budget Manual.

5.1.6 Financial controls

5.1.6.1 Non-remittance of departmental receipts

Demand drafts worth Rs 67.21 lakh were lying for over one to three years unremitted to Government account by DME

According to the State Government orders (May 2005), annual inspection fees of Rs 30000 is required to be collected from the private hospitals by DME for granting recognition as referral hospitals for treatment of State Government employees, pensioners, etc. An amount of Rs 51.90 lakh received by the Directorate by way of 175 Demand Drafts (DDs) between October 2005 – March 2007 was still lying in the form of Demand Drafts, without remittance to Government account. Of these, 144 DDs worth Rs 42.60 lakh had become time barred.

Similarly, for granting certificate of registration/renewal to undertake transplantation of human organs by the Corporate hospitals, the DME was to collect Rs 75000 as inspection fees and Rs 51000 as renewal fees from the hospitals. It was, however, observed that out of Rs 23.96 lakh received during October 2003 to December 2006 by way of 46 DDs, a sum of Rs 8.65 lakh was credited to PD Account and DDs for Rs 15.31 lakh was still lying with the DME unremitted. Of these, DDs for Rs 14.80 lakh became time barred.

The DME replied (March 2007) that Government had been addressed in May 2006 about the mode of remittance of the fees received and that Government orders were still awaited. His reply is not tenable as in fact some DDs had been remitted by him on earlier occasions.

5.1.6.2 Unauthorised diversion of NRI Tuition fee

NRI tuition fee aggregating to Rs 14.40 crore was diverted by the Corporation / Kurnool Medical College for other purposes

Government prescribed (August 2001) tuition fee at \$10000 per annum for students admitted against NRI quota in Government medical colleges from the academic year 2001-02 and ordered that fees so collected should be sent to the DME in the form of demand drafts drawn in favour of MD of the Corporation to utilise the amount for the repayment of HUDCO loan. As per the provisions of Treasury Rule 7(1), (2) of AP Treasury Code, Vol. I, appropriation of departmental receipts for departmental expenditure without being credited to Government account is highly irregular and breach of financial discipline. However, issue of orders in contravention of Treasury Rules resulted in appropriation of departmental receipts amounting to Rs 14.40 crore by Corporation/college as detailed below.

- Tuition fees of Rs 13.54 crore received (2001-07) by the Corporation in respect of NRI students from the Government medical colleges at Guntur, Kakinada, Vijayawada and Warangal was not utilised for repayment of loan and the Corporation diverted (2001-07) it for other purposes such as payment of inspection charges to MCI, civil works, etc.

- An amount of Rs 55.78 lakh collected from two NRI students of 2001-02 batch and two NRI students of 2002-03 batch was not sent to the DME by the Kurnool Medical College, Kurnool (KMC) for onward transmission to the Corporation. The amount was credited by the college to their College Development Society funds and utilised for other purposes such as purchase of car, refrigerators, etc. The DME admitted (June 2007) that the diversion of NRI fees by the KMC was in contravention of Government orders.
- KMC, Kurnool paid (January 2003) Rs 30 lakh out of the tuition fees collected from NRI students as an advance to the Corporation for construction of shopping complex in their premises without obtaining administrative sanction from the Government and the work had to be stopped (August 2003) following Government orders. The request of the college to refund the advance had been turned down by the Corporation stating that the contractor had filed a case in a court of law. Thus, the amount of Rs 30 lakh was held up for four years.

The unauthorised retention and diversion of tuition fees by the college/ Corporation was unnoticed by the DME due to lack of watch over the transactions.

5.1.7 Operational controls

Due to non-compliance of monitoring and operational controls, it was observed that certain schemes were either implemented ineffectively or were not at all implemented despite availability of sufficient funds as discussed below:

5.1.7.1 Non-maintenance of Assets Register

Government instructions on asset management were not followed by any of the institutions and the DME as well

As per the orders issued by Government in October 2004, all Government Departments are to maintain asset registers with upto date entries to know the actual ownership and prevent illegal occupation/utilisation and annual returns be submitted to the concerned administrative offices every year.

The DME did not furnish any details to Audit, regarding asset management in the Directorate. A test-check of the accounts of the Directorate and 18 hospitals/ colleges disclosed that no assets register for lands and buildings were being maintained in any of the institutions. The institutions were also neither submitting annual returns as prescribed by the Government nor did the DME follow-up this aspect.

5.1.7.2 Alienation and encroachment of hospital premises

According to Government orders (April 2003), no land or property should be permitted to be leased/alienated or disposed off without prior approval of the Government.

Non-working of controls at the institution and DME level with regard to asset management, resulted in valuable land in the two test-checked institutions, being illegally alienated as stated below:

- In KGH Visakhapatnam, 7125 sq ft. of land was alienated to the Greater Municipal Corporation of Visakhapatnam (GVMC) without the permission from the Government and without obtaining any compensation from GVMC.
- In the Government General & Chest Hospital, Hyderabad, there was encroachment at north east corner of the Hospital premises. However, the extent of encroachment was neither reported by the Hospital though asked for by the Collector, nor was there any recorded evidence that the hospital authorities ever reported this to DME. Though the matter was being pursued with the Revenue authorities by the hospital since 1995, encroachers were not evicted as of June 2007.

5.1.7.3 Paediatric heart surgeries programme

Paediatric Heart Surgeries programme was poorly implemented

The State Government launched (October 2004) a scheme 'Paediatric Heart Surgeries Programme' for children of 0-12 years age group suffering from Cardiac diseases to provide free treatment/surgery in seven Government General Hospitals (GGH). The private Corporate Hospitals also came forward to treat the children with cardiac problems at nominal rates as proposed by the Government. It was, however, noticed that, the programme made slow progress. As against Rs 22.80 crore released under the scheme during 2004-07, only Rs 14.41 crore was utilised, leaving Rs 8.39 crore (36 per cent) unspent as of March 2007. The DME attributed (July 2007) the slow progress to lack of infrastructural facilities in Government hospitals and to non-performance of operations in complicated cases by private hospitals.

Government issued orders (October 2004) to offer financial aid to private Corporate Hospitals who conduct paediatric heart surgery, at the rate of 20 per cent less than the charges levied by Nizam's Institute of Medical Sciences (NIMS), Hyderabad, for similar cases. For reimbursement to Government hospitals, although Government directed the DME to estimate the cost of surgery performed in Government Hospitals, this was not done. The DME, however, recommended that Government Hospitals also be reimbursed the cost of surgery at the same rate applicable to private hospitals. The cost of surgery in Government hospitals comprised only of cost of medicines and other items consumed in surgery, with the remaining overheads being borne through regular budget. The DME's inaction resulted in release of funds to Government hospitals in excess of what was intended in the scheme.

5.1.7.4 Non-establishment of trauma care centres

Trauma care centers were not established despite availability of Central assistance

In order to provide immediate treatment to the victims of road accidents, GOI formulated a Project for upgradation and strengthening of emergency facilities in Government hospitals located on National Highways and provided financial assistance of Rs 1.50 crore each to GGH, Kurnool (March 2004), KGH, Visakhapatnam (October 2005) and GGH, Kakinada (September 2005) to establish Trauma Care Centres in these hospitals. Although, the centers were to be established and utilisation certificates (UCs) submitted within one year of the receipt of funds, these centers had not come up (June 2007) in any of these hospitals even after lapse of two to three years. While the Trauma Care Centre

building at Kurnool was ready in August 2006, it has not been established as yet due to non-procurement of equipment/vehicles, the construction of Centres at Visakhapatnam and Kakinada are still in progress and Central funds of Rs 3.12 crore were lying unutilised as of June 2007.

5.1.7.5 Non-upgradation of School of Nursing

The envisaged upgradation of School of Nursing into College of Nursing was delayed

GOI released Rs 1.50 crore in April 2005 for upgradation of School of Nursing attached to SVRR Government General Hospital, Tirupati into College of Nursing. As per the conditions stipulated by GOI, Grants-in-aid should be utilised within 12 months of release of funds. It was, however, observed that the hospital had deposited Rs 1.05 crore with the Corporation only in November 2006 for civil works. The balance Rs 52.73 lakh (including interest) was lying unutilised in the Bank account of the hospital authority. The Superintendent of the Hospital stated (April 2007) that work was held up for want of Forest Department's permission for clearance of trees and bushes and that civil works would be taken up soon after the clearance from the Forest Department. The reply is not acceptable as there was no pursuance by the Superintendent after April 2005 when the Forest Department was initially addressed. The DME also did not monitor this.

5.1.7.6 AP State Illness Assistance Fund

Funds provided by GOI/ State Government under State Illness Assistance Fund were widely misused. Further, Central grant of Rs 15 crore could not be obtained

For providing financial assistance to the persons below poverty line suffering from six specified life threatening diseases a scheme "A.P State Illness Assistance Fund" was introduced by DME with 50 per cent financial assistance from GOI. As against Rs 35 crore released by the DME (Rs 10 crore in 1997-98 and Rs 25 crore during 2001-07) to 15 teaching hospitals through Corporation, Rs 31.80 crore was spent (August 2006) leaving Rs 3.20 crore unspent with the teaching hospitals. In three out of six test-checked hospitals the non-utilisation of funds was very high viz., SVRRGG Hospital, Tirupati (Rs 37.09 lakh out of Rs 40 lakh), Government General and Chest Hospital, Hyderabad (Rs 39 lakh out of Rs 80 lakh) and Government General Hospital, Kurnool (Rs 30.35 lakh out of Rs 80 lakh). The following points were also noticed:

- The balance Central share of Rs 15 crore (as of March 2007) could not be obtained due to non-submission of utilisation certificates and beneficiaries list to GOI. This was attributable to absence of proper control mechanism with the DME to watch the progress of expenditure.
- Out of Rs 10 crore released in 1997-98, unspent balance of Rs 1.79 crore available with 10 teaching hospitals was received back by the Corporation and diverted (2002-03) Rs 1.45 crore towards repayment of HUDCO loan without obtaining the orders from the Government and balance of Rs 33.90 lakh was not refunded to Government account. DME neither pursued the matter with the Corporation nor had any control over the accountability of the scheme fund. Similarly, four hospitals diverted (2002-06), Rs 1.53 crore⁴

⁴ MGM Hospital, Warangal – Rs 70.91 lakh, Niloufer Hospital, Hyderabad – Rs 41.48 lakh
GGH, Kurnool – Rs 34.81 lakh and GGH, Vijayawada – Rs 6.03 lakh

of the scheme funds towards purchase of equipment, suturing material, etc. not covered under the guidelines.

- As per the statement of the Corporation, Rs 3.50 crore was released to three hospitals, but Rs 2.95 crore only was accounted for by the concerned hospitals. There was variation of Rs 55 lakh which was due to lack of non-reconciliation at the level of DME as shown in *Appendix 5.1*.
- Interest accrued on the deposit of scheme funds (in SB accounts with nationalised banks) aggregating to Rs 30.72 lakh was not accounted for by three hospitals⁵, depriving the BPL patients of the benefit of the scheme.

Thus, adequate attention was not given by the DME for effective implementation of the scheme.

5.1.8 Procurement controls

5.1.8.1 Short supply of material by the Corporation

During 2002-07 DME released Rs 39.58 crore to the Corporation towards purchase of drugs, surgicals and clothing, tentage and stores. The status of the materials supplied to the institutions and the balance amounts lying with the Corporation was, however, not being watched by the DME.

A test-check of records of five hospitals⁶ showed that the value of material supplied to these hospitals by the Corporation were less than the amount placed at the disposal of the Corporation. During the years 2002-03 to 2006-07 there was a short supply of materials costing Rs 4.04 crore by the Corporation which was not made good in the subsequent quarter/years (March 2007). The hospital-wise details are given in *Appendix 5.2*. This was neither pursued by the hospitals nor by the DME. The short supply of materials including drugs could not but have adversely affected the working of the hospital.

Neither the DME had any watch over the releases vis-à-vis the amounts actually spent/retained by the Corporation nor did the hospitals pursue with the Corporation to get the medicines short supplied.

5.1.8.2 Retention of excess collected central excise duty

As per Rate Contract (RC) 1998-99, the cost of drugs was exclusive of central excise duty (CED), sales tax (ST) and service charges. Software was developed by the Corporation accordingly for charging the teaching hospitals 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 drugs was inclusive of CED. But, necessary correction was not carried out to the existing software which resulted in charging CED twice at eight *per cent* in the bills. During 2002-03, the

Excess central excise duty collected was retained by the Corporation without adjustment

⁵ OGH, Hyderabad – Rs 16.04 lakh, KGH, Visakhapatnam – Rs 10.55 lakh, Niloufer Hospital, Hyderabad – Rs 4.13 lakh

⁶ Niloufer Hospital, Hyderabad; Osmania General Hospital, Hyderabad; G.G.H., Kurnool; Government Maternity Hospital, Nayapul, Hyderabad; Government Hospital for Mental Care, Visakhapatnam

teaching hospitals were overcharged with tax being levied @18 per cent instead of 10 per cent and the excess CED so collected was retained by the Corporation without adjusting in the bills for subsequent years. In the nine (out of 36) test-checked institutions the Corporation retained with the excess tax of Rs 23.61 lakh collected. This showed the lack of supervisory control by the DME. The Corporation accepted (June 2007) the audit point and agreed to adjust the same against the future bills. The amount was not adjusted as of July 2007.

5.1.8.3 Improper utilisation of Maintenance grant

Maintenance grant was misutilised by hospitals/colleges contrary to the instructions issued by the DME

Maintenance grant is intended to be utilised by the medical institutions to meet the expenditure on account of repairs to buildings, water supply, sanitation and electrical instalations. As per the Government orders this grant should not be utilised for original construction works and other miscellaneous works. DME released (2002-07) Rs 84.18 crore to the Corporation as maintenance grant for 54 medical institutions.

A test-check of the accounts of the Directorate and 18 hospitals/colleges disclosed that maintenance grant accounts were not properly maintained and the grant was misutilised due to lack of supervisory control by the DME as mentioned below:

- The DME released maintenance grant @ Rs 19.96 per sq. ft on total plinth area of the hospital/colleges without ascertaining actual requirement of the Institutions. This resulted in accumulation of unspent balances of Rs 8.35 crore in 14 (including the Directorate) out of 18 test-checked institutions in savings bank accounts and PD account of the Corporation during 2002-07 as per details given in *Appendix 5.3*. This indicated that the grant was released in a routine manner without regard to the actual need.
- In seven hospitals/colleges⁷ maintenance grants were mixed up with the funds of Hospital/College Development Society and no separate accounts were maintained. This resulted in non-identification of grant including the utility of the grant for the intended purpose.
- Three institutions⁸ deposited (June 2000 to February 2007) Rs 2.81 crore of the maintenance grant with the Corporation for execution of various civil works. However, the progress of works was not ascertained and detailed accounts were not obtained by the above institutions from the Corporation.
- Three hospitals/college did not account for the interest of Rs 36.97 lakh⁹ accrued on the maintenance grant deposited in banks and the amount kept separately.

⁷ Government Maternity Hospital, Nayapul, Hyderabad; Osmania Medical College, Hyderabad; Osmania General Hospital, Hyderabad; G.G.H., Kurnool, S.V.R.R. G.G Hospital, Tirupathi; Government Dental College, Hyderabad; and Kurnool Medical College, Kurnool.

⁸ Kurnool Medical College, Kurnool : Rs 152.51 lakh, Osmania General Hospital, Hyderabad: Rs 67.00 lakh, Osmania Medical College, Hyderabad : Rs 61.20 lakh

⁹ SVRRGG Hospital, Tirupati : Rs 19.95 lakh/Rs 5.77 lakh, Dental College, Hyderabad : Rs 11.68 lakh/Rs 4.59 lakh Regional Eye Hospital, Warangal : Rs 5.34 lakh/Nil

- Six hospitals diverted Rs 33.48 lakh for purchase of computers, steel almirahs, air conditioners, equipment, payment of wages, repairs and replacements, garden maintenance, etc.
- Rs 15.82 lakh was incorrectly allotted and released by the DME (May 2005) to CWSSSVR Hospital, Tirupati and VVC Oncology, Chinnakakani in May 2005 even though these institutions were not in existence (already merged with other hospitals). The cheques issued were received back (May 2005) and kept in the PD account of the Corporation without remittance to Government account (March 2007).

5.1.8.4 Machinery and equipment lying idle

Equipment costing Rs 69.15 lakh were lying idle for over one to five years in two hospitals

Medical equipment worth Rs 69.15 lakh were lying idle for one to five years, as detailed below:

- The Corporation purchased One Pentra 60 Haematology Analyser at a cost of Rs 12.61 lakh and supplied (January 2002) to Niloufer Hospital. The equipment had not been put to use as of July 2007 and lying idle at its Pathology Department for want of auxiliary electrical equipment such as UPS, AC Voltage Stabilizer and certain solutions to run the equipment. As a result, equipment was lying idle for the last five years and certain parts had gone out of order due to non-utilisation. The Superintendent of the Hospital replied (February 2007) that the instrument would be used after procurement/replacements of certain parts from the manufacturer.
- In MGM Hospital, Warangal, medical equipment (comprising 97 items of surgical, diagnostic and theatre utility) worth Rs 56.54 lakh procured between October 2001 and November 2005 were lying idle for more than two years mainly for want of repairs. The non-utilisation of equipment was attributed to non-release of funds by Government for carrying out repairs.

Thus, above points indicated the lack of adequate budgetary planning as well as proper monitoring both at the Directorate and hospital level.

5.1.9 Manpower management

Huge vacancies in key posts adversely affected the functioning of hospitals/colleges under the control of DME

Provision of efficient medical care to public depends on the availability of the required manpower. As of July 2007, vacancies existed in the key posts of Professors (33 *per cent*), Associated Professors (18 *per cent*), Assistant Professors (8 *per cent*), Civil Assistant Surgeon/Medical Officers (18 *per cent*), Tutors (14 *per cent*) and Para Medical staff (31 *per cent*). There was no regular DME since September 2004 and additional DME was kept as in-charge DME. The year-wise vacancy position is given in *Appendix 5.4*.

The DME stated (February 2007) that the posts of Professors/Associate Professors could not be effected due to Tribunal orders issued in 2003 and promotions were issued from 2005 as per interim directions of Tribunal. Posts of Assistant Professors were vacant due to non-availability of qualified doctors and poor response to Government's notification. The DME also stated that the

posts of Para Medical staff were to be filled up on contract /third party outsourcing basis by the Principals of Government Medical Colleges and Superintendents of Teaching Hospitals in the State. Civil Assistant Surgeons/ Tutors were to be filled up by way of deployment from other Directorates. This resulted in lack of effective control over the functioning of the hospitals/ colleges under the control of DME, adversely affecting medical care to public, and medical education to the students.

5.1.10 Monitoring including internal audit and vigilance arrangements

5.1.10.1 Poor settlement of misappropriation cases

The pace of settlement of misappropriation cases has been very slow

As of July 2007, there were six misappropriation cases involving Rs 17.89 lakh. Only three misappropriation cases involving Rs 2.02 lakh were settled. The pace of settlement of cases indicated very poor monitoring of the settlement of misappropriation cases by the DME. The delay in finalisation of these cases is fraught with the risk of non-recovery of misappropriated amounts.

5.1.10.2 Vigilance and Enforcement Cell not constituted

As of July, 2007, there were 57 Vigilance cases pending at various stages against the departmental officers as detailed below:

Year	Anti corruption bureau cases	Vigilance and enforcement cases	Departmental cases	Total
Upto 2001	10	5	8	23
2001-02	1	2	1	4
2002-03	1	1	4	6
2003-04	4	1	3	8
2004-05	1	1	1	3
2005-06	0	12	1	13
Total	17	22	18	57

Though large number of vigilance cases were pending in the Directorate, no vigilance officer was nominated and no vigilance cell was constituted to deal with all cases of Vigilance, in spite of recommendations of the Committee on Public Accounts (1983-84) in their special report of Seventh Legislative Assembly. As such the cases were being dealt with only by the Establishment section in the Directorate.

5.1.10.3 Departmental inspections

As per the functionary manual of the Directorate, the DME being the Head of the department, to administer the medical colleges and teaching hospitals in the State is required to inspect the medical institutions and guide them to improve their working conditions. As against 50 (54 from 2006-07) institutions to be inspected, the DME conducted inspections of only six and one institutions during 2004-05 and 2005-06 respectively. No inspections were conducted during 2006-07. It was also seen that no inspection reports were issued by the DME. Thus inspections of the medical colleges and hospitals was altogether neglected by the DME. This indicated ineffective supervision and monitoring of the DME.

5.1.10.4 Internal Audit

Little importance was given to internal audit by DME

Internal Audit (IA) was to examine and evaluate the level of compliance to the departmental rules, regulations and procedures so as to provide assurance to the management on the adequacy of the risk management and internal control framework of the department. The directorate did not have any manual on internal audit prescribing the duties and responsibilities of the Internal Auditors. No training was imparted to the staff on internal audit methodology and techniques. Although Chief Accounts Officer and Accounts Officer available in the directorate are responsible for conduct of internal audit of all subordinate offices including the Directorate, one Superintendent and one typist only were kept in-charge of internal audit without any supporting staff and supervisory officer. No system was evolved for fixing the periodicity, coverage and duration of audit of subordinate offices. Internal audit of subordinate units (50 units upto 2006 and 54 units from 2006-07) was not conducted at all for the period from 2002-06 and audit of only three units were conducted during 2006-07. Thus, little importance was given by the DME to internal audit despite the staff being specifically provided for the purpose. Due to inadequate and ineffective internal audit, no assurance was available to the DME about compliance with the rules and prescribed procedures.

5.1.10.5 Lack of adequate response to Audit

Accountability was absent for settlement of IRs of the AG

The irregularities noticed during the audit conducted by the AG are communicated through Inspection Reports (IRs) to the Head of the Offices with a copy to the Head of the department. First replies to the IRs should be sent to AG within four weeks. A half-yearly report of pending IRs is also sent to the Secretary of the administrative department concerned to facilitate monitoring of rectificatory action on the audit observations. As per the books of the Principal Accountant General (Civil Audit), 179 IRs (914 paragraphs) were still outstanding as of June 2007. Of them, 104 IRs (431 paragraphs) even pertained to the period 2002-03 and earlier years. It was also observed that State level audit committees and district level committees meetings were not held by the (Health, Medical and Family Welfare) department during 2004-05 to 2006-07. This shows lack of response and absence of suitable mechanism to closely monitor timely action on audit objections.

5.1.11 Conclusions

A system of effective internal controls is a critical component of an organisation. There was general disregard for budgetary procedures resulting in huge surrenders and unnecessary re-appropriations. Expenditure controls were also inadequate. Lack of adequate internal controls also resulted in non-realisation/non-remittance of demand drafts for several years, diversion of funds and non-accountals, etc. Issue of orders by the Government in contravention of Treasury Rules resulted in appropriation of departmental receipts by the Corporation and the medical institutions. The institutions had not maintained Asset Register. The Centrally sponsored and State financed schemes were poorly implemented in the State, resulting in losing the Central assistance. Substantial amount of maintenance grant remained unspent and was lying with test checked institutions. Equipments were lying idle for over one to five years in two hospitals. There was no control by the DME over the release of funds, services provided and drugs supplied to the Corporation and sub-unit offices. Inspection of Teaching Hospitals/Medical colleges was altogether neglected by the DME and little importance was given to Internal Audit. In the absence of ineffective internal audit, there was no assurance to the management on the adequacy of the internal controls in the department.

5.1.12 Recommendations

- Timely submission of Budget Estimates should be ensured to make the budget more realistic and need based.
- Government should immediately withdraw the orders of August 2001 directing the medical colleges to remit the fees collected to DME in the form of Demand Drafts in favour of the MD of the corporation. Government should ensure in all places that the departmental receipts should first be credited to Government account.
- DME should ensure maintenance of Register of valuables. Timely remittance of Demand Drafts received should also be regularly monitored.
- Maintenance of Asset Register and submission of relevant returns by all sub-unit offices should be ensured by DME.
- Proper mechanism should be put in place to effectively monitor the implementation of the schemes/programmes by the sub unit officers. Unspent amounts of Schemes funds should be remitted to Government in a timely manner by all the medical institutions.
- While releasing the funds to the APMHIDC (Corporation) for maintenance/procurement of drugs, etc the unspent amounts already available with the Corporation should be taken into account.
- Internal audit wing should be strengthened to cover all the DDOs over a period of three years and corrective action suggested in the internal audit reports should be ensured.

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



(S. B. PILLAY)

Principal Accountant General (Civil Audit)
Andhra Pradesh

Hyderabad

The

28 OCT 2007

Countersigned



(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

New Delhi

The

29 OCT 2007

APPENDICES

APPENDICES

Appendix 1.1-Part A
(Reference to paragraph 1.1 Page 1)

Structure and Form of Government Accounts

Structure of Government Accounts:

The accounts of the State Government are kept in three parts

- (i) Consolidated Fund
- (ii) Contingency Fund and
- (iii) Public Account.

Part I: Consolidated Fund

All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund

The Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc. which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature.

Appendix 1.1-Part B
(Reference to paragraph 1.1 Page 1)

Layout of Finance Accounts

Statement	Layout
Statement No. 1	Presents the summary of transactions of the state government –receipts and expenditure, revenue and capital, public debt receipts and disbursements, etc. In the consolidated fund, the contingency fund and the public account of the state.
Statement No. 2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of 2006-07.
Statement No. 3	Gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.
Statement No. 4	Indicates the summary of debt position of the state, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.
Statement No. 5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.
Statement No. 6	Gives the summary of guarantees given by the Government for repayment of loans, etc. raised by the statutory corporations, local bodies and other institutions.
Statement No. 7	Gives the summary of cash balances and investments made out of such balances.
Statement No. 8	Depicts the summary of balances under the Consolidated Fund, the Contingency Fund and Public Account as on 31 March 2007.
Statement No. 9	Shows the revenue and expenditure under different heads for the year 2006-07 as a percentage of total revenue/expenditure.
Statement No. 10	Indicates the distribution between the charged and voted expenditure incurred during the year.
Statement No. 11	Indicates the detailed account of revenue receipts by minor heads.
Statement No. 12	Provides accounts of revenue expenditure by minor heads under non-plan, plan and centrally sponsored schemes separately and capital expenditure by major head wise.
Statement No. 13	Depicts the detailed capital expenditure incurred during and to the end of 2006-07.
Statement No. 14	Shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, cooperative banks and societies, etc. Up to the end of 2006-07.
Statement No. 15	Depicts the capital and other expenditure to the end of 2006-07 and the principal sources from which the funds were provided for that expenditure.
Statement No. 16	Gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.
Statement No. 17	Presents the detailed account of debt and other interest bearing obligations of the Government of Andhra Pradesh.
Statement No. 18	Provides the detailed account of loans and advances given by the Government of Andhra Pradesh, the amount of loan repaid during the year, the balance as on 31 March 2007.
Statement No. 19	Gives the details of earmarked balances of reserve funds.

Appendix 1.1-Part C
(Reference to paragraph 1.2 Page 3)

List of terms used in Chapter I and basis for their calculation

Terms	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP growth
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of the parameter (X)/ Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount}) - 1] * 100$
Development Expenditure	Social Services+Economic Services
Average interest paid by the State	Interest Payment/[Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities/2] * 100
Weighted Interest Rate (I_w)	$I_w = \sum I_i W_i$ where I_i is the rate of interest on the i^{th} stock of debt and W_i is the share of i^{th} stock in the total debt stock of the State.
Interest spread	GSDP growth – Weighted Interest Rate
Quantum spread	Debt Stock * Interest spread.
Interest received as per cent to Loans Outstanding	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2] * 100.
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts <u>minus</u> all Plan grants and Non-Plan Revenue Expenditure, excluding expenditure recorded under the major head 2048 - Appropriation for reduction of Avoidance of Debt

Appendix 1.2
(Reference to paragraph 1.2 Page 3, paragraph 1.2.1.2 page 5)
Outcome indicators of the States' Own Fiscal Correction Path
(Source: Finance Department)

(Rupees in crore)

S. No.	Particulars	Base Year (2004-05 RE)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	2	3	4	5	6	7	8	9
A STATE REVENUE ACCOUNT								
1.	Own Tax Revenue	17311.09	16254.50	19783.35	23440.26	26737.53	30507.24	34817.72
	as % of GSDP		8.17	8.79	9.35	9.56	9.75	9.94
2.	Own Non-Tax Revenue	4279.70	3755.57	4559.90	4801.53	5158.41	5544.81	6038.38
3.	Own Tax + Non-tax Revenue (1+2)	21590.79	20010.07	24343.25	28241.79	31895.94	36052.05	40856.10
4.	Share in Central Taxes & Duties	6336.50	6058.51	6990.29	7690.29	8459.32	9305.25	10235.78
5.	Plan Grants	3443.41	2222.45	1609.06	2158.03	1834.37	1929.34	1898.81
6.	Non-Plan Grants	623.13	458.47	1222.56	1326.59	1140.52	1155.35	1170.83
7.	Total Central Transfers (4 to 6)	10403.04	8739.43	9821.91	11174.91	11434.31	12389.94	13305.42
8.	Total Revenue Receipts (3 + 7)	31993.83	28749.50	34165.16	39416.70	433330.25	48441.99	54161.52
	as % of GSDP		14.44	15.18	15.72	15.49	15.49	15.46
9.	Plan Expenditure	8875.46	6735.08	7136.86	8678.67	9612.51	11266.85	13521.15
	as % of GSDP		3.38	3.17	3.46	3.44	3.60	3.86
10.	Non-Plan Expenditure	24580.01	24572.26	28728.30	31891.13	34329.92	37085.14	40140.37
	as % of GSDP		12.34	12.77	12.72	12.27	11.86	11.46
11.	Salary Expenditure	8475.61	8097.64	9684.21	9877.89	10075.45	10276.96	10482.50
12.	Pension	2770.78	3016.77	3307.85	3834.03	4217.43	4639.17	5103.09
13.	Interest Payments	7228.22	7091.41	7128.78	7752.39	8643.78	9500.63	10355.97
14.	Subsidies -- General	2035.19	2163.68	1591.67	1671.25	1754.82	1842.56	1934.68
15.	Subsidies -- Power	1820.86*	1811.45*	1672.77	1599.48	1599.48	1599.48	1599.48
16.	Total Revenue Expenditure (9 + 10)	33455.47	31307.34	35865.16	40569.80	43942.43	48351.99	53661.52
	as % of GSDP		15.73	15.94	16.18	15.71	15.46	15.32
17.	Salary + Interest + Pensions (11 + 12 + 13)	18474.61	18205.82	20120.84	21464.31	22936.66	24416.76	25941.56
18.	as % of Revenue Receipts (17/8)	57.74	63.33	58.89	54.45	52.93	50.40	47.90
19.	Revenue Surplus/Deficit (8-16)	-1461.64	-2557.84	-1700.00	-1153.10	-612.18	90.00	500.00
	as % of GSDP		-1.28	-0.76	-0.46	-0.22	0.03	0.14
B CONSOLIDATED REVENUE ACCOUNT								
1	Power Sector loss/profit net of actual subsidy transfer		57.00	116.00	121.00	125.00	130.00	135.00
2	Increase in debtors during the year in power utility accounts [increase (-)]							
3	Interest payment on off-budget borrowings and SPV borrowings made by PSU/SPUs outside budget							
4	Total (1 to 3)	0.00	57.00	116.00	121.00	125.00	130.00	135.00
5	Consolidated Revenue Deficit (A 19 + B 4)	-1461.64	-2500.84	-1584.00	-1032.10	-487.18	220.00	635.00
C CONSOLIDATED DEBT								
1.	Outstanding Debt and Utility	66202.86	71427.05	79557.36	87738.21	95920.29	104085.68	112185.97
	as % of GSDP		35.88	35.35	35.00	34.29	33.28	32.03
2.	Total outstanding guarantee	17231.94	17508.30	19087.80	20042.19	21044.30	22096.51	23201.34
	as % of GSDP		8.79	8.48	8.00	7.52	7.07	6.62
	of which Guarantee on account off-budget borrowing and SPV borrowing		2300.60	2356.61	2238.78	2126.84	2020.50	1919.47
D CAPITAL ACCOUNT								
1.	Capital Outlay	5880.22	5414.23	6937.69	7620.26	7988.47	8620.34	9309.97
	as % of GSDP		2.72	3.08	3.04	2.86	2.76	2.66
2.	Disbursement of Loans and Advances	845.68	1593.14	1123.27	1234.66	1321.32	1448.93	1159.59
3.	Recovery of Loans and Advances	1480.66	1372.98	1757.40	1127.17	1139.89	1153.88	1169.27
4.	Other Capital Receipts				700.00	700.00	700.00	700.00
5.	Gross Fiscal Deficit (GFD)*	-6706.88	-8192.23	-8003.56	-8180.85	-8082.08	-8125.39	-8100.29
	as % of GSDP		-4.12	-3.56	-3.26	-2.89	-2.60	-2.31
	GSDP (Rs in crores) at Current prices	199075	199075	225054	250674	279732	312741	350295
	Actual/Assumed Nominal Growth Rate (%)		10.10	13.05	11.38	11.59	11.80	12.01
	*GFD as per para 19 of the guidelines *included in Plan expenditure							

Appendix 1.3
(Reference to paragraph 1.2 and 1.7 page 3 and 19)

Summarised financial position of the Government of Andhra Pradesh as on 31 March 2007

As on 31.03.2006	Liabilities	(Rupees in crore)	As on 31.03.2007
28913.70	Internal Debt – Total 6003(St.17)(Public debt (a))		30086.82
21347.02	Market loans bearing interest (Annexure to St.17)	23543.27	
1.03	Market Loans not bearing interest(Annexure to St.17)	1.00	
--	Market Loans Suspense	--	
2414.05	Loans from LIC (6003-103 - St.17)	2096.24	
148.73	Loans from GIC (6003-104 - St.17)	139.23	
1616.20	Loans from NABARD (6003-105 - St.17)	2357.29	
3386.67	Loans from other Institutions (6003-106,108,109)	1949.79	
--	Ways and Means Advances (6003-110 - St.17)	--	
	Overdraft from Reserve Bank of India		--
16044.75	Loans and Advances from Central Government -		15169.13
462.75	Pre 1984-85 Loans (6004-07-St.17)	462.75	
356.58	Non-plan Loans(6004-01-St.17)	349.24	
15109.90	Loans for State Plan Schemes(6004-02-St.17)	14244.75	
28.55	Loans for Central Plan Schemes(6004-03-St.17)	25.82	
86.97	Loans for Centrally Sponsored Plan Schemes(6004-04-)	86.57	
--	Other Ways and Means Advances (6003-105 - St.17)	--	
49.12	Contingency Fund (CB of 8000 St.16)		49.64
25449.07	Small Savings, Provident Funds, etc.(CB of I-St.16)		30165.45
8639.47	Deposits (K + K(c) – St.16)		10679.59
1924.73	Reserve Funds (CB of Total J + investments CB (debit balances)-St.16)		2296.93
324.05	Suspense and Miscellaneous Balances (Total L (-) Cash balances – St.16)		71.63
897.96	Remittance Balances (CB of M – St.16)		864.15
82242.85	Total		89383.34
As on 31.03.2006	Assets	(Rs. in crore)	As on 31.3.2007
40216.18 ^s	Gross Capital Outlay on Fixed Assets -		50120.18
5709.81	Investments in shares of Companies, Corporations, Cooperatives, etc.(S.14)	5776.17	
34506.37	Other Capital Outlay	44344.01	
10212.80	A) Loans and Advances -(St.18)		10648.16
1289.47	a) Loans for Power Projects(Total of MH 6801 - St.18)	3716.05	
8722.93	b) Other Development Loans [A (-) a + c]	6726.79	
200.40	c) Loans to Government servants and Miscellaneous loans (CB of MH 7610 & 7615 - St.18)	205.32	
14.40	Advances (K (c) St.16)		13.19
--	Remittance Balances		--
--	Suspense and Miscellaneous Balances		--
3407.61	Cash – (St.7 & 16)		4906.35
4.19	Cash in Treasuries and Local Remittances	5.42	
(-) 93.09	Deposits with Reserve Bank and other Banks	(-) 286.26	
0.99	Departmental Cash Balance 8671-101, 8672-101, 8673-101	0.92	
1.36	Permanent Advances	1.36	
2071.75	Cash Balance Investments	3409.19	
1422.41	Investment of earmarked funds	1775.72	
28391.86	Deficit on government account		
28006.02 [*]	Accumulated deficit up to 31 March 2006	28391.86	23695.46
385.84	Revenue Surplus of the Current Year	(-) 2807.08	
--	Revenue Receipt misclassified as Capital Receipt	(-) 1889.32	
--	Amount closed to government account	--	
--	Proforma corrections to opening balances under capital expenditure	--	
82242.85	Total		89383.34

* Lower rounding adopted to agree with Statement No.8 of Finance Accounts

\$ Figures of Finance Accounts modified to adjust misclassification of grants-in-aid to local bodies and amounts transferred to deposits as detailed below:

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Grants –in-aid	553.71	761.59	560.65	529.75	493.86	321.73	-	3221.29
Amount transferred to Deposits	-	-	307.49	279.75	335.62	-	-	922.86
Total	553.71	761.59	868.14	809.50	829.48	321.73	-	4144.15

Appendix 1.4
(Reference to paragraph 1.2 and 1.7 page 3 and 19)

Time Series Data on State Government Finances

(Rupees in crore)

		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<i>Part A. Receipts</i>							
1.	Revenue Receipts	21845(73)	23003(74)	26869(69)	28750(72)	34851(89)	44245(86)
	(i) Tax Revenue	11551(53)	12618(55)	13806(51)	16254(57)	19207 (55)	23926 (54)
	Taxes on Sales, Trade, etc.	7741(67)	8322(66)	9187(66)	11041(68)	12542 (65)	15467 (65)
	State Excise	1652(14)	1857(15)	1915(14)	2093(13)	2684 (14)	3437 (14)
	Taxes on Vehicles	939(8)	929(7)	1068(8)	1169(7)	1356 (7)	1365 (6)
	Stamps and Registration fees	805(7)	1000(8)	1112(8)	1388(9)	2013 (11)	2865 (12)
	Land Revenue	20	86(1)	35	33(-)	69 (-)	114 (-)
	Other Taxes	394(4)	424(3)	489(4)	530(3)	543 (3)	678 (3)
	(ii) Non Tax Revenue	2918(13)	3529(15)	3605(14)	3756(13)	4691 (14)	6488 (15)
	(iii) State's share in Union taxes and duties	4061(19)	4316(19)	5069(19)	6059(21)	6951 (20)	8866 (20)
	(iv) Grants in aid from GOI	3315 (15)	2540(11)	4389(16)	2681(9)	4002 (11)	4965 (11)
2.	Misc. Capital Receipts	—	—	—	—	—	1889
3.	Total revenue and Non-debt capital receipts (1+2)	21845	23003	26869	28750	34851	46134
4.	Recovery of loans and advances	947(3)	460(1)	1256 (3)	1373(3)	182 (1)	471 (1)
5.	Public Debt Receipts	7340(24)	7802(25)	10627 (28)	9833(25)	3971 (10)	4550 (9)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	3623(49)	5254(67)	7509 (71)	7992(81)	3449 (87)	4236 (93)
	Net transactions under Ways and Means Advances and Overdraft	—	—	—	—	—	—
	Loans and Advances from Government of India#	3717(51)	2548(33)	3118 (29)	1841(19)	522 (13)	314 (7)
6.	Total receipts in the Consolidated Fund (3+4+5)	30132	31265	38752	39956	39004	51155
7.	Contingency Fund receipts	1	3	—	23	—	1
8.	Public Account receipts	21777	25646	30495	39439	41366	51060
9.	Total receipts of Government (6+7+8)	51910	56914	69247	79418	80370	102216
<i>Part B. Expenditure/Disbursement</i>							
10.	Revenue Expenditure	25488 (86)*	26925 (87)*	30640 (86)*	32137(84)*	35237 (81)	41438
	Plan	5913 (23)	5848 (22)	7345 (24)	7229(22)	6805 (19)	9519
	Non-plan	19575 (77)	21077 (78)	23295 (76)	24908(78)	28432 (81)	31920
	General Services (including interest payments)	9286 (36)	11004 (41)	12133 (40)	13202(41)	13492 (38)	15314
	Social Services	8519 (34)	8904 (33)	10600 (34)	10808(34)	12159 (35)	15369
	Economic Services	7403 (29)	6755 (25)	7627 (25)	7901(24)	9361 (26)	10510
	Grants-in-aid and contributions	280 (1)	262 (1)	280 (1)	226(1)	225 (1)	245
11.	Capital Expenditure	2329 (8) *	2928 (9)*	3441 (10)*	4585(12)*	7340(17)*	9904
	Plan	2314 (99)	2778 (95)	3417 (99)	4597(100)	7378 (100)	9909
	Non-plan	15 (1)	150 (5)	24 (1)	(-) 12	(-) 38 (-)	(-) 5
	General Services	72 (3)	82(3)	58 (2)	19	26 (-)	344
	Social Services	188 (8)	518 (18)	259 (7)	449(10)	155 (2)	164 (2)
	Economic Services	2069 (89)	2328(79)	3124 (91)	4117(90)	7159 (98)	9396
12.	Disbursement of Loans and Advances	1698 (6)	1235 (4)	1494 (4)	1593(4)	756 (2)	907 (2)
13.	Total (10+11+12)	29515	31088	35575	38315	43333	52249

Includes Ways and Means Advances from Government of India

* The figures of Revenue and Capital expenditure have been adopted after adjustment of the misclassification mentioned under the relevant statements in Finance Accounts (see paragraph 1.6.1)

		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
14.	Repayment of Public debt	1964	3284	5925	7432	5295	4253
	Internal Debt (excluding Ways and Means Advances and Overdraft)	365 (18)	992 (30)	2225 (38)	3014(41)	4688 (89)	3063 (72)
	Net transactions under Ways and Means Advances and Overdraft	405 (21)	---	---	---	--	--
	Loans and Advances from Government of India#	1194 (61)	2292 (70)	3700 (62)	4418(59)	607 (11)	1190 (28)
15.	Appropriation to Contingency Fund	---	--	---	---	--	--
16.	Total disbursement out of Consolidated Fund (13+14+15)	31479	34372	41500	45747	48628	56502
17.	Contingency Fund disbursements	3	4	19	\$	1	Z
18.	Public Account disbursements	20219	22465	26459	32370	31421	44216
19.	Total disbursements by the State (16+17+18)	51701	56841	67978	78117	80050	100718
Part C. Deficits							
20.	Revenue Deficit (10-1)	3643	3922	3771	3387	386	(-) 2807
21.	Fiscal Deficit (1+2+4-13)	6723	7625	7450	8192	8300	5644
22.	Primary Deficit (21-23)	2139	1494	594	1101	1292	(-) 1636
Part D. Other data							
23.	Interest Payments (included in revenue expenditure)	4584	6131	6856	7091	7008	7280
24.	Arrears of Revenue (percentage of Tax & Non Tax Revenue receipts)	2231(15)	3021(19)	3672(21)	5028(25)	N.A.	N.A.
25.	Financial Assistance to local bodies etc.	10784	9259	10965	11213	9702	
26.	Ways and Means Advances/Overdraft availed (days)	336	170	212	---	--	--
27.	Interest on Ways and Means Advances/Overdraft	34	12	16	---	--	--
28.	Gross State Domestic Product (GSDP)*	157149	168143	190881(R)	208149(P)	232331(Q)	260734(A)
29.	Outstanding fiscal liabilities (year end) @	47439	54831	64545	74288	79549	86622
30.	Outstanding guarantees (year end)	10325	15317	17427	17893	17711	18018
31.	Maximum amount guaranteed (year end)	18537	24810	29545	28165	30200	29160
32.	Number of incomplete projects	25	23	24^	NA	NA	NA
33.	Capital blocked in incomplete projects	8104	8692	9254^	NA	NA	NA

Note: Figures in brackets represent percentages (rounded) to total of each sub heading

R: Revised; P: Provisional, Q: Quick and A: Advanced Estimates

^S Rupees 9.85 lakh

[#] Includes Ways and Means Advances from Government of India

* The GSDP data for 2001-02 to 2006-07 have been adopted from the Economic Survey for 2006-07 published by the Planning Department

@ Nomenclature and its components were changed so as to show total liabilities of Government (i.e., Public Debt and other obligations) as per revised format of Chapter I

^ The information is not exhaustive but is as furnished by the departmental authorities

NA: Not available

Z Rupees 32.60 lakh

Appendix 1.5
(Reference to paragraph 1.2 page 3)

Abstract of Receipts and Disbursements for the year 2006-07

(Rupees in crore)

Receipts				Disbursements				
2005-06		2006-07		2005-06		2006-07		
						Non-Plan	Plan	Total
Section-A: Revenue								
34851.19	I. Revenue receipts		44245.47	35237.03*	I. Revenue expenditure-	31919.68	9518.72	41438.40
19207.40	-Tax revenue	23926.20		13492.04	General services	15197.17	116.81	15313.98
				12158.79	Social Services-	9208.45	6160.88	15369.33
4691.37	-Non-tax revenue	6487.83		5337.52	-Education, Sports, Art and Culture	5337.48	698.14	6035.62
				1616.47	-Health and Family Welfare	1270.12	583.80	1853.92
6950.86	-State's share of Union Taxes	8866.00		1954.51	-Water Supply, Sanitation Housing and Urban Development,	283.22	2345.19	2637.41
1182.74	-Non-Plan grants	1183.07		57.35	-Information and Broadcasting	66.60	4.84	71.44
1448.74	-Grants for State Plan Schemes	2372.37		1333.75	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	656.95	1214.01	1870.96
1370.08	-Grants for Central and Centrally sponsored Plan Schemes	1410.00		81.84	-Labour and Labour Welfare	76.01	16.54	92.55
				1760.95	-Social Welfare and Nutrition	1500.80	1288.96	2789.76
				16.40	-Others	17.27	0.40	17.67
				9360.80	Economic Services-	7269.24	3241.03	10510.27
				1199.82	-Agriculture and Allied Activities	803.80	634.32	1438.12
				2011.80	-Rural Development	1277.05	1168.90	2445.95
				2620.41	-Irrigation and Flood Control	2262.01	914.55	3176.56
				1801.40	-Energy	1577.70	23.42	1601.12
				254.31	-Industry and Minerals	64.23	167.88	232.11
				1040.78	-Transport	1134.13	0.12	1134.25
				2.79	- Environment, Science, and Technology	1.51	5.72	7.23
				429.49	-General Economic Services	148.81	326.12	474.93
				225.40	Grants-in-aid and Contributions	244.82	—	244.82
385.84	II. Revenue deficit carried over to Section B			---	II. Revenue Surplus carried over to Section B	--	--	2807.08

* Finance Accounts figures modified to adjust misclassification of grants-in-aid of Rs 321.73 crore to local bodies

Section-B: Others								
3087.93	III. Opening Cash balance including Permanent Advances and Cash Balance Investment		3407.61	--	III. Opening Overdraft from RBI	--	--	--
--	IV. Miscellaneous Capital receipts		1889.32	7339.95*	IV. Capital Outlay-	(-) 4.89	9908.89	9904.00
				25.82	General Services-	3.19	341.13	344.22
				154.70	Social Services-	--	163.82	163.82
				82.96	-Education, Sports, Art and Culture	--	77.88	77.88
				5.79	-Health and Family Welfare	--	6.77	6.77
				5.05	-Water Supply, Sanitation, Housing and Urban Development	--	3.00	3.00
				100.46	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	--	75.51	75.51
				8.69	-Social Welfare and Nutrition	--	0.49	0.49
				1.75	-Others	--	0.17	0.17
				7159.43	Economic Services-	(-) 7.98	9403.94	9395.96
				7.21	-Agriculture and Allied Activities	(-) 0.37	18.46	18.09
				--	Rural Development Programme	--	--	--
				6157.75	-Irrigation and Flood Control	--	8217.70	8217.70
				--	-Energy	--	16.00	16.00
				44.72	-Industry and Minerals	--	33.22	33.22
				839.15	-Transport	(-) 7.60	897.31	889.71
				110.60	-General Economic Services	(-) 0.01	221.25	221.24
182.43	V. Recoveries of Loans and Advances-		471.33	756.49	V. Loans and Advances disbursed-	723.14	183.55	906.69
44.54	-From Power Projects	3.13		39.56	-For Power Projects		19.51	
69.38	-From Government Servants	68.77		59.59	-To Government Servants		73.69	
68.51	-From others	399.43		657.34	-To Others		813.49	

* Finance Accounts figures modified to adjust misclassification of grants-in-aid of Rs 321.73 crore to local bodies

--	VI. Revenue surplus brought down		2807.08	385.84	VI. Revenue deficit brought down		--
3970.72	VII. Public debt receipts-		4550.22	5294.74	VII. Repayment of Public Debt-		4252.72
3448.41	-Internal debt other than Ways and Means Advances and Overdraft	4235.65		4688.04	-Internal debt other than Ways and Means Advances and Overdraft	3062.53	
--	- Net transactions of Ways and Means Advances including Overdraft			--	-Net transaction of Ways and Means Advances including Overdraft		
522.31	-Loans and Advances from Central Government	314.57		606.70	-Repayment of Loans and Advances to Central Government	1190.19	
--	VIII. Appropriation to Contingency Fund		--	--	VIII. Appropriation to Contingency Fund		--
0.03	IX. Amount recouped to Contingency Fund		0.85	0.79	IX. Expenditure from Contingency Fund		0.33
41365.80	X. Public Account receipts-		51059.57	31421.49	X. Public Account disbursements-		44215.88
5952.55	-Small Savings and Provident Funds	5934.20		614.19	-Small Savings and Provident Funds	1217.82	
823.50	-Reserve funds	1022.93		469.83	-Reserve Funds	650.53	
8553.59	-Suspense and Miscellaneous	9594.22		5757.27	-Suspense and Miscellaneous	9846.64	
8969.51	-Remittances	11685.20		8736.06	-Remittances	11719.01	
17066.65	-Deposits and Advances	22823.22		15844.14	-Deposits and Advances	20781.88	
	XI. Closing Overdraft from Reserve Bank of India			3407.61	XI. Closing Cash Balance -		4906.35
				4.19	Cash in Treasuries and Local Remittances		
				(-) 93.09	Deposits with Reserve Bank and other Banks		
				2.35	Departmental cash balance including permanent advances		
				3494.16	Cash balance investment and investment of earmarked funds		
83843.94	Total		108431.45	83843.94	Total		108431.45

Appendix 1.6
(Reference to paragraphs 1.2 page 3)

Sources and Application of Funds

(Rupees in crore)

2005-06	Sources		2006-07
34851.19	1.	Revenue receipts	44245.47
	2.	Miscellaneous Capital Receipts	1889.32
182.43	3.	Recoveries of Loans and Advances	471.33*
---	4.	Increase in Public Debt	297.50
9944.31	5.	Net receipts from Public Account	6843.69
5338.36		Net effect of Small Savings	4716.38
1222.51		Net effect of Deposits and Advances	2041.34
353.67		Net effect of Reserve Funds	372.20
2796.32		Net effect of Suspense and Miscellaneous transactions	(-) 252.42
233.45		Net effect of Remittance transactions	33.81
---	6.	Net effect of Contingency Fund transactions	0.52
---	7.	Decrease in closing cash balance	---
44977.93		Total	53747.83
Application			
35237.03	1.	Revenue expenditure	41438.40
756.49	2.	Lending for development and other purposes	906.69
7339.95	3.	Capital expenditure	9904.00
0.76	4.	Net effect of Contingency Fund transactions	---
1324.03	5.	Decrease in Public Debt	---
319.67	6.	Increase in closing cash balance	1498.74
44977.93		Total	53747.83

* lower rounding adopted

Explanatory Notes to Appendix II, III & V

The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

- Government accounts being mainly on cash basis, the deficit on government account, as shown in **Appendix II** indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
- Suspense and Miscellaneous balances include cheques issued but not paid, inter-departmental and inter-Government payments and others awaiting settlement.
- There was a net difference of Rs 103.06 crore (credit) between the figures reflected in the accounts (Rs 287.60 crore – credit) and that intimated by the Reserve Bank of India (Rs 174.55 crore – debit) under the head deposits with Reserve Bank. The difference was under reconciliation.

Appendix 1.7
(Reference to paragraph 1.5.6 page 18)

Accounts due by autonomous bodies covered under Sections 19(2), 19(3) and 20(1) of the Act

S.No.	Name of the body	Period for which accounts awaited
Section 19(2)		
1	AP Legal Services Authority	2006-07
2.	District Legal Services Authority	2006-07
3	High Court Legal Services Authority	2006-07
Section 19(3)		
4.	Andhra Pradesh Khadi and Village Industries Board (APKVIB), Hyderabad	2005-06 and 2006-07 (2)
5.	Andhra Pradesh Vaidya Vidhana Parishad (APVVP)	2001-02 to 2006-07 (6) Audit Report from the year 1995-96 onwards were not placed before State Legislature.
Section 20(1)		
6.	Integrated Tribal Development Authority (ITDA), Srisailem	2001-02, 2003-04 to 2006-07 (5)
7.	ITDA, Bhadrachalam	2004-05 to 2006-07 (3)
	ITDA, Parvathipuram	2005-06 and 2006-07 (2)
8.	ITDA, Paderu	2005-06 and 2006-07 (2)
9.	ITDA, K.R.Puram	2002-03 to 2006-07 (5)
10.	ITDA, Utnoor	2006-07
11.	ITDA, Eturunagaram	2002-03 to 2006-07 (5)
12.	ITDA, Seethampeta	2005-06 and 2006-07 (2)
13.	ITDA, Rampachodavaram	2000-01 to 2006-07 (7)
15.	Hyderabad Metro Water Supply & Sewerage Board	2004-05 to 2006-07 (3)
16.	Hyderabad Urban Development Authority	2005-06 to 2006-07 (2)
17.	Visakhapatnam Urban Development Authority	2005-06 to 2006-07 (2)
18.	Vijayawada-Guntur-Tenali Urban Development Authority	2006-07
19.	Tirupathi Urban Development Authority	2006-07
20.	Kakatiya Urban Development Authority	2004-05 to 2006-07 (3)
21.	Sri Satya Sai Urban Development Authority	2003-04 to 2006-07 (4)

Appendix 1.8
(Reference to paragraph 1.6 page 18)

Cases of Misappropriation reported to Audit

(Rupees in lakh)

S. No.	Department	Up to 2002-03		2003-04		2004-05		2005-06		2006-07		Total	
		N	A	N	A	N	A	N	A	N	A	N	A
1.	Agriculture and Coöperation	26	83.65	--	--	--	--	--	--	--	--	26	83.65
2.	Animal Husbandry and Fisheries	4	2.63	--	--	--	--	--	--	--	--	4	2.63
3.	Education	31	65.09	1	21.14	2	5.30	--	--	--	--	34	91.53
4.	Environment, Forests, Science and Technology	8	55.92	--	--	2	46.46	--	--	--	--	10	102.38
5.	Finance and Planning (Treasuries and Accounts)	5	186.03	--	--	1	1.98	--	--	1	0.30	7	188.31
6.	Health, Medical and Family Welfare	51	145.23	1	3.85	1	0.50	4	25.11	--	--	57	174.69
7.	Home	11	11.30	--	--	1	4.34	1	0.97	1	3.32	14	19.93
8.	Industries and Commerce	--	--	--	--	--	--	1	ANF	--	--	1	ANF
9.	Labour, Employment Training and Factories	4	5.02	--	--	--	--	--	--	--	--	4	5.02
10.	Law	1	0.49	--	--	3	0.46	2	1.26	5	40.84	11	43.05
11.	Legislature	1	7.80	--	--	--	--	--	--	--	--	1	7.80
12.	Municipal Administration and Urban Development	1	4.35	--	--	--	--	--	--	--	--	1	4.35
13.	Panchayati Raj and Rural Development	19	124.77	--	--	2	71.75	1	0.36	--	--	22	196.88
14.	Revenue	262	99.33	--	--	--	--	--	--	--	--	262	99.33
15.	Social Welfare (including Tribal Welfare)	27	2428.50	--	--	--	--	--	--	1	1.69	28	2430.19
16.	Transport, Roads and Buildings	2	3.46	--	--	--	--	--	--	--	--	2	3.46
	Total	453	3223.57	2	24.99	12	130.79	9	27.70	8	46.15	484	3453.20

N – Number of cases A – Amount rupees in lakh

Appendix 1.9
(Reference to paragraph 1.7.1.1 page 19)

Departmentally managed commercial and quasi-commercial undertakings for which proforma accounts up to 31 March 2007 have not been received

Sl. No.	Name of the Undertaking	Latest year of accounts finalized	Excess of expenditure over income (-) /income over expenditure (+) (Rs)	Accumulated loss (Rs)	Total Government Capital (Rs)
Animal Husbandry and Fisheries					
1.	Fishnet Making Plant, TB Dam	2004-05	(-) 22,42,686	409,88,183	2,69,63,980*
2.	Ice Plant cum Cold Storage, TB Dam	2004-05	7,85,585	Nil	11,68,200*
3.	Fish Seed Farm	Accounts are awaited since inception from 1963-64			
Education					
4.	AP Government Text Book Press, Hyderabad	Revised accounts from 1978-79 to 1985-86 and Accounts from 1986-87 to 2000-01 were received on 11-08-2004 and the same were not certified and returned to Management on 28-7-05 due to non production of supporting Registers/Records for verification of accounts			
Finance Department					
5.	Directorate of Insurance (APGLI)	1989-99	471,73,90,400	Nil	
Home					
6.	Government Central Press, Hyderabad	Accounts are awaited from 1969-70. Revised accounts are awaited from 1967-68			
7.	Government Regional Press, Kurnool	Accounts are awaited from 1971-72			
8.	Government Regional Press, Vijayawada	Accounts are awaited from 1983-84			
Revenue					
9.	Government Distillery, Narayanguda, Hyderabad	Revised accounts for 1992-93 & 1993-94. (The Unit stopped production with effect from 1-10-1993) are awaited.			

* Fishnet making Plant, TB Dam and Ice cum Cold Storage, TB Dan are joint ventures between Government of Andhra Pradesh and Government of Karnataka

Appendix 2.1
(Reference to paragraph 2.3.1 page 33)

Areas in which major savings occurred

Grant No./ Major Head	Areas in which major savings occurred	Savings (Rupees in crore)
IX Fiscal Administration, Planning, Surveys and Statistics (Revenue-charged)		
2049	Interest Payments	786.38
	(Public Debt)	
6003	Internal Debt of the State Government	3058.48
XII School Education (Revenue Voted)		
2059	Public Works	31.26
2202	General Education	97.85
XVII Municipal Administration and Urban Development (Revenue Voted)		
2215	Water Supply and Sanitation	52.69
2217	Jawaharlal Nehru National Urban Removal Mission	207.45
XVIII Housing (Revenue Voted)		
2216	Construction of Houses	404.43
Loans Voted		
6216	Loans for Housing	386.32
XXXIII Major and Medium Irrigation (Revenue Voted)		
2701	Major Irrigation – Commercial	1284.55
	(Capital-Voted)	
4701	Major Irrigation – Commercial	710.91

Appendix 2.2
(Reference to paragraph 2.3.1 page 33)

Statement of various grants/appropriations where expenditure fell short by more than Rupees one crore each and more than 10 per cent of the total provision

(Rupees in lakh)

Sl. No.	Description of the grant/appropriation	Total grant/appropriation	Savings
1	2	3	4
1.	I State Legislature (Revenue Voted)	4722.59	549.75
2.	II Governor and Council of Ministers (Revenue Voted)	1534.07	607.95
3.	III Administration of Justice (Revenue Voted)	266,11.96	34,94.63
4.	IV General Administration (Revenue Voted)	267,68.98	87,87.00
	General Administration (Revenue Charged)	15,12.67	557.64
5.	V Revenue, Registration and Relief (Capital Voted)	3698.00	36,28.68
6.	VII Commercial Taxes Administration (Revenue Voted)	251,69.57	41,55.15
7.	VIII Transport Administration (Revenue Voted)	6981.39	1438.05
8.	IX Fiscal Administration (Capital Voted)	2,95,00.00	73,75.10
	Fiscal Administration (Loans Voted)	11159.17	3790.41
	Fiscal Administration (Loans Charged)	6827,16.13	2574,44.51
9.	X Home Administration (Loans Voted)	56,77.01	16,63.45
10	XI Roads Buildings & Ports (Loans Voted)	46,41.72	645.59
11.	XII School Education (Revenue Voted)	5611,70.93	990,69.12
	School Education (Capital Voted)	13790.23	7114.51
12.	XIII Higher Education (Revenue Voted)	12,18,65.28	35,33.18
	Higher Education (Capital Voted)	27,89.01	17,54.51
13.	XV Sports and Youth Services (Revenue Voted)	202,54.32	71,76.50
14.	XVI Medical and Health (Revenue Voted)	20,73,75.68	2,72,36.94
	Medical and Health (Capital Voted)	21,30.00	14,53.20
	Medical and Health (Loans Voted)	69,86.00	7,42.09
15.	XVII Municipal Administration and Urban Development (Revenue Voted)	2380,30.59	699,72.40
	Municipal Administration and Urban Development (Revenue Charged)	2,20.81	1,40.73
16	XVIII Housing (Revenue Voted)	930,42.90	407,29.49
	Housing (Loans Voted)	893,66.00	386,32.36
17.	XX Labour and Employment (Revenue Voted)	188,07.02	24,97.33
	Labour and Employment (Capital Voted)	4,48.53	4,31.73
18.	XXI Social Welfare (Revenue Voted)	1415,88.95	473,97.19
	Social Welfare (Capital Voted)	185,74.00	175,71.11
19.	XXII Tribal Welfare (Revenue Voted)	554,82.75	56,18.16
	Tribal Welfare (Capital Voted)	18029.30	146,65.21
20.	XXIII Backward Classes Welfare (Capital Voted)	20,66.00	2,87.35
21.	XXV Women, Child and Disabled Welfare (Revenue Voted)	725,83.29	149,59.56
	Women, Child and Disabled Welfare (Capital Voted)	1194.66	1150.34
22	XXVI Administration of Religious Endowments (Revenue Voted)	23,96.26	6,18.12
23.	XXVII Agriculture (Revenue Voted)	954,67.01	221,08.70
24.	XXVIII Animal Husbandry and Fisheries (Capital Voted)	979.85	844.85
	Animal Husbandry and Fisheries (Loans Voted)	19,56.90	11,59.41
25	XXIX Forest Science, Technology and Environment (Revenue Voted)	373,14.86	82,96.93
26.	XXX Cooperation (Revenue Voted)	166,62.71	21,33.44
	Cooperation (Capital Voted)	20,69.90	6,25.31
	Cooperation (Loans Voted)	40,43.25	7,28.32
27.	XXXI Panchayat Raj (Revenue Voted)	3169,52.87	493,33.44
28.	XXXIII Major and Medium Irrigation (Revenue Voted)	4361,30.24	1142,94.88
	Major and Medium Irrigation (Revenue Charged)	3207.19	2063.12
	Major and Medium Irrigation (Capital Charged)	13006.80	5194.61
29	XXXIV Minor Irrigation (Revenue Voted)	82,43.66	13,52.71
	Minor Irrigation (Capital Voted)	686,57.00	208,28.60
	Minor Irrigation (Capital Charged)	8,00.00	7,73.38
30	XXXV Energy (Loans Voted)	51,96.97	32,46.40
31	XXXVI Industries and Commerce (Revenue Voted)	339,31.94	151,69.42
	Industries and Commerce (Capital Voted)	52,23.00	19,05.75
32	XXXVII Tourism, Art and Culture (Revenue Voted)	109,55.94	65,86.89
	Tourism, Art and Culture (CV)	600.00	552.35
33	XXXIX Information Technology & Communications (Revenue Voted)	84,65.90	25,06.47
34	XL Public Enterprises (Loans Voted)	15,00.00	7,97.49
Total		359,02,51.76	95,73,91.51

Appendix 2.3
(Reference to paragraph 2.3.2 page 33)

Excess over provision relating to previous years requiring regularisation

(Rupees in crore)

Year	Number of grants/appropriations	Grant/Appropriation No(s)	Amount of excess	Amount for which explanations not furnished to PAC
1997-98	32	I(RC), V(RV), XI(RV, RC), XIII(RC), XV(RV, CV), XVIII(RV, CV), XX(RV, L) XXI(RC), XXII(L), XXV(L) XXVI(CV, CC), XXVIII(RV, L), XXIX(RV), XXXI(L) XXXII(CV), XXXIV(RV), XXXV(CV, L), XXXVIII(L), XXXIX(RV, L) XLI(L), XLII(RV), XLIII(CV), XLIV(RV), XLVII(RV)	405.12	405.12
1998-99	35	I(RC), II(RV), III(RV, RC), IV(RV), V(RV), XII(RV), XIII(CV), XV(RV, RC), XVIII(RV), XX(RV), XXI(CV), XXIII(CV), XXIV(RV), XXV(RV), XXVII(CV), XXVIII(CV), XXVIII(RV), XXX(RV) XXXII(CV), XXXIV(RV), XXXVIII(CV), XL(RV, CV), XLI(RV, CV), XLII(RV), XLIII(RV), XLIV(RV, RC), XLVI(RV), XLIX(RV), LI(RV), LII(RV), LIII(CV)	310.63	310.63
1999-2000	27	III(RC), IV(RC), V(RV, CV) XV(RC, CC), XVII(RV), XIX(RV, CV), XX(RC), XXII(RV), XXIII(CV), XXX(RV), XXXII(CV, L), XXXIII(CV, L) XXXIV(CV), XXXVI(RC), XXXVII(CV, RC), XXXVIII(CV), XLI(RC), XLII(RV), XLIII(RV), LII(RV), and public debt	846.31	846.31
2000-01	21	I(RV), V(CV), XII(L), XIII(RV), XIII(CV), XV(RV), XVII(RV), XIX(RV), XX(RC), XXI(L), XXVIII(CV), XXXII(CV), XXXII(L), XXXIII(RC), XXXIV(RV), XXXVIII(RV), XXXIX(L), XLII(RV), XLIV(RV), XLIV(CV)	414.29	414.29
2001-02	22	II(RV), VII(RV), XIV(RV) XV(CV), XVI(RV), XXIII(CV), XXXI(RV), XXXIII(RV), XXXIV(RV), XXXVI(RV), XXXVIII(CV), XLI(RV, LV) XLII(RC) XLIV(RV), XLV(RV) XLVII(CC), XLVIII(CV) XLIX(LV), LI(RV), LIII(RC, CC)	427.69	427.69
2002-03	15	II(RV), V(RV), X (Public debt charged) XIV(CC), XIX(RV), XXIII(RV), XXVII(RV), XXXIII(RV), XXXVI(CV), XXXVIII(CV), XLII(RC), XLV(RV), XLVI(RC), XLVII(CC), XLVIII(CV)	546.25	546.25
2003-04	36	II(RV, RC), III(RV, RC), IV(RV), V(RV), VI(RV) IX (Public Debt) X(RV, LV), XI(LV), XIV(RV), XV(RV, RC), XVII(RV, CV, LV), XVIII(RV, LV), XIX(RV), XXI(RV), XXIII(RV), XXIV(RV), XXVI(RV), XXVII(LV), XXVIII(CV), XXIX(CV), XXX(CV), XXXIII(CV), XXXIV(CV, CC, LV), XXXV(LV) XXXVI(RV, LV), XL(RV)	9303.24	9303.24
2004-05	6	VIII(RV), XVI(CV), XIX(RV), XXXVI(RC, LV), XL(RV)	14.83	14.83
2005-06	13	II(RC), VIII(CV), X(RV), XI(RV), XIII(CV), XVI(RC), XVII(CV), XVII(LV), XIX(RV), XXXVIII(RC), XXXI(RV), XXXII(CV), XXXIII(CV)	585.82	585.82
Total	207		12854.18	12854.18

RV : Revenue-Voted, RC : Revenue-Charged, CV : Capital - Voted,
CC : Capital- Charged, L : Loans, PAC : Public Accounts Committee

Appendix 2.4
(Reference to paragraph 2.3.2 page 33)

Excess over grants/appropriations

(in Rupees)

S.N o.	Number and name of the grant/appropriation		Total grant or appropriation	Actual expenditure	Amount of excess
Voted Grants-Revenue					
1.	IX	Fiscal Administration	48,59,74,13,000	4909,53,99,270	49,79,86,270
2.	X	Home Administration	1829,58,04,000	1922,16,43,548	92,58,39,548
3.	XI	Roads, Buildings and Ports	1049,24,55,000	1077,92,68,563	28,68,13,563
4.	XIV	Technical Education	202,12,78,000	202,66,38,870	53,60,870
Capital					
5.	XVII	Municipal Administration and Urban Development	1,17,73,000	1,18,67,891	94,891
6.	XXIX	Forest , Science Technology and Environment	62,00,000	2,43,41,110	1,81,41,110
Loans					
7.	XXVII	Agriculture	18,45,000	24,18,45,000	24,00,00,000
Total Voted Grants			7942,67,68,000	8140,10,04,252	197,42,36,252
Charged Appropriation – Revenue					
8	III	Administration of Justice	37,15,28,000	38,44,69,873	1,29,41,873
Total Charged Appropriation			37,15,28,000	38,44,69,873	1,29,41,873
Grand Total			7979,82,96,000	8178,54,74,125	198,71,78,125

Appendix 2.5
(Reference to paragraph 2.3.3 page 33)

Unnecessary Supplementary Grants

(Rupees in crore)

S. No.	Grant No.	Original provision	Supplementary provision	Total	Expenditure	Saving
1.	II – Governor and Council of Ministers (RV)	15.03	0.31	15.34	9.26	6.08
2.	III - Administration of Justice (RV)	265.40	0.72	266.12	231.17	34.95
3.	IV - General Administration and Elections (RV)	229.16	38.53	267.69	179.82	87.87
4.	V - Revenue, Registration and Relief (CV)	33.24	3.75	36.99	0.45	36.54
5.	VII - Commercial Taxes Administration (RV)	248.70	3.00	251.70	210.14	41.56
6.	X - Home Administration (LV)	53.19	3.58	56.77	40.14	16.63
7.	XI - Roads, Buildings and Ports (RC)	1.90	0.30	2.20	1.69	0.51
8.	XII - School Education (RV)	5455.77	155.94	5611.71	4621.02	990.69
9.	XIII Higher Education(RV)	1218.50	0.15	1218.65	1083.32	135.33
10.	XV - Sports and Youth Services	202.21	0.33	202.54	130.78	71.76
11.	XVI - Medical and Health (RV)	2032.07	41.69	2073.76	1801.39	272.37
	XVI Medical and Health (CV)	11.30	10.00	21.30	6.77	14.53
12.	XVII - Municipal Administration and Urban Development (RV)	1819.56	560.75	2380.31	1680.58	699.73
13.	XX - Labour and Employment (CV)	3.50	0.99	4.49	0.17	4.32
14.	XXI - Social Welfare (RV)	1368.00	47.89	1415.89	0.09	1415.80
15.	XXIII - Backward Classes Welfare (CV)	19.69	0.97	20.66	17.79	2.87
16.	XXVII - Agriculture (RV)	860.40	94.27	954.67	733.58	221.09
17.	XXVIII - Animal Husbandry & Fisheries (CV)	8.45	1.35	9.80	1.35	8.45
	XXVIII - Animal Husbandry & Fisheries (LV)	11.59	7.97	19.56	7.97	11.59
18.	XXIX - Forest Science, Technology and Environment (RV)	370.74	2.41	373.15	290.18	82.97
19.	XXX – Cooperation (RV)	161.36	5.27	166.63	149.29	17.34
20.	XXXI – Panchayat Raj (RV)	3078.00	91.53	3169.53	267.69	2901.84
21.	XXXIII - Major and Medium Irrigation (RV)	4359.63	1.67	4361.30	3218.35	1142.95
	XXXIII - Major and Medium Irrigation (RC)	32.06	0.01	32.07	11.44	20.63
	XXXIII - Major and Medium Irrigation (CC)	117.94	12.13	130.07	78.12	51.95
22.	XXXVI - Industries and Commerce	334.75	457.06	791.81	187.63	604.18
23.	XXXVIII - Civil Supplies Administration (RV)	810.94	40.29	851.23	807.63	43.60
24.	XXXIX- Information Technology and Communications (RV)	82.73	1.93	84.66	59.59	25.07
Total		23205.81	1584.79	24790.60	15827.40	8963.20

RV : Revenue-Voted, RC : Revenue- Charged, CV : Capital - Voted, CC : Capital- Charged, L : Loans

Appendix 2.6
(Reference to paragraph 2.3.4 page 33)

Excessive/unnecessary reappropriation of funds

(cases where injudicious reappropriation of funds proved excessive or resulted in savings, by over Rs 5 crore)

(Rupees in crore)

S. No	Number and name of grant and Head of account		Original provision	Reappropriation	Total grant	Actual expenditure	Excess (+)/ Savings (-)
1	2		3	4	5	6	7
1.	V	Revenue, Registration and Relief 2245-02-113-(04)-Assistance for Repairs and Reconstruction of Houses	(O) --- (S) 32.74	(-) 32.74	NIL	62.76	(+) 62.76
2.	V	Revenue Registration and Relief 2202-02-122-(04)- Medium and Major Irrigation Works	(O) --- (S) 10.59	(+) 12.79	23.38	10.58	(-) 12.80
3.	V	Revenue Registration and Relief 2245-02-122-(06) Drainage and Flood control	(O) --- (S) 0.40	(+) 21.87	22.27	0.40	(-) 21.87
4.	X	Home Administration 2052-00-108-(05) City Police Force	(O) 143.05 (S) 2.15	(-) 16.11	129.09	161.89	(+) 32.80
5.	X	Home Administration 5054-80-800-04-Construction of Roads & Bridges under Railway Safety works	(O) 30.84	(+) 29.88	60.72	45.71	(+) 15.01
6.	IX	Fiscal Administration, Planning, Surveys and Statistics 2071-01-101-(04) Service Pensions	(O) 2095.49	(-) 158.96	1936.53	1957.00	(-) 20.47
7.	XIII	Higher Education 2202-02-004-04-Vocationalisation of Education	(O) 16.51	(+) 0.84	17.35	11.53	(-) 5.82
8.	XVI	Medical and Health 2210-06-001-(03) District Offices	(O) 50.37	(-) 5.83	44.54	53.75	(+) 9.21
9.	XVI	Medical and Health 2211-00-101-(08) Cash stipends to Rural SC/ST Girls High School Students belonging to BPL families	NIL	(+) 7.00	7.00	NIL	(-) 7.00
10.	XVI	Medical and Health 2211-00-103-(04) Maternity and Child Health Centres	(O) 10.94	(+) 11.39	22.33	2.94	(-) 19.39
11.	XVII	Municipal Administration and Urban Development 2217-80-191-11-(59) Assistance to Municipalities/Corporations for infrastructure	(O) 15.75	(+) 3.00	18.75	10.87	(-) 7.88
12.	XVII	Municipal Administration and Urban Development 2217-80-191-11 (66) Assistance to Municipal Corporation, Rajahmundry	NIL	(+) 6.38	6.38	NIL	(-) 6.38
13.	XVII	Municipal Administration and Urban Development 2217-80-191-11-(71) Urban Infrastructure and Governance under Jawaharlal Nehru National Urban Renewal Mission	(O) 126.00 (S) 71.33	(-) 65.52	131.81	138.19	(+) 6.38
14.	XVII	Municipal Administration and Urban Development 2217-80-191-11-(73) Urban Infrastructure Development Scheme for Small and Medium Towns under Jawaharlal Nehru National Urban Renewal Mission	(S) 205.92	(+) 12.60	218.52	118.52	(-) 100.00
15.	XVII	Municipal Administration and Urban Development 2217-80-789-11-(73) Urban Infrastructure Development Scheme for small and Medium Towns under Jawaharlal Nehru National Urban Renewal Mission	(O) NIL (S) 80.18	(+) 2.40	82.58	22.58	(-) 60.00
16.	XVII	Municipal Administration and Urban Development 2217-80-796-11-73 Urban Infrastructure Development Scheme for Small and Medium Towns under Jawaharlal Nehru National Urban Renewal Mission	(O) NIL (S) 48.41	(+) 1.00	49.41	9.41	(-) 40.00
17.	XXI	Social Welfare 2225-01-800-(05) Special criminal courts dealing with offences under the IPC and protection of civil Rights Act, 1955 against Scheduled Castes and Scheduled Tribes	(O) 13.72	(-) 5.08	8.64	13.83	(+) 5.19

18.	XXII	Tribal Welfare 2225-02-277-(05)- Educational Institutions	(O) 172.58 (S) 16.89	(-) 3.26	186.21	194.16	(+) 7.95
19.	XXVII	Agriculture 6435-01-195-(04) Loans to APMARKFED	(S) 0.18	NIL	0.18	24.18	(+) 24.00
20.	XXXI	Panchayat Raj 2515-001-07-District Offices	(O) 35.95	(-) 0.02	35.93	66.68	(+) 30.75
21.	XXXI	Panchayat Raj 2515-01-198-46 Assistance to Gram Panchayats for current consumption charges	(O) 22.00	(+) 10.00	32.00	22.00	(-) 10.00
22.	XXXI	Panchayat Raj 2215-01-800-11 Construction of new rural roads	(O) 563.87	(-) 537.63	26.24	54.88	(+) 28.64
23.	XXXIII	Major and Medium Irrigation 2701-01-105 Krishna Delta System	(O) 16.77	(-) 11.37	5.40	13.41	(+) 8.01
24.	XXXIII	Major and Medium Irrigation 2701-01-116 Sriram Sagar Project	(O) 471.71	(+) 26.77	498.48	455.82	(-) 42.66
25.	XXXIII	Major and Medium Irrigation 2701-01-123 Srisailem Right Branch Canal	(O) 246.02	(+) 70.50	316.52	288.25	(-) 28.27
26.	XXXIII	Major and Medium Irrigation 2701-01-800 Other Expenditure	(O) 634.89	(-) 352.94	281.95	305.29	(+) 23.34
27.	XXXIII	Major and Medium Irrigation 2701-03-146 Gajuladinne Project	(O) 1.12	(-) 0.01	1.11	22.03	(+) 20.92
28.	XXXIII	Major and Medium Irrigation 4701-01-104 Tungabhadra Project HLC stage-II	(O) 145.56	(+) 28.70	174.26	136.47	(-) 37.79
29.	XXXIII	Major and Medium Irrigation 4701-01-111-Prakasam Barrage	(O) 5.00	(-)3.68	1.32	7.53	(+) 6.21
30.	XXXIII	Major and Medium Irrigation 4701-01-117 Singur Project	(O) 27.59	(+) 1.00	28.59	14.38	(-) 14.21
31.	XXXIII	Major and Medium Irrigation 4701-01-120 Polavaram Barage (Indirasagar Project)	(O) 675.00	(-) 575.43	99.57	136.87	(+) 37.30
32.	XXXIII	Major and Medium Irrigation 4701-01-123 Telugu Ganga Project (Charged)	(O) 24.42 (S) 1.34	(-) 10.00	15.76	22.08	(+) 6.32
33.	XXXIII	Major and Medium Irrigation 4701-01-131 Neradi Barage under Vamsadhara Project (Stage II)	(O)156.50	(-) 36.46	120.04	159.20	(+) 39.16
34.	XXXIII	Major and Medium Irrigation 4701-01-144 Nettampadu LI Scheme)	(O) 94.60	(+) 223.07	317.67	295.92	(-) 21.75
35.	XXXIII	Major and Medium Irrigation 4701-01-146 Thotapalli Reservoir	(O) 165.00	(-) 141.01	23.99	31.38	(+) 7.39
36.	XXXIII	Major and Medium Irrigation 4701-01-152 Godavari Water utilisation Authority	(O) 1232.00 (S) 100.45	(+) 276.54	1608.99	1400.50	(-) 208.49
37.	XXXIII	Major and Medium Irrigation 4701-01-157-Polavaram LI Scheme	(O) 100.00	(+) 46.06	146.06	90.51	(-) 55.55
38.	XXXIII	Major and Medium Irrigation 4701-01-159 Bhicma LI Scheme	(O) 188.20	(+) 126.46	314.66	307.45	(-) 7.21
39.	XXXIII	Major and Medium Irrigation 4701-01-161 Venkatanagaram Pumping Scheme	(O) 20.00	(+) 7.79	27.79	19.50	(-) 8.29
40.	XXXIII	Major and Medium Irrigation 4701-163 Tungabhadra Project LLC Board Area	(O) 33.00	(+) 4.25	37.25	20.66	(-) 16.59

41.	XXXIII	Major and Medium Irrigation 4701-01-800 Other Expenditure	(O) 272.80	(+) 1268.73	1541.53	195.23	(-) 1346.30
42.	XXXIII	Major and Medium Irrigation 4701-03-112 Upper Koulasanala Project	(O) 1.00	(-) 0.55	0.45	8.51	(+) 8.06
43.	XXXIII	Major and Medium Irrigation 4701-03-112 Upper Koulasanala Project (Charged)	(O) 2.00 (S) 2.48	(+) 3.98	8.46	NIL	(-) 8.46
44.	XXXIII	Major and Medium Irrigation 4701-03-136 Jhanjavati Project	(O) 30.00	(+) 0.12	30.12	22.74	(-) 7.38
45.	XXXIII	Major and Medium Irrigation 4701-03-189 Reservoir near Veligalli	(O) 55.00	(+) 0.65	55.65	34.22	(-) 21.43
46.	XXXIII	Major and Medium Irrigation 4701-03-203 Peddagadda Reservoir	(O) 60.00	(+) 16.20	76.20	45.45	(-) 30.75
47.	XXXIII	Major and Medium Irrigation 4701-03-204 Suddavagu Project	(O) 1.00	(+) 24.00	25.00	12.88	(-) 12.12
48.	XXXIII	Major and Medium Irrigation 4701-03-207 Gollavagu Project	(O) 35.00	(+) 12.94	47.94	36.16	(-) 11.78
49.	XXXIII	Major and Medium Irrigation 4701-03-236 Ralivagu Project	(O) 35.00	(+) 3.16	38.16	31.13	(-) 7.03
50.	XXXIII	Major and Medium Irrigation 4701-03-237 Nilwai Project	(O) 40.00	(+) 3.00	43.00	34.67	(-) 8.33
51.	XXXIII	Major and Medium Irrigation 4701-03-240 Musurumellui Project	33.00	(+) 10.75	43.75	15.27	(-) 28.48
52.	XXXIII	Major and Medium Irrigation 4711-01-103 (05) Embankments	(O) 37.00	(+) 42.46	79.46	52.10	(-) 27.36
53.	XXXIV	Minor Irrigation 4702-00-101-12 Construction and Restoration of MI sources	(O) 296.84	(+) 20.50	317.34	235.29	(-) 82.05
54.	XXXV	2801-05-800-(06) Assistance to APTRASNCO for Agricultural and allied subsidy	(O) 1405.00	(-) 48.55	1356.45	1367.38	(+) 10.93
55.	XXXV	Energy 6801-00-205-(09) Loan for ultra Mega Power Project, Krishnapatnam	NIL	(+) 16.00	16.00	NIL	(-) 16.00
56.	XXXVI	Industries and Commerce Assistance to Research and Development	(O) 10.00	(+) 0.60	10.60	3.60	(-) 7.00

Appendix 2.7
(Reference to paragraph 2.3.5 page 33)

Anticipated savings not surrendered

(Rupees in crore)

S. No.	Number and name of the grant		Total grant	Savings	Unsurrendered savings (and its percentage of savings)
(1)	(2)		(3)	(4)	(5)
1	I	State Legislature (Revenue Voted)	47.23	5.50	2.68 (48.72)
2.	II	Governor and Council of Ministers (Revenue Voted)	15.34	6.08	5.41 (88.98)
		Governor and Council of Ministers (Revenue Charged)	3.57	0.04	0.02 (50)
3.	III	Administration of Justices (Revenue Voted)	266.12	34.95	7.88 (22.54)
4.	IV	General Administration and Elections (Revenue Voted)	267.69	87.87	76.13 (86.64)
		General Administration and Elections (Revenue Charged)	15.13	5.58	0.77 (13.80)
5.	V	Revenue, Registration and Relief (Revenue Voted)	19.25	91.67	8.58 (9.36)
		Revenue, Registration and Relief (Revenue Charged)	0.43	0.03	0.03 (100)
		Revenue, Registration and Relief (Capital Voted)	36.99	36.54	36.54 (100)
6.	IX	Fiscal Administration, Planning, Surveys Statistics (Loans Charged)	6827.16	2574.45	0.69 (0.03)
		Fiscal Administration, Planning, Surveys Statistics (Capital Voted)	295.00	73.75	73.75 (100)
7.	X	Home Administration (Revenue Charged)	0.76	0.18	0.18 (100)
		Home Administration (Capital Voted)	344.06	25.40	11.60 (45.67)
		Home Administration (Loans Voted)	56.77	16.63	12.37 (74.38)
8.	XI	Roads, buildings & Ports (Revenue Charged)	2.20	0.52	0.10 (19.23)
		Roads, buildings & Ports (Capital Charged)	1.22	0.22	0.22 (100)
		Roads, buildings & Ports (Loans Voted)	46.42	6.46	6.46 (100)
9.	XII	School Education (Revenue Voted)	5611.71	990.69	451.52 (45.58)
10.	XIII	Higher Education (Revenue Voted)	1218.65	135.33	66.59 (49.20)
		Higher Education (Capital Voted)	27.89	17.55	6.37 (36.30)
11.	XV	Sports and Youth and Services (Revenue Voted)	202.54	71.76	4.91 (6.84)
		Sports and Youth and Services (Capital Voted)	1.33	1.03	0.48 (46.60)
12.	XVI	Medical and Health (Revenue Voted)	2073.76	272.37	34.50 (12.67)
		Medical and Health (Capital Voted)	21.30	14.53	11.38 (78.32)
		Medical and Health (Loan Voted)	69.86	7.42	7.42 (100)
13.	XVII	Municipal Administration and Urban Development (Revenue Voted)	2380.31	699.72	676.82 (96.73)
		Municipal Administration and Urban Development (Revenue Charged)	2.21	1.41	1.41 (100)
14.	XVIII	Housing (Revenue Voted)	930.43	407.29	0.21 (0.05)
15.	XIX	Information and Public Relations (Revenue Voted)	76.54	5.09	0.13 (2.55)
16.	XX	Labour and Employment (Revenue Voted)	188.07	24.97	16.23 (65)
		Labour and Employment (Capital Voted)	4.49	4.32	4.32 (100)

17.	XXI	Social Welfare (Revenue Voted)	1415.89	473.97	14.73 (3.11)
		Social Welfare (Capital Voted)	185.74	175.71	8.90 (5.06)
18.	XXII	Tribal Welfare (Revenue Voted)	554.83	56.18	2.69 (4.79)
		Tribal Welfare (Capital Voted)	180.29	146.65	0.45 (0.31)
19.	XXIII	Backward Classes Welfare (Revenue Voted)	411.48	23.16	16.04 (69.26)
		Backward Classes Welfare (Revenue Charged)	0.03	0.03	0.03 (100)
		Backward Classes Welfare (CV)	20.66	2.87	1.94 (67.60)
20.	XXIV	Minority Welfare (RV)	55.50	0.33	0.33 (100)
21.	XXV	Women, Child and Disabled Welfare (Revenue Voted)	725.83	149.59	55.14 (36.86)
		Women, Child and Disabled Welfare (Capital Voted)	11.95	11.50	1.22 (10.61)
22.	XXVI	Administration of Religious Endowments (Revenue Voted)	23.96	6.18	6.18 (100)
23.	XXVII	Agriculture (Revenue Voted)	954.67	221.09	3.05 (1.38)
24.	XXVIII	Animal Husbandry and Fisheries (Revenue Voted)	366.57	28.61	0.98 (3.43)
25.	XXIX	Forest Science, Technology and Environment (Revenue Voted)	373.15	82.97	66.93(80.67)
26.	XXX	Cooperation (Revenue Voted)	166.63	21.33	17.96 (84.20)
		Cooperation (Capital Voted)	20.70	6.25	6.25 (100)
		Cooperation (Loans Voted)	40.43	7.28	7.28 (100)
27.	XXXI	Panchayat Raj (Revenue Voted)	31,69.53	493.33	51.88(10.52)
28.	XXXII	Rural Development (Revenue Voted)	1418.64	66.77	22.76 (34.09)
29.	XXXIII	Major and Medium Irrigation (Revenue Voted)	4361.30	1142.95	645.59 (56.48)
		Major and Medium Irrigation (Revenue Charged)	32.07	20.63	16.13 (78.19)
		Major and Medium Irrigation (Capital Voted)	8096.27	373.14	333.25 (89.31)
		Major and Medium Irrigation (Capital Charged)	130.07	51.95	50.40 (97.01)
30.	XXXIV	Minor Irrigation (Revenue Voted)	82.44	13.53	6.59 (48.71)
		Minor Irrigation (Capital Voted)	686.57	208.29	208.29 (100)
		Minor Irrigation (Capital Charged)	8.00	7.73	7.73 (100)
31.	XXXV	Energy (Loans Voted)	51.97	32.46	16 (49.29)
32.	XXXVI	Industries and Commerce (Revenue Voted)	339.32	151.69	27.91 (18.40)
		Industries and Commerce (Revenue Charged)	0.39	0.14	0.14 (100)
33.	XXXVII	Tourism Art and Culture (Revenue Voted)	109.56	65.87	53.25 (80.84)
		Tourism Art and Culture (Capital Voted)	6.00	5.52	5.52 (100)
34.	XXXVIII	Civil Supplies Administration (Revenue Voted)	851.23	43.86	7.03 (16.03)
35.	XXXIX	Information Technology and Communications (Revenue Voted)	84.66	25.06	0.23 (0.92)
36.	XL	Public Enterprises (Revenue Voted)	1.07	0.38	0.03 (7.89)
Total			45991.83	9736.35	3172.69

Appendix 2.8
(Reference to paragraph 2.3.6 page 33)

Amount surrendered on the last day of March 2007

(Rupees in thousand)

S. No.	Grant No.	Name of the grant	Amount
1	2	3	4
1.	I	State Legislature (Revenue Voted)	2,81,45
		(Revenue Charged)	16,80
2.	II	Governor and Council of Ministers (Revenue Charged)	2,10
3.	III	Administration of Justice (Revenue Voted)	27,06,59
4.	IV	General Administration (Revenue Voted)	11,73,59
		(Revenue Charged)	2,62,93
		(Capital Voted)	8,80
5.	V	Revenue Registration and Relief (Revenue Voted)	80,73,85
6.	VI	Excise Administration (Revenue Voted)	9,86,35
7.	VII	Commercial Taxes Administration (Revenue Voted)	45,31,56
8.	VIII	Transport Administration (Revenue Voted)	13,11,09
9.	IX	Fiscal Administration (Revenue Charged)	699,90,33
		(Loans Voted)	37,91,24
		(Loans Charged)	2573,76,44
10.	X	Home Administration (Revenue Voted)	29,39,63
		(Capital Voted)	13,80,00
		(Loans Voted)	4,26,55
11.	XI	Roads Buildings & Ports (Revenue Voted)	53,73,13
		(Revenue Charged)	41,91
		(Capital Voted)	102,31,66
12.	XII	School Education (Revenue Voted)	484,17,45
		(Capital Voted)	71,14,51
13.	XIII	Higher Education (Revenue Voted)	68,74,27
		(Capital Voted)	11,17,56
14.	XIV	Technical Education (Revenue Voted)	3,42,02
		(Capital Voted)	75,00
15.	XV	Sports and Youth Services (Revenue Voted)	63,52,02
		(Capital Voted)	55,24
16.	XVI	Medical and Health (Revenue Voted)	237,36,75
		(Revenue Charged)	22
		(Capital Voted)	3,15,00
17.	XVII	Municipal Administration and Urban Development (Revenue Voted)	22,89,66
18.	XVIII	Housing (Revenue Voted)	793,40,72
19.	XIX	Information and Public Relations (Revenue Voted)	4,96,31
20.	XX	Labour and Employment (Revenue Voted)	8,74,07

21.	XXI	Social Welfare (Revenue Voted)	5,78,44,25
22.	XXII	Tribal Welfare (Revenue Voted)	53,49,39
		(Capital Voted)	146,20,33
		(Loans Voted)	1,00,00
23.	XXIII	Backward Classes Welfare (Revenue Voted)	7,12,18
		(Capital Voted)	93,00
24.	XXV	Women, Child and Disabled Welfare (Revenue Voted)	94,45,38
		(Capital Voted)	10,28,08
25.	XXVII	Agriculture (Revenue Voted)	203,93,53
26.	XXVIII	Animal Husbandry & Fisheries (Revenue Voted)	27,63,13
		Animal Husbandry & Fisheries (Capital Voted)	8,44,85
		Animal Husbandry & Fisheries (Loans voted)	11,59,41
27.	XXIX	Forest Science Technology and Environment (Revenue Voted)	16,03,91
		(Capital Voted)	6,52
28.	XXX	Cooperation (Revenue Voted)	3,36,96
29.	XXXI	Panchayat Raj (Revenue Voted)	436,90,19
30.	XXXII	Rural Development (Revenue Voted)	44,00,71
31.	XXXIII	Major and Medium Irrigation (Revenue Voted)	8,26
		(Capital Voted)	31,74,06
		(Capital Charged)	1,54,99
32.	XXXIV	Minor Irrigation (Revenue Voted)	6,94,08
33.	XXXV	Energy (Revenue Voted)	69,52,62
		(Loans Voted)	16,46,40
34.	XXXVI	Industries and Commerce (Revenue Voted)	108,02,32
		(Capital Voted)	19,05,75
35.	XXXVII	Tourism, Art & Culture (Revenue Voted)	12,62,06
36.	XXXVIII	Civil Supplies Administration (Revenue Voted)	36,83,40
37.	XXXIX	Information Technology and Communications (Revenue Voted)	24,83,48
38.	XL	Public Enterprises (Revenue Voted)	35,44
Total			74,55,01, 48

Appendix 2.9
(Reference to paragraph 2.3.7 page 34)

Surrenders in excess of actual saving/even without saving

(Rupees in crore)

S. No	Number and name of the grant/appropriation		Total grant	Saving (-)/ Excess (+)	Amount surrendered	Amount surrendered in excess
1		2	3	4	5	6
1.	I	State Legislature (Revenue Charged)	0.58	(-) 0.05	0.17	0.12
2.	VI	Excise Administration (Revenue Voted)	177.75	(-) 7.35	9.86	2.51
3.	VII	Commercial Taxes Administration (Revenue Voted)	25170	(-) 41.55	45.34	3.79
4.	VIII	Transport Administration (Revenue Voted)	69.81	(-) 14.38	15.11	0.73
5.	IX	Fiscal Administration, Planning, Surveys and Statistics(Revenue Charged)	7987.51	(-) 698.40	699.90	1.50
6.	X	Home Administration (Revenue Voted)	1829.58	(+) 92.58	32.45	32.45
7.	XI	Roads Buildings & Ports (Revenue Voted)	1049.25	(+) 28.68	53.73	53.73
		(Capital Voted)	1006.40	(-) 25.33	110.16	84.83
8.	XIV	Technical Education (Revenue Voted)	202.13	(+) 0.54	3.42	3.42
9.	XXIX	Forest, Science, Technology and Environment (Capital Voted)	0.62	(+) 1.81	0.07	0.07
10.	XXXV	Energy (Revenue Voted)	1611.74	(-) 93.57	105.46	11.89
Total			14187.07	(-) 757.02	1075.67	195.04

Appendix 2.10
(Reference to paragraph 2.3.8 page 34)

Expenditure without provision (Rs 50 lakh and above)

(Rupees in thousand)

S. No.	Grant and Head of Account	Expenditure
IX Fiscal Administration, Planning, Surveys Statistics		
1.	6004-04-308-01	(-) 61,69
XI Roads Buildings and Ports		
2.	3054-04-797-04	93,40,99
XVII Municipal Administration and Urban Development		
3.	2215-02-107-11-(07)	8,00,00
XXVII Agriculture		
4.	6435-01-195-(04)	24,00,00
XXIX Forest Science, Technology and Environment		
5.	2406-01-070-(74)	73,80
6.	4406-01-101-11-(05)	1,97,13
XXXIII Major and Medium Irrigation		
7.	2701-80-003-(16)	(-) 2,31,20
Total		1,25,19,03

Appendix 2.11
(Reference to paragraph 2.3.10 page 34)

Statement showing the details of non-adjustment of Abstract Contingent bills

(Rupees in crore)

Department	2006-07	2005-06	3 to 5 years 2002-03 to 2004-05	6 to 10 years 1997-98 to 2001-02	11 to 20 years 1987-88 to 1996-97	Total Number of Certificates	Total amount
Agriculture and Cooperation	14.28	9.95	0.72	0.15	0	464	25.10
Animal Husbandry and Fisheries	0	1.76	0.10	1.45	0	21	3.31
Development and Marketing	0.67	0	0	0	0	5	0.67
Education	8.69	7.94	28.49	21.37	7.26	21950	73.75
Finance	0.24	3.59	0	0.55	0.03	124	4.41
Fire Services	0	0	0.25	0	0	20	0.25
General Administration	1.28	1.30	2.33	14.88	11.08	4558	30.87
Handlooms and Textiles	1.85	0.32	0	0	0	6	2.17
Home	16.06	2.16	13.62	23.24	15.20	2173	70.28
Information and Public Relations	1.41	0	0	0	0.35	565	1.76
Irrigation and Command Area Development	0.02	0.03	0.04	0.46	0	141	0.55
Labour Employment and Training	0	0	5.43	0.43	0	38	5.86
Law	3.62	0.84	0.11	2.71	0	30	7.28
Medical and Family Welfare	5.06	6.32	25.21	37.39	25.95	85764	99.93
Municipal Administration and Urban Development	0.01	0.03	1.40	0.69	0	33	2.13
Panchayat Raj and Rural Development	39.58	1.09	0.46	6.31	3.05	1586	50.49
Planning	1.68	3.59	4.59	0.74	0.02	402	10.62
Revenue	75.34	82.28	73.99	36.93	46.72	5674	315.26
Roads and Buildings	0	0	0.02	0.10	0	29	0.12
Secretariat	0.51	1.59	4.23	0	0	102	6.33
Social Welfare	49.46	99.64	0.01	0	0	119	149.11
Transport and Buildings	0	0	0.18	0	0	8	0.18
Women Development Child and Disabled Welfare	0	0	0.03	0.01	0	29	0.04
Youth Services	1.32	3.66	4.01	0.57	0	292	9.56
Treasuries	0	0	2.44	0	0	122	2.44
Tenders	2.66	28.33	3.24	0	0	408	34.23
Total	223.74	254.42	170.90	147.98	109.66	124663	906.70

Appendix 2.12
(Reference to paragraph 2.3.11 page 35)

Statement showing department-wise unreconciled expenditure during the year 2006-07

(Rupees in crore)

S. No	Name of the Department	Amount
1.	Agriculture and Cooperation	69.19
2.	Animal Husbandry, Dairy Development & Fisheries	218.21
3.	Law	26.25
4.	Home	2094.28
5.	Energy	2.28
6.	Environment, Forest, Science and Technology	1378.68
7.	Housing	0.94
8.	Irrigation and Command Area Development	17572.8
9.	Backward Classes Welfare	0.52
10.	Social Welfare & Tribal Welfare	15.32
11.	General Administration Department	338.38
12.	Panchayat Raj & Rural Development	2715.73
13.	Transport, Roads and Buildings	1656.12
14.	Revenue, Registration and Relief	22857.14
15.	Education	1278.13
16.	Food, Civil Supplies and Consumer Affairs	0.01
17.	Finance & Planning	11269.81
18.	Women Development, Child Welfare and Disabled Welfare	0.90
19.	Industries and Commerce	56.96
20.	Youth Advancement, Tourism, Culture	57.96
21.	Labour Employment and Training	53.79
22.	Minorities Welfare	0.85
23.	Municipal Administration and Urban Development	721.46
24.	Health Medical and Family Welfare	504.59
25.	Information and Public Relations	34.29
26.	Public Enterprises	68.05
27.	Commercial Taxes	209.39
28.	Other Social Services	0.32
29.	Miscellaneous General Services	1865.90
Total		65068.25

Appendix 2.13
(Reference to paragraph 2.3.13 page 35)

Parking of Central Funds

(Rupees in lakh)

S. No	Name of the Office	Funds released during	Amount released	Expenditure incurred	Amount diverted	Balances unspent	Name of the bank in which unspent balances are deposited
(a) Non-utilisation of Operation Black Board Funds.							
1.	District Educational Officer, Kakinada	June, 2002	125.60	118.46	--	7.14	SBI, Treasury Branch, Kakinada
2.	District Educational Officer, Ranga Reddy District	October, 2002	83.60	34.82	--	48.78	SBH, Hyderabad.
3.	District Educational Officer, Nizamabad	June, 2002	90.80	77.45	--	13.35	SBH, Nizamabad.
4.	District Educational Officer, Ongole	June, 2002	93.60	38.91	--	59.03	SBH, Ongole.
5.	District Educational Officer, Guntur	October, 2002	125.10	51.08	--	74.02	(Current A/c) SBH, Arundalpet, Guntur.
	Total					202.32	
(b) Diversion of Pre-matric scholarship funds							
6..	District B.C. Welfare Officer, Kadapa	March, 2005	19.34	NIL	18.88	0.46	
		March, 2006	32.25	NIL	32.25	-nil-	--
7.	District B.C. Welfare Officer, Warangal	October, 2005	26.09	NIL	25.69	0.40	
8.	District B.C. Welfare Officer, Hyderabad	March, 2005	3.00	NIL	3.00	-nil-	--
		February, 2006	5.09	NIL	2.09	3.00	Central Bank, Tulsinagar, Golnaka, Hyd.
9.	District B.C. Welfare Officer, Anantapur	March 2006	56.13	NIL	53.92	2.21	Anantha Gramscena Bank, Ananthapur
10.	District B.C. Welfare Officer, Kakinada	December, 2005	31.85	NIL	25.62	6.23	FDR in SBH, Kakinada
11.	District B.C. Welfare Officer, Nellore	December, 2005	38.08	NIL	24.52	13.56	SBI Main Branch Nellore
12.	District B.C. Welfare Officer, Vizianagaram	March, 2005	17.48	NIL	17.48	-nil-	--
		February, 2006	29.31	NIL	0.32	28.99	Syndicate Bank, Vizianagaram
	Total		258.62	NIL	203.77	54.85	

Appendix 3.1
(Reference to paragraphs 3.1.6.2, 3.1.8, 3.1.9, 3.1.10 and 3.1.12.1
pages 42, 43, 45, 47 and 48)

Scheme-wise details of budget, expenditure etc. for Educational development of SC/ST

Social Welfare Department

(Rupees in crore)

Scheme	Year	GOI Releases	Budget	State Releases	Total funds available (3+5)	Expenditure	No of beneficiaries
1	2	3	4	5	6	7	8
Pre-matric scholarships to children of those engaged in unclean occupations	2002-03	2.53	1.00	Nil	2.53	Nil	33399
	2003-04	4.59	0.52	Nil	4.59	2.45	24009
	2004-05	5.01	5.98	0.01	5.02	5.97	27629
	2005-06	2.62	6.14	0.01	2.63	4.09	32220
	2006-07	3.10	3.01	0.01	3.11	1.70	NA
	Total	17.85	16.65	0.03	17.88	14.21	
Pre-matric scholarships	2002-03	Nil	19.02	3.33	3.33	11.24	2176
	2003-04	Nil	13.0	3.10	3.10	12.31	2071
	2004-05	Nil	10.00	5.00	5.00	9.45	2601
	2005-06	Nil	15.00	5.00	5.00	15.37	2376
	2006-07	Nil	15.0	5.00	5.00	14.58	2250
	Total	Nil	72.02	21.43	21.43	62.95	
Post-matric scholarships	2002-03	25.85	145.85	108.08	133.93	128.30	175639
	2003-04	57.76	158.38	118.14	175.90	169.34	155087
	2004-05	109.27	232.29	123.02	232.29	225.71	197782
	2005-06	31.97	309.02	134.02	165.99	158.93	324015
	2006-07	84.53	318.55	234.02	318.55	310.29	421274
	Total	309.38	1164.09	717.28	1026.66	992.57	
Book banks	2002-03	Nil	3.25	0.18	0.18	0.18	NA
	2003-04	Nil	3.02	0.50	0.50	0.50	2618
	2004-05	Nil	1.04	0.01	0.01	0.01	7431
	2005-06	Nil	4.04	0.01	0.01	0.01	52
	2006-07	Nil	4.02	0.01	0.01	Nil	Nil
	Total	Nil	15.37	0.71	0.71	0.70	
Merit upgradation awards	2002-03	0.27	0.38	Nil	0.27	Nil	203
	2003-04	0.42	22.00	Nil	0.42	0.42	280
	2004-05	0.44	1.00	Nil	0.44	0.44	462
	2005-06	0.44	0.45	Nil	0.44	0.44	692
	2006-07	0.44	0.45	Nil	0.44	0.44	NA
	Total	2.01	24.28	Nil	2.01	1.74	
Construction of buildings for hostels and Ashram schools	2002-03	Nil	1.60	Nil	Nil	5.66	
	2003-04	1.44	13.22	44.50	45.94	13.94	
	2004-05	7.00	10.25	5.00	12.00	6.70	
	2005-06	5.16	30.00	10.0	15.16	20.41	
	2006-07	2.38	30.00	2.90	5.28	1.06	
	Total	15.98	85.07	62.40	78.38	47.77	
Government hostels (maintenance)	2002-03	Nil	176.88	163.72	163.72	163.72	250685
	2003-04	Nil	167.66	179.24	179.24	179.24	271830
	2004-05	Nil	186.43	179.26	179.26	179.26	236204
	2005-06	Nil	199.02	187.50	187.50	187.50	248879
	2006-07	Nil	241.98	219.20	219.20	219.20	249792
	Total	Nil	971.97	928.92	928.92	928.92	
Pre examination training	2002-03	0.16	1.77	0.74	0.90	0.85	1373
	2003-04	0.68	0.11	Nil	0.68	0.68	878
	2004-05	0.34	0.12	Nil	0.34	0.34	351
	2005-06	0.26	0.91	Nil	0.26	0.26	317
	2006-07	0.16	0.91	Nil	0.16	0.16	276
	Total	1.60	3.82	0.74	2.34	2.29	
Grand total		346.82	2353.27	1731.51	2078.33	2051.15	

NA: Not available

Tribal Welfare Department

(Rupees in crore)

Scheme	Year	GOI Releases	Budget	State Releases	Total funds available (3+5)	Expenditure	No of beneficiaries
1	2	3	4	5	6	7	8
Pre-matric scholarships	2002-03	Nil	12.00	7.83	7.83	7.83	NA
	2003-04	Nil	14.00	12.40	12.40	12.40	NA
	2004-05	Nil	14.00	14.0	14.00	13.01	5562
	2005-06	Nil	14.00	14.00	14.00	13.52	5921
	2006-07	Nil	14.0	14.00	14.00	13.75	5978
	Total	Nil	68.00	42.00	42.00	60.51	
Post-matric* scholarships	2002-03	14.11	40.75	-	14.11	32.52	60452
	2003-04	22.61	50.00	30.00	52.61	43.57	69427
	2004-05	6.23	61.23	35.00	41.23	57.37	107562
	2005-06	37.88	76.68	38.00	75.88	74.18	130252
	2006-07	43.47	82.03	38.00	81.47	79.38	
	Total	124.30	310.69	141.00	265.28	287.02	
Merit upgradation awards	2002-03	Nil	Nil	Nil	Nil	Nil	Nil
	2003-04	0.13	Nil	Nil	0.13	0.13	Nil
	2004-05	Nil	Nil	Nil	Nil	Nil	Nil
	2005-06	Nil	Nil	Nil	Nil	Nil	Nil
	2006-07	0.04	0.04	Nil	0.04	0.04	Nil
	Total	0.17	0.04	Nil	0.17	0.17	
Construction of buildings for hostels and Ashram schools	2002-03	3.33	10.00	3.33	6.66	1.83	
	2003-04	2.77	8.91	2.77	5.54	2.99	
	2004-05	Nil	8.91	Nil	Nil	5.12	
	2005-06	4.72	9.11	3.80	8.52	8.52	
	2006-07	Nil	9.11	Nil	Nil	0.63	
	Total	10.82	46.04	9.90	20.72	19.09	
Educational institutions (maintenance)	2002-03	Nil	151.17	133.65	133.65	133.65	74000
	2003-04	Nil	149.27	156.28	156.28	156.28	75000
	2004-05	Nil	151.94	162.79	162.79	162.79	77742
	2005-06	Nil	159.47	176.67	176.67	176.67	82006
	2006-07	Nil	189.47	194.16	194.16	194.16	80132
	Total	Nil	801.32	823.55	823.55	823.55	
Grand total		135.29	1226.09	1036.68	1171.97	1190.34	

*This included expenditure (Rs 3.71 crore) under the Book Bank Scheme during 2002-07 as the Schemes were merged in respect of TW Department

NA: Not available

Abstract

(Rupees in crore)

	GOI Releases	Budget	State Releases	Total funds available	Expenditure
Social Welfare Department	346.82	2353.27	1731.51	2078.33	2051.15
Tribal Welfare Department	135.29	1226.09	1036.68	1171.97	1190.34
Total	482.11	3579.36	2768.19	3250.30	3241.49

Appendix 3.2
Book Bank scheme
(Reference to paragraph 3.1.10 page 47)

Lack of uniform procedure in implementation of Book bank scheme

District	Year	Audit findings
Anantapur	2005-06	DD, SW purchased 91 sets for 39 students. Books not recommended by the district level purchase committee were also purchased.
	2005-06	DTWO supplied 45 sets for 148 students in 2003-04 and 151 sets for 219 students in 2005-06 studying in JNTU, Anantapur
Hyderabad	2003-04	DD, SW supplied limited number of copies (3 - 19) of each book to the colleges against students.
Kurnool	2003-04	DTWO Kurnool supplied 64 sets for 28 ST scholars were available in eight B.Ed colleges during 2003-04. Though no ST student was available in Nalanda College of Education, Yemmiganur during 2003-04 the DTWO Kurnool supplied six sets to the college.
	2005-06	Instead of supplying 57 sets to 113 students studying in five colleges ^S , the DTWO Kurnool supplied 113 sets i.e. at the rate of one set for one student and exhausted the budget allocated to the district.

* Sri Balaji college of Edn, Adoni; SARM College of Edn, Allagadda; St Peters College of Edn, Adoni; Ushodaya college of Edn, Yemmiganur; Azizia College of Edn, Adoni; IASE B. Ed. College, Kurnool; Viswavani College of Edn, Nandyal, Sri Sankars B Ed College, Kurnool

^S GPR Engg College, Kurnool, RGM Engg College Nandyal; GMR Polytechnic, Srisailam; TGPC Polytechnic, Adoni; ESC Govt Polytechnic, Nandyal.

Appendix 3.3
(Reference to paragraph 3.1.10, page 47)

Audit findings in the test-checked districts under Book bank scheme

District	Department	Audit finding
All the seven test checked districts	SW and TW	Book banks were not established in the recognized colleges due to short utilisation of funds.
All the seven test checked districts	SW and TW	Books were supplied with delays ranging from six months to two years due to delays in release of funds by the respective Commissioners, identification of books, finalisation of tenders and placement of purchase orders and supply of books by the suppliers besides insufficiency of funds.
Hyderabad	TW	Cost ceiling prescribed by GOI for purchase of textbooks were not adhered to resulting in excess expenditure of Rs 18.06 lakh in the supply of books to 893 students. If cost ceiling was adhered to, at least 963 more students could have been covered.
Warangal	SW, TW	
West Godavari	SW, TW	
Hyderabad	SW and TW	DD, SW and DTWO, Hyderabad supplied (2003-04) 1570 outdated books to Jawaharlal Nehru Technological University, Hyderabad.
All the seven test checked districts	TW	Out of Rs 2.31 crore of the funds released, DTWOs drew only Rs 1.65 crore due to non-receipt of budget authorization, belated submission of bills etc. Only 42 per cent of the funds released were spent and Rs 0.72 crore were lying in bank accounts of DTWOs.
Kurnool	TW	DTWO supplied (2003-04) books worth Rs 3.44 lakh not related to the course and without requisition from the colleges. 515 out of 945 books supplied (2004-05, 2005-06) to RGM College of Engineering Tech, Nandyal were not at all used by the students.
Warangal	TW	DTWO supplied (2004-05) books worth Rs 2.24 lakh for other than professional courses to Kakatiya University and Kakatiya Government Degree College, Warangal.

Appendix 3.4
(Reference to paragraph 3.1.14, page 52)

Coaching and allied schemes – Year-wise details of number of students enrolled and passed

Year		No. of Students enrolled				No. of students passed			
		SC	ST	Others	Total	SC	ST	Others	Total
2002-03	APSC	230	53	36	319	36	03	18	57
	PETC	884	206	34	1124	200	12	NIL	212
2003-04	APSC	234	56	38	328	19	06	07	32
	PETC	457	131	39	627	45	12	NIL	57
2004-05	APSC	287	64	48	399	73	14	13	100
	PETC	--	--	--	--	--	--	--	--
2005-06	APSC	254	63	26	343	26	09	5	40
	PETC	--	--	--	--	--	--	--	--
2006-07	APSC	220	56	109	385	40	12	24	76
	PETC	--	--	--	--	--	--	--	--
Total		2566	629	330	3525	439	68	67	574

APSC- Andhra Pradesh Study Circle
PETC- Pre-examination training centres

Appendix 3.5
(Reference to paragraph 3.2.6 page 59)

Brief description of the projects

1 J. Chokkarao Devadula Lift Irrigation Scheme (JCRDLIS)

The JCRDLIS is proposed on river Godavari at Gangaram village in Warangal district to lift 36.25 tmc water in phased manner by associating the existing tanks enroute to provide irrigation potential for 6.47 lakh acres and drinking water for enroute villages.

So far, Phase-I and II laying of pipeline works were grounded in January 2004 and April 2005 and to be completed by March 2007 and October 2007 respectively. The works are in progress.

2 Sripadasagar Project Lift Irrigation Scheme (SSP)

The SSP lift Irrigation scheme is proposed on river Godavari near Yellampally village in Karimnagar district to supply 8.50 tmc water to NTPC, provide irrigation potential for 4.70 lakh acres and to provide drinking water to enroute villages.

The Phase I & II of Stage I and Phase I of Stage II works were grounded in November 2004 and April 2005 and to be completed by May 2008, December 2007 and October 2007 respectively for providing irrigation potential for 2.25 lakh acres. The works are in progress.

3 Alisagar Lift Irrigation Scheme (ALIS)

The ALIS was proposed to lift 2.96 tmc of water from Godavari river near Kosli village in Nizamabad district from foreshore of Sriramsagar Project to provide irrigation facilities to the gap ayacut of 53793 acres under Nizamsagar project. The work was grounded in March 2005 and to be completed by July 2007. The work is in progress.

4 Arugula Rajaram Guthpa Lift Irrigation Scheme (ARGLIS)

The ARGLIS is proposed to lift 3.04 tmc of water from Godavari river near Ummeda village in Nizamabad district for providing irrigation facilities to 38792 acres. The work was grounded in February 2005 and to be completed by May 2007. The work is in progress.

5 Dummugudem Project

Dummugudem Project consists of Rajivsagar Lift Irrigation Scheme at Pamulapally village and Indirasagar Lift Irrigation Scheme at Polavaram to provide irrigation potential for two lakh acres each by lifting 51.5 cumecs of water from Godavari river.

So far tenders for seven packages of each LIS were finalised and agreements were concluded for one package under Rajivsagar LIS and six packages under Indirasagar LIS were concluded as of June 2007.

6 Lendi Project

The Lendi Project is an inter-state project between the states of Maharashtra and Andhra Pradesh. As per agreement concluded in November 2003, a reservoir was proposed on river Lendi, a tributary of river Manjira near Gonegaon village in Nanded District, Maharashtra state. Out of 6.36 tmc of water to be shared at 3.93 tmc by Maharashtra and 2.43 tmc by Andhra Pradesh in the ratio of 62:38. Ayacut proposed in Maharashtra is 38800 acres and Andhra Pradesh is 27700 acres. The estimated project cost of Rs 275.83 crore is to be shared by Maharashtra and Andhra Pradesh at Rs 157.97 crore and Rs 117.86 crore respectively subject to further revision from time to time. The expenditure is to be shared in the ratio of 62:38 for Dam and headworks, 50.22:49.78 for common canal. Expenditure on canals in respective states was Rs 52.36 crore and Rs 49.84 crore respectively. The works are in progress.

Appendix 3.6
(Reference to paragraph 3.2.8 page 63)

Project-wise packages grounded and their progress

Sl. no.	Name of the Project/ Gist of the package	Contem- plated ayacut	Require- ment of water (in tmc)	Power require- ment (in mw)	Contract value (Rs in crore)	Date of grounding/ Contemplated / extended period of completion	Value of work done (period upto) (Rs in crore)	% of progress	Reasons for shortfall
1	2	3	4	5	6	7	8	9	10
1.	JCR-DLI Scheme	6.47	36.25	384					
	Phase-I				843.98	08.01.2004/ 07.07.2005/ 31.03.2007	633.81 (May 2007)	75	Delay in acquisition of land
	i) Pipeline works								
	ii) Distributory works								
	(a) Package 45				48.90	16.03.2005/ 15.09.2007	16.43 (May 2007)	33.6	Delay in acquisition of land
	(b) Package 46				71.20	17.03.2005/ 16.09.2007	16.28 (May 2007)	22.9	Delay in acquisition of land
	Phase II				1887.00	04.04.2005/ 30.10.2007	878.55 (May 2007)	47	NA
	i) Pipeline works								
	ii) Distributory works								
	a) RS Ghanpur				82.53	20.01.2007/ 19.07.2008	-	-	Survey and design works started. Agreements concluded in January 2007 and February 2007.
	b) Tapashpally				64.44	17.02.2007/ 16.08.2008	-	-	
	c) Ashwarapally				74.43	22.02.2007/ 21.08.2008	-	-	
2.	Sripadasagar Project	4.70	58.00	166					
	i) Stage-I Phase I Barrage works				408.85	07.11.2004/ 06.11.2007/ 06.05.2008	50.43 (March 2007)	12.33	Delay in acquisition of land, finalization of designs and Rehabilitation and resettlement
	ii) Stage I Phase II Supply of water to NTPC				98.82	07.04.2005/ 06.10.2006/ 31.12.2007	38.34 (May 2007)	38.76	Delay in acquisition of land and finalization of designs
	iii) Stage II Phase I Pipeline works				1737.00	03.04.2005/ 02.10.2007/ 31.03.2008	569.05 (March 2007)	32.76	Delay in acquisition of land
3	Dummugudem Project	4.00	33.00	296.92					
	i) Rajivsagar LI scheme seven package works	2.00	16.5	122.42	--	--	--		Tenders finalized in April 2007 and agreement concluded for one package work in June 2007
	ii) Indirasagar LI scheme seven package works	2.00	16.5	174.50	--	--	--		Tenders finalized in April 2007 and agreements concluded for six package works in May 2007
4	Arugula Rajaram Guthpa Lift Irrigation Scheme	0.39	3.04	18.00	145.04	18.02.2005/ 17.02.2006/ 31.05.2007	103.58 (March 2007)	72	Due to heavy rains, floods and submergence of pump-house
5	Alisagar Lift Irrigation Scheme	0.54	2.96	27.06	163.98	21.03.2005/ 20.03.2007/ 31.07.2007	156.77 (May 2007)	95	-
6	Lendi Project* Canal work	0.22	2.43 (AP Share)	Nil	44.72	26.03.2007/ 25.03.2009	43.14 (May 2007)	--	--
Total		16.32	135.68	891.98					

Lendi project is an Inter-State project. Amounts shown against it were paid to Maharashtra state towards Andhra Pradesh share. The works in A.P. State are yet to be grounded

Appendix 3.7

(Reference to paragraph 3.3.6.2 page 75)

Source-wise details of Actual Receipts

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06
Block Grant	57.46	57.55	61.28	69.87
Own Resources + Self financing programme	23.31	30.59	38.69	42.98
UGC Grant	4.96	5.86	3.11	3.21
Other than UGC grant	5.16	4.64	5.10	3.33
Endowments	36.56	38.73	46.08	36.41
Debt deposits endowments and resource mobilisation	17.62	13.55	24.05	18.63
Interest transferable from AU Corpus fund + advance recovered	13.02	5.36	17.67	11.48
Total	158.09	156.28	195.98	185.91

Note: Annual accounts 2006-07 not yet prepared/data not yet compiled by the University

Appendix 3.8

(Reference to paragraph 3.3.6.5 page 76)

Details of outstanding Advances as of March 2007

(Rupees in crore)

Year	Advance taken	Advance adjusted	Outstanding
2002-03	0.73	0.49	0.23
2003-04	1.67	1.52	0.15
2004-05	2.30	1.86	0.44
2005-06	5.80	3.48	2.33
2006-07	6.69	3.38	3.31
Total	17.19	10.73	6.46

Department-wise and year-wise details of outstanding advances

(Rupees in lakh)

Name of the Division	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Engineering		0.37	10.47	43.86	29.33	84.03
Arts & Commerce College	1.67	0.88	0.58	0.56	8.80	12.49
RS Hostel				5.00	5.00	10.00
S&T College				0.00	1.85	1.85
SDE	13.06	10.65	8.68	10.15	24.82	67.36
Exams, NSS, Non-UGC	8.70	2.91	24.74	173.12	260.98	470.45
Total	23.43	14.81	44.47	232.69	330.78	646.18^s

^s Besides this, an amount of Rs 11.34 lakh was also outstanding against UGC grants of the University. The Finance officer could not furnish the relevant particulars of this advance

Appendix 3.9
(Reference to paragraph 3.3.7.3 page 79)

Success rate in Degree/PG courses conducted by Andhra University

Regular mode:

Courses	2002-03		2003-04		2004-05		2005-06	
	Enrolled	Pass percentage	Enrolled	Pass percentage	Enrolled	Pass percentage	Enrolled	Pass percentage
Degree courses								
Arts	15875	52	14934	51	18238	52	15724	57
Science	20789	42	20503	43	22577	32	29488	33
Engineering	1882	68	2015	69	2564	62	NA	NA
Others	4350	74	5825	75	8000	84	NA	NA
PG courses								
Arts	10652	54	10697	52	5015	98	NA	NA
Science	5456	43	5232	42	4397	69	NA	NA
Engineering	680	34	514	36	297	93	NA	NA
Others	716	48	832	52	560	89	NA	NA

Source: Annual Reports; Note: Particulars of 2006-07 were not furnished by the University; NA: Not available

Distance mode:

Courses	2002-03		2003-04		2004-05		2005-06	
	Enrolled	Pass percentage	Enrolled	Pass percentage	Enrolled	Pass percentage	Enrolled	Pass percentage
Degree courses								
Arts	48,633	8	53,768	14	52,990	9	17110	10
Science	1,169	6	1,376	31	1,252	6	631	9
Others	144	58	181	64	152	64	NA	NA
PG Courses								
Arts	20,299	38	20,151	38	18,322	39	18841	25
Science	3,110	3	3,110	2	2,447	2	NA	NA
Others	568	--	488	--	584	--	NA	NA

Source: Annual Reports; Note: Particulars of 2006-07 were not furnished by the University; NA: Not available

Appendix 3.10
(Reference to paragraph 3.3.7.5 page 80)

Teacher - student Ratio (Andhra University)

Sl. No	Name of the Department	Existing no. of teachers for every 15 students
Technical		
1	Marine Engineering	1.80
2	E.C.E	1.25
3	Instrument Technology	1.92
4	Metallurgical Engineering	1.50
Non-technical		Existing no. of teachers for every 10 students
5	M.A English	2.34
6	M.A.Social Work	3.45
7	M.A Politics	1.30
8	M.A Public Admn	1.35
9	M.A Applied Economics	1.95
10	Commerce & Mgt Studies	1.43
11	Library & information Science	1.53
12	M.A History & Archaeology	1.11
13	M.A Sanskrit	2.5
14	M.A Anthropology	4.54
15	M.A Psychology	4.17
16	M.A Psychology Distance Mode	10.25

Appendix 3.11
(Reference to Paragraph 3.3.7.6 page 80)

Workload of Professors/Readers during the period 2004-05 to 2006-07 in Andhra University

Sl.No	Name of the Department	Lowest hours taken	Highest hours taken
1	Adult and Continuing Education	229	406
2	B.J.M.C	152	400
3	Chemistry	170	400
4	CS & SE	95	293
5	English	266	396
6	Geo Engineering	114	294
7	Hindi	72	350
8	Mathematics	92	184
9	Marine living Resources	255	396
10	Marine Engineering	56	118
11	Politics & Publics Admn	182	320
12	Psychology	128	399
13	Social Work	127	386
14	Telugu	202	385

Appendix 3.12
(Reference to paragraphs 3.4.6.1 page 89)

Delays in submission of Annual Action Plans (MOPF) to Ministry of Home Affairs

Year of the scheme	Due date of submission of the AAP to MHA	Date of submission of the AAP	Date of approval of the AAP by the MHA
2002-03	15.05.2002	21.10.2002	13.11.2002
2003-04	15.05.2003	02.07.2003	30.09.2003
2004-05	15.06.2004	05.07.2004	04.08.2004
2005-06	15.05.2005	14.06.2005	29.06.2005
2006-07	15.05.2006	01.07.2006	26.07.2006

Appendix 3.13
(Reference to paragraphs 3.4. 8.1 page 91)

A. Status of Non - residential buildings under Modernisation of Police Force

Year of allotment	Total units taken up	No. of units		
		Completed	In progress	Not commenced
2002-03	136	136 (100%)	--	--
2003-04	83	53 (64%)	30	--
2004-05	85	61 (72%)	19	05
2005-06	65	13 (20%)	39	13
2006-07	91	--	--	91
Total	460	263 (57%)	88	109

B. Status of Residential buildings under MOPF

Year of allotment	Total units taken up	No. of units		
		Completed	In progress	Not commenced
2002-03	318	306 (96%)	12	--
2003-04	278	78 (28%)	189	11
2004-05	236	04 (2%)	188	44
2005-06	--	--	--	--
2006-07	--	--	--	--
Total	832	388 (47%)	389	55

Appendix 3.14

(Reference to paragraph 3.4.9.1 page 93)

Non-providing of vehicles (four wheelers) to police stations

District	No. of police stations	Vehicles received during 2002-03 to 2006-07	No. of vehicles supplied prior to 2002-03	No. of vehicles supplied to police stations during 2002-03 to 2006-07	No. of police stations still having no vehicles
Sangareddy	60	28	05	05	50
Kurnool	84	52	07	Nil	77
Nizamabad	47	45	23	07	17
Mahaboobnagar	76	45	01	20	55
Vizianagaram	42	39	01	09	32
Guntur	84	52	06	20	58
Total	393	261	43	61	289

Appendix 3.15

(Reference to paragraph 3.5.4.1 page 103)

Approximate cost for replacement of defective meters with new meters

Pipe size	Number of consumers	Rate of the meter (Rs.)	Total Amount (Rs in lakh)
15 mm (0.5 inch)	310223	650	2016.45
20 mm (0.75 inch)	1565	2,000	31.30
25 mm (1.0 inch)	271	3,500	9.48
40 mm (1.5 inch)	39	6,500	2.54
50 mm (2.0 inch)	28	12,500	3.50
Above 2.0 inch	19	20,000 (approx)	3.80
Total			2067.07

Appendix 3.16
(Reference to paragraph 3.5.4.2 page 104)

A. Bills not generated at all

Connections given in the year	Number of connections where the bills were not generated through the system	Amount due (Rs in lakh)
2007 (up to March 2007)	2717	4.09
2006	2522	19.50
2005	435	13.54
2004	523	25.48
2003	120	9.70
2002	93	8.91
2001	70	6.95
Before 2001	415	114.89
Without connection date	336	28.91
Total	7,231	231.98

B. Bills not raised timely

Period	Number of bills in arrears	Amount (Rs in lakh)
3 to 12 months	15963	404.06
12 to 24 months	3289	206.90
> than 24 months	122	40.97
Total	19,374	651.93

Appendix 4.1
(Reference to paragraph 4.2.9 page 124)

Procurement of motorised ratts by DRDA, East Godavari District for distribution to Swarozgaries

Firm	Number of Ratts procured	Rate quoted per a Ratt (Rs)	Rate at which procured (Rs)	Amount paid (Rs in lakh)
F1/L1	40	8019	8019	3.21
	1085		9200	99.82
F2/L2	40	8100	9200	3.68
F3/L3	40	8200	8200	3.28
	1712		9200	157.50
F4/L4	40	9652	9200	3.68
F5/L8* to F12/L15	4494	11000 to 17100	9200	413.37
F13	1279	Not participated in tenders	9200	117.67
Total	8730			802.21

F1: Firm 1; L1: Lowest quoted firm and so on;

*L5 to L7 not agreed to supply at Rs 9200

Appendix 4.2
(Reference to paragraph 4.5.2 page 147)

A. Statement showing the works sanctioned, completed and not yet completed under MPLAD funds in six districts

Year	Sanctioned		Completed		Not completed	
	No. of works	Amount (Rs in lakh)	No. of Works	Amount (Rs in lakh)	No. of Works	Amount (Rs in lakh)
2001-2002	1960	2364.31	1932	2237.86	28	125.86
2002-2003	2435	2816.12	2341	2726.53	94	62.87
2003-2004	2806	3720.96	2711	3491.65	95	180.04
2004-2005	1892	2721.56	1694	2416.88	198	301.51
2005-2006	1651	2588.68	1149	1774.76	502	836.93
2006-2007	1341	2054.27	334	717.432	1007	1336.84
Total	12085	16265.90	10161	13365.10	1924	2844.05

B. Statement showing the details of works sanctioned but not commenced

DRDA	Year	No of works sanctioned but not commenced	Estimated cost (Rs in lakh)	Amount Released (Rs in lakh)
Warangal	1995-96	5	26.06	26.06
	1996-97	1		
	1997-98	3		
	1999-00	1		
	2002-03	7		
	2003-04	10		
Adilabad	2004-07	18	57.00	57.00
East Godavari	205-07	5	5.59	3.13
Chittoor	2002-03	22	641.45	510.79
	2003-04	33		
	2004-05	60		
	2005-06	179		
	2006-07	54		
Total		398	730.10	596.98

Appendix 4.3
(Reference to paragraph 4.5.2 page 147)

Statement showing the ineligible works under MPLAD Scheme

Name of the district	Inadmissible works	No. of works	Amount (Rupees in lakh)
Adilabad	(i) Improvement of buildings and roads (ii) providing central lighting on NH 7 in urban limit (iii) electrical poles and lighting in graveyard etc.	15	48.39
Warangal	(i) purchase of LAPTOP (ii) Construction of swimming pool at officers club (iii) Community hall at police officers club etc	13	33.80
Nizamabad	(i) construction of community halls, slaughter house, tennis court, swimming pool at clubs (ii) wooden and plywood furnishings at DRDA office (iii) agricultural godown (iv) function hall (v) improvements to office buildings etc	20	68.08
Kakinada	(i) construction of press club (ii) kalyanamandapams (iii) Auditoriums (iv) improvements of stadium etc	14	44.73
Nalgonda	(i) construction of kalyanamandapams (ii) postal employees buildings (iii) karmikabhavans (iv) bus stations (v) Govt. buildings (vi) repairs and improvements of roads etc	69	119.85
Chittoor	(i) Repairs and restoration of tank (ii) construction of community hall at press club (iii) panchayath shopping complex (iv) improvements of roads etc	18	41.94
Total		149	356.79

Appendix 4.4
(Reference to paragraph 4.5.2 page 147)

Statement showing the irregular diversion of MPLAD Scheme funds to other schemes

(Rupees in lakh)

Sl.No	Name of the district	list of diversions	Amount diverted	Amount not yet recouped
1	Nalgonda	NOAP, RSVY, Gruhini, Indiramma pension schemes, etc.	1047.85	108.00
2	Warangal	NOAP, NSAP, JRY, RSVY schemes, etc.	592.71	71.01
3	Nizamabad	DRDA Admn A/c, NOAP, SGSY, RSVY Schemes etc	430.28	15.50
4	Adilabad	Velugu, STEP, NSAP and Dairy farm etc	256.58	1.00
5	Chittoor	Old Age Pensions and disabled pensions etc	44.49	15.00
6	Kakinada	Distribution of salaries etc.	10.00	10.00
Total			2381.91	220.51

Note: NOAP: National Old Age Pension Scheme; RSVY: Rashtriya Sam Vikas Yojana; NSAP: National Social Assistant Programme; JRY: Jawahar Rojgar Yojana; SGSY: Swarnajayanti Gram Swarozgar Yojana; STEP: Society for Training and Employment promotion

Appendix 4.5
(Reference to paragraph 4.5.2 page 147)

Statement showing MPLAD Scheme funds invested in FDRs

(Rupees in lakh)

Name of the district	Amount deposited
Warangal	2460.00
Adilabad	190.46
Nizamabad	227.67
Kakinada	1717.00
Nalgonda	854.00
Chittoor	1028.60
Total	6477.74

Appendix 4.6
(Reference to paragraph 4.6.1 page 150)

Statement showing number of paragraphs in respect of which Explanatory Notes had not been received for specific paras from Government (as of 31 July 2007)

Department	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total
Agriculture and Co-operation	-	-	-	-	-	-	3	-	1	0	4
Animal Husbandry and Fisheries	-	-	-	-	-	-	2	2	-	2	6
Backward Classes Welfare	-	-	-	-	-	1	2	-	-	0	3
Education	-	-	-	-	-	3	1	2	1	5	12
Environment, Forests, Science and Technology	1	-	-	-	-	-	1	1	-	2	5
Finance	-	-	-	-	-	-	-	-	2	0	2
Food and Civil Supplies	-	-	-	-	-	-	-	-	1	1	2
General Administration	-	-	-	-	-	-	-	1	-	0	1
Health, Medical and Family Welfare	-	-	-	-	2	1	4	4	3	2	16
Home	-	-	-	-	-	-	-	1	-	1	2
Housing	-	-	-	-	-	-	-	-	1	0	1
Industries and Commerce	-	-	-	-	-	-	-	-	-	0	0
Information Technology	-	-	-	-	-	-	-	1	-	1	2
Irrigation and Command Area Development	-	-	-	-	1	3	2	-	1	8	15
Labour, Employment, Training and Factories	-	-	-	1	-	-	-	-	1	0	2
Municipal Administration and Urban Development	-	-	-	-	-	-	-	1	2	3	6
Panchayati Raj and Rural Development	-	-	-	-	-	-	2	3	5	1	11
Planning	-	-	-	1	-	-	-	-	-	0	1
Revenue	-	1	1	-	-	2	3	-	1	3	11
Social Welfare	-	-	-	-	1	3	6	-	-	1	11
Transport, Roads and Building	-	-	-	-	-	-	-	2	-	2	4
Women Development, Child and Disabled Welfare	-	-	-	-	-	-	-	1	-	1	2
Youth Advancement, TAC	-	-	-	-	-	-	-	-	-	1	1
Total	1	1	1	2	4	13	26	19	19	34	120

Appendix 4.7
(Reference to paragraph 4.6.3 page 151)

Status of outstanding Recommendations of the PAC as of 31 July 2007

Sl No.	Department	Total number of recommendations	ATN Discussed ^s	ATN Received but Not Discussed	ATN Not Received
1.	Agriculture and Co-operation	95	54	17	24
2.	Animal Husbandry and Fisheries	17	0	13	4
3.	Backward Classes Welfare	12	5	5	2
4.	Education	61	19	9	33
5.	Energy	5	0	5	0
6.	Environment, Forests, Science and Technology	36	17	17	2
7.	Finance	46	0	44	2
8.	Finance (Works & Projects)	6	0	0	6
9.	Food and Civil Supplies	11	8	3	0
10.	General Administration	15	2	0	13
11.	Health, Medical and Family Welfare	65	36	3	26
12.	Home	32	0	30	2
13.	Housing	3	3	0	0
14.	Industries and Commerce	86	36	47	3
15.	Irrigation and Command Area Development	327	29	88	210
16.	Labour, Employment, Training and Factories	4	1	1	2
17.	Municipal Administration and Urban Development	64	23	40	1
18.	Panchayati Raj and Rural Development	68	11	44	13
19.	Planning	2	0	2	0
20.	Revenue	68	0	22	46
21.	Social Welfare	78	32	29	17
22.	Transport, Roads and Buildings	96	23	31	42
23.	Women Development, Child and Disabled Welfare	15	0	14	1
24.	Youth Advancement, Tourism and Culture (Sports)	8	0	6	2
Total		1220	299	470	451

^s Action Taken Report(s) indicating status of recommendations is (are) awaited as on 31 July 2007 from Legislature Secretariat

Appendix 4.8
(Reference to paragraph 4.6.4 page 152)

Year-wise break-up of Inspection Reports/Paragraphs

Year	Number of outstanding		Number for which even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
2002-03 and earlier years	5918	17520	19	336
2003-04	1612	4924	4	75
2004-05	1405	4880	1	24
2005-06	1814	7211	231	955
2006-07	1898	8947	1110	5193
Total	12647	43482	1365	6583

Appendix 4.9
(Reference to paragraph 4.6.4 page 152)

Department wise details of outstanding Inspection Reports and Paragraphs as on 30 June 2007

Department	Number of Outstanding		Earliest year of the outstanding IRs	Number for which even first replies have not been received		Earliest year of the report for which first replies have not been received.
	IRs	Paras		IRs	Paras	
Agriculture and cooperation	573	2029	1996-97	91	478	2002-03
Animal Husbandry, Diary Development and Fisheries	273	778	1996-97	39	134	2005-06
Backward Classes Welfare	95	307	1996-97	11	23	2006-07
Education Higher	1762	7378	1996-97	92	566	2006-07
Education School	485	2429	1996-97	28	226	2005-06
Energy	3	11	2001-02	1	4	2006-07
Environment, Forests, Science and Technology	366	912	1996-97	7	78	2005-06
Finance	1214	3821	1996-97	151	607	2006-07
Food, civil supplies and consumer Affairs	85	216	1996-97	25	75	2005-06
General Administration	134	451	1996-97	32	111	2005-06
Health, Medical and Family Welfare	977	4733	1996-97	78	624	2003-04
Home	306	1016	1996-97	48	256	2005-06
Housing	17	197	1997-98	3	43	2003-04
Industries and Commerce	195	683	1996-97	33	156	2006-07
Information Technology and communication	3	43	2004-05	1	27	2006-07
Irrigation and Command Area Development (Irrigation Wing)	860	2281	1996-97	54	248	2005-06
Irrigation and Command Area Development Administrative department (Project Wing)	897	1782	1996-97	58	194	2005-06
Labour, Employment, Training and Factories	304	868	1996-97	33	98	2006-07
Law	451	898	1996-97	40	88	2006-07
Legislature	1	9	2003-04	-	-	-
Minorities Welfare	16	49	1996-97	3	11	2005-06
Municipal Administration and Urban Development	270	994	1996-97	39	187	2005-06
Panchayati Raj	55	143	1996-97	11	37	2006-07
Rural Development	158	1270	1996-97	21	265	2005-06
Planning	3	43	2000-01	1	27	2006-07
Public Enterprises	2	3	2003-04	1	2	2006-07
Revenue	1432	3694	1996-97	196	594	2005-06
Social Welfare	263	1856	1996-97	36	393	2006-07
Tribal Welfare	237	1278	1996-97	34	269	2003-04
Transport, Roads and Buildings	466	1176	1996-97	66	206	2005-06
Women Development, Child and Disabled Welfare	567	1567	1996-97	95	376	2005-06
Youth Advancement, Tourism and Culture	127	446	1996-97	27	163	2005-06
Total	12647	43482		1365	6583	

Appendix 5.1
(Reference to paragraph 5.1.7.6 page 161)

Statement showing variation of release of funds under APSIAF

(Rupees in lakh)

Name of the Hospital	Period during which released	Funds released as per Corporation	Funds actually received as per cash book of concerned hospital	Variation in funds
GGH, Kurnool	2001 to 2005	100.00	80.00	20.00
KGH, Visakhapatnam	2001 to 2006	195.00	175.00	20.00
SVRRGG Hospital, Tirupati	2001 to 2006	55.00	40.00	15.00
Total				55.00

Appendix 5.2
(Reference to Paragraph 5.1.8.1 page 161)

Statement showing the short supply of drugs by APMHDC to five test-checked hospitals

(Rupees in crore)

Sl. No.	Name of the hospital	Year	Budget allotted	Drugs actually supplied	Short supply of Drugs
1	Niloufer Hospital ,Hyderabad	2004-05	0.93	0.56	0.37
		2006-07	0.79	0.41	0.38
2	Osmania General Hospital, Hyderabad	2002-03	2.21	1.44	0.77
		2003-04	1.98	1.84	0.14
3	Government Maternity Hospital, Nayapul, Hyderabad	2002-03	0.88	0.31	0.57
		2003-04	0.72	0.41	0.31
		2004-05	0.72	0.33	0.39
		2005-06	0.51	0.25	0.27
		2006-07	0.91	0.34	0.57
4	Government General Hospital , Kurnool	2002-03	1.36	1.22	0.14
5	Government Hospital for mental care, Visakhapatnam	2005-06	0.20	0.07	0.13
Total					4.04

Appendix 5.3
(Reference to paragraph 5.1.8.3 page 162)

Statement showing the balances available with the Hospitals/Colleges out of Maintenance grant released

(Rupees in Lakh)

Sl. No.	Name of the Institution	Period of Release	Grant released	Amount spent	Balance as on 31 March 2007
1	Director of Medical Education (Directorate Building)	2005-06 & 2006-07	37.25	Nil	37.25
2	SVRRGG Hospital, Tirupathi	2004 to 2007	230.44	23.47	206.97
3	Regional Eye Hospital, Warangal	2002 to 2007	158.12	52.76	105.36
4	S.V. Medical College, Tirupathi	2003 to 2007	104.51	45.08	59.43
5	G.G.H., Kurnool	2002 to 2007	205.19	157.42	47.77
6	College of Nursing, Kurnool	2002 to 2007	16.26	Nil	16.26
7	Osmania General Hospital, Hyderabad	2005 to 2007	190.08	115.14	74.94
8	Government General & Chest Hospital, Hyd	2002 to 2007	134.66	52.52	82.14
9	Government Hospital for Mental Care, Visakhapatnam	2002 to 2007	36.95	16.97	19.98
10	King George Hospital, Visakhapatnam	2002 to 2007	303.13	216.23	86.90
11	Andhra Medical College, Visakhapatnam	2002 to 2007	98.57	75.58	22.99
12	Government Hospital for Chest diseases, Visakhapatnam	2002 to 2007	44.77	24.29	20.48
13	Government Dental College, Hyderabad	2002 to 2007	33.14	0.92	32.22
14	Government Maternity Hospital, Nayapul, Hyderabad	2002 to 2007	47.05	24.70	22.35
Total			1640.12	805.08	835.04

Appendix 5.4
(Reference to paragraph 5.1.9 page 163)

Statement showing the vacancy position in DME

Name of the Post	Sanctioned Strength	Vacancies				Percentage of Vacancy as of July 2007
		2003	2004	2005	2006	
DME	1	1	1	1	1	100
Addl DMEs Principals/ Superintendents of Teaching Institutions	24	24	24	24	2	8
Professors – Non Clinical	279	13	34	147	117	33
Clinical	405	130	29	204	106	
Associate Professors Non-clinical	256	71	71	89	79	18
Clinical	280	84	13	110	15	
Assistant Professors	1906	152	152	109	150	8
Tutors	99	8	8	10	14	14
CAS/ Medical Officers	509	35	35	20	92	18
Para Medical staff	3071	NA	NA	NA	964	31

GLOSSARY OF ABBREVIATIONS
USED IN PERFORMANCE AUDIT

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Glossary

APMHIDC	:	Andhra Pradesh Health & Medical Housing and Infrastructure Development Corporation
APSIAF	:	Andhra Pradesh State Illness Assistance Fund
AAP	:	Annual Action Plan
ACB	:	Anti Corruption Bureau
DGP	:	Director General of Police
AICTE	:	All India Council for Technical Education
ALIS	:	Alisagar Lift Irrigation Scheme
APCO	:	Andhra Pradesh State Handloom Weavers Co-operative Society Limited
APO	:	Assistant Project Officer
APPA	:	Andhra Pradesh Police Academy
APPSC	:	Andhra Pradesh Public Service Commission
APSC	:	Andhra Pradesh Study Circle
APSFSL	:	Andhra Pradesh State Forensic Science Laboratory
APSP	:	Andhra Pradesh Special Police
APSPHC	:	Andhra Pradesh State Police Housing Corporation
APSW	:	Andhra Pradesh Social Welfare
APSWAN	:	Andhra Pradesh State Wide Area Network
APSWREIS	:	Andhra Pradesh Social Welfare Residential Educational Institutions Society
APTRANSCO	:	Andhra Pradesh Power Transmission Corporation
APTS	:	Andhra Pradesh Technological Service
APTWREIS	:	Andhra Pradesh Tribal Welfare Residential Educational Institutional Society
ARGLIS	:	Arugula Rajaram Guthpa Lift Irrigation Scheme
ASD	:	Additional Security Deposit
ASWO	:	Assistant Social Welfare Officer
ATWO	:	Assistant Tribal Welfare Officer
AVLS	:	Automatic Vehicle Location System
AVS	:	Audio Visual Service
BGs	:	Bank Guarantees
BIE	:	Board of Intermediate Education
BPR&D	:	Bureau of Police Research and Development
CAO	:	Chief Accounts Officer
CCO	:	Chief Controlling Officer
CED	:	Central Excise Duty
CC	:	Cement Concrete

CDC	:	College Development Council
CE, CDO	:	Chief Engineer, Central Designs Organisation
CFSL	:	Central Forensic Science Laboratory
CIPA	:	Common Integrated Police Application Software
CRPF	:	Central Reserve Police Force
CSE	:	Computer Science and Systems Engineering
CSIR	:	Council for Scientific and Industrial Research
CSS	:	Centrally Sponsored Scheme
CSW	:	Commissioner of Social Welfare
CTW	:	Commissioner of Tribal Welfare
CWC	:	Central Water Commission
DDO	:	Drawing and Disbursing Officer
DME	:	Director of Medical Education
DD	:	Deputy Director
DD,SW	:	Deputy Director, Social Welfare
DGP	:	Director General of Police
DPO	:	District Police Office
DPR	:	Detailed Project Report
DRDO	:	Defence Research and Development Organisation
DSC	:	District Selection Committee
DSE	:	Director of School Education
DTWO	:	District Tribal Welfare Officer
EC	:	Executive Council
ECV	:	Estimate Contract Value
EE	:	Executive Engineer
EE,SW	:	Executive Engineer, Social Welfare
EE,TW	:	Executive Engineer, Tribal Welfare
EM	:	Electro- mechanical
ENC	:	Engineer-in-Chief
EPC	:	Engineering, Procurement, Construction
FDR	:	Fixed Deposit Receipt
FFC	:	Flood Flow Canal
FFW	:	Food For Work
FIR	:	First Information Report
FPB	:	Finger Print Bureau
GGH	:	Government General Hospital
GOI	:	Government of India
GVMC	:	Greater Visakhapatnam Municipal Corporation
GER	:	Gross Enrolment Ratio

GIS	:	Geographical Information System
GPI	:	Gender Parity Index
GPS	:	Global Positioning System
GWUA	:	Godavari Water Utilisation Authority
HF	:	High Frequency
HOD	:	Head of the Department
HRM	:	Human Resource Management
HT	:	High Tension
HWO	:	Hostel Welfare Officer
I&CAD	:	Irrigation & Command Area Development
I A	:	Internal Audit
IBM	:	Internal Bench Mark
ICAR	:	Indian Council for Agricultural Research
IGP	:	Inspector General of Police
INSAS	:	Indian Small Arms System
IS	:	Indian Standard
ISRO	:	Indian Space Research Organisation
IT	:	Income Tax
IT	:	Information Technology
JCRDLIS	:	J. Chokka Rao Devadula Lift Irrigation Scheme
KGH	:	King George Hospital
KMC	:	Kurnool Medical College
LI	:	Lift Irrigation
LIS	:	Lift Irrigation Scheme
LP	:	Land Plan
LS	:	Lumpsum
MART	:	Multi Access Radio Telephony
MD	:	Managing Director
MHA	:	Minsitry of Home Affairs
MM	:	Milli Metre
MOPF	:	Modernisation of Police Force
MPR	:	Monthly Progress Report
MS	:	Mild Steel
MT	:	Metric Tonne
MT	:	Motor Transport
MW	:	Mega Watt
NRI	:	Non-Resident Indian
NAAC	:	National Assessment and Accreditation Council
NCTE	:	National Council for Teaching Education

NGO	:	Non-Government Organisation
NSS	:	National Service Scheme
NTPC	:	National Thermal Power Corporation
P&L	:	Provisions & Logistics
PCS	:	Police Computer Service
PD	:	Personal Deposit
PETC	:	Pre-Examination Training Centre
PG	:	Post Graduate
PMS	:	Post-Matric Scholarship
PO, ITDA	:	Project Officer, Integrated Tribal Development Agency
POLNET	:	Police Network
PP	:	Perspective Plan
PS	:	Police Station
PTC	:	Police Training college
PTO	:	Police Transport Organisation
R&R	:	Rehabilitation & Resettlement
RE/BE	:	Revised Estimates/Budget Estimates
RFSL	:	Regional Forensic Science Laboratory
RMT	:	Running metre
ST	:	Sales Tax
SB	:	Savings Bank
SC	:	Scheduled Caste
SDE	:	School of Distance Education
SE	:	Superintending Engineer
SE & PA	:	Superintending Engineer & Project Administrator
SLEC	:	State Level Empowered Committee
SLR	:	Self Loaded Rifle
SP	:	Superintendent of Police
SRSP	:	Sriram Sagar Project
SSP	:	Sripada Sagar Project
ST	:	Scheduled Tribe
STBH	:	Scheduled Tribe Boys Hostel
SWBH	:	Social Welfare Boys Hostel
TCRTI	:	Tribal Cultural Research & Training Institute
TDS	:	Tax deduction at source
tmc	:	Thousand million cubic feet
UC	:	Utilization Certificate
UGC	:	University Grants Commission
VHF	:	Very High Frequency

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