EPITOME OF CAG's REPORTS

ON

THE GOVERNMENT OF ANDHRA PRADESH FOR THE YEAR ENDED 31 MARCH 2011

Principal Accountant General

(General & Social Sector Audit)

Andhra Pradesh

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Preface

This epitome presents, at a glance, the contents of the Audit Reports (State Finances, Civil, Revenue Receipts and Commercial) for the year ended 31 March 2011 and Performance Audit Report on ñLand Allotmentò for the year 2011-12 of the Comptroller and Auditor General of India relating to the Government of Andhra Pradesh. These Reports contain the major audit findings of the financial transactions of Government of Andhra Pradesh, Government Companies and Statutory Corporations which came to notice in the course of test audit of accounts during 2010-11 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 2010-11 have also been included wherever necessary.

In accordance with Article 151 of the Constitution, the Comptroller and Auditor General of India forwards these Audit Reports to the Governor, who causes them to be laid on the Table of the State Legislature.

The Reports of the Comptroller and Auditor General of India on the transactions of the State Government presented to the State Legislature stand referred to the Public Accounts Committee (PAC) in respect of State Finances, Civil, Revenue Receipts and Performance Audit Report on óLand Allotmentô and Committee on Public Undertakings (COPU) in respect of Commercial Undertakings. The Government departments are required to submit *suo motu* Action Taken Notes on all Audit Paragraphs and Reviews to the Committees, duly vetted by Audit. The Committees select the Paragraphs/Performance Reviews, for detailed examination after which, reports containing their observations and recommendations are presented to the State Legislature.

The draft paragraphs/performance reviews included in the Audit Reports are forwarded to the Secretary of the department concerned for his comments so that the views of Government are incorporated in the Audit Reports, before these are finalised and presented to the State Legislature. Finance Department has prescribed that the draft paragraphs should be attended to as expeditiously as possible and that the comments of the department concerned intimated to Audit within a prescribed period not exceeding six weeks. However, in a large number of cases, the departments have not furnished their comments before finalisation of the Report except for Audit Report (Civil) where replies were not received from 'Health, Medical & Family Welfare' and 'Consumer Affairs, Food & Civil Supplies' departments.

This epitome contains only a summarised version of the more important issues included in the Audit Reports. While it has been our endeavour to keep the contents of this document as close to the original Reports as possible, the original Reports ought to be referred to for authentic facts and figures. The name and telephone numbers of the officers who could be contacted for any clarification in respect of the Audit Reports are on the inner page of the back cover of this publication.

(ii) Summary of Appropriation Accounts

(Rs. in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I Revenue	77,193	8,526	85,719	69,902	(-) 15,817
	II Capital	14,504	500	15,004	11,425	(-) 3,579
	III Loans and Advances	2,490	398	2,888	3,315	(+) 427
Total Voted		**94,187**	**9,424**	**1,03,611**	**84,642**	**(-) 18,969**
Charged	IV Revenue	10,308	36	10,344	9,788	(-) 556
	V Capital	80	8	88	22	(-) 66
	VI Public Debt Repayment	9,733	--	9,733	7,881	(-) 1,852
Total Charged		**20,121**	**44**	**20,165**	**17,691**	**(-) 2,474**
	Grand Total	**1,14,308**	**9,468**	**1,23,776**	**1,02,333**	**(-) 21,443**

* These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (Rs. 1,156 crore) and capital expenditure (Rs. 323 crore)

Note: Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of Rs. 670 crore drawn on Abstract Contingent bills during 2010-11. In the absence of Detailed Contingent bills the genuineness of the expenditure could not be vouched. The total expenditure stands inflated to that extent.

Finances of the State Government

Revenue Receipts	The growth rate of Revenue receipts (25.23 *per cent*) during 2010-11 was higher than the average growth rate (18.71 *per cent*) during the last five years. The State's own-tax and non-tax revenue (Rs. 55,859 crore) during 2010-11 increased by Rs. 12,880 crore over the previous year but was less by Rs. 2,672 crore than the projection made in Macro Economic Framework Statement (MEFS).
Grants from Government of India	There was an increase in grants from Government of India during 2010-11 by 4 *per cent* (Rs. 342 crore) over the previous year. During 2010-11, GOI transferred Rs. 12,174 crore directly to the State implementing agencies concerning various Central Schemes/programmes, without routing through the State budget.
Revenue surplus and fiscal deficit	The State Government achieved revenue surplus for the fifth consecutive year and the fiscal deficit (Rs. 11,803 crore) during the current year was 2.08 *per cent* of GSDP, i.e. well within the ceiling of 3 *per cent* fixed by FRBM Act and the Thirteenth Finance Commission.

Growth and composition of expenditure	***Revenue expenditure*** (Rs. 78,534 crore) increased by Rs. 15,086 crore during 2010-11 over the previous year and constituted 13.84 *per cent* of GSDP. The non-plan revenue expenditure (NPRE) component constituted 75 *per cent* of revenue expenditure. Committed expenditure on salaries and wages, pensions, interest payments and subsidies constituted 84 *per cent* of NPRE during 2010-11. ***Capital expenditure*** (Rs. 11,123 crore) during 2010-11 decreased by Rs. 2,670 crore over the previous year (Rs. 13,793 crore) and constituted 11.96 *per cent* of total expenditure. Capital expenditure at 1.96 *per cent* of GSDP was less than the projection (Rs. 14,432 crore) made in MEFS for 2010-11.
Efficiency of expenditure use in selected social and economic services	The Government has not been focusing on infrastructure creation in respect of social services viz., general education and health. While in economic services capital formation under irrigation, flood control and transport sectors was encouraging, it was far from satisfactory in energy and agriculture and allied sectors. The Government needs to initiate appropriate steps for creation of assets/infrastructure in education, health, energy and agriculture sectors. The Operation and Maintenance expenditure (Rs. 1,668 crore) in 2010-11 constituted 2.06 *per cent* and 2.12 *per cent* of revenue receipts and revenue expenditure respectively.
Incomplete Projects	As per the information provided by the Government, 188 projects/works which were due for completion by 31 March 2011, were not completed. The total amount of funds expended on these projects as of 31 March 2011 was Rs. 46,330 crore.
Fiscal liabilities	The total fiscal liabilities of the State at the end of 2010-11 (Rs. 1,34,905 crore) increased by Rs. 15,098 crore (13 *per cent*) over the previous year (Rs. 1,19,807 crore) and stood at 1.67 times of revenue receipts.
Debt sustainability	The resource gap has been negative in three out of the five year period 2006-11. However, during 2010-11, the resource gap has been positive indicating that incremental non-debt receipts were sufficient to meet the incremental primary expenditure and interest burden. The maturity profile of outstanding stock of State Development Loans (SDLs) as on 31 March 2011 shows that 62 *per cent* of SDLs are in the maturity bucket of 7 years and above.

Financial Management and Budgetary Control

Excess expenditure relating to previous years not regularised	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, excess expenditure amounting to Rs. 1,819.65 crore pertaining to the period 2004-10 was yet to be regularized.
Surrender on the last two days of March	An amount of Rs. 10,856 crore (49 *per cent* of the total saving of Rs. 22,310 crore) was surrendered on the last two working days of March 2011.
Rush of expenditure	While expenditure for the three quarters ending December 2010 was between 16 and 25 *per cent* of the total expenditure (Rs. 89,657 crore), it was 35 *per cent* in the last quarter of the year. Expenditure in the month of March 2011 alone constituted 21 *per cent*.

Financial Reporting

Pendency of Detailed Contingent Bills	DC bills as of 31 March 2011 were submitted only for Rs. 1,115 crore (47 *per cent*) against Rs. 2,359 crore drawn on AC bills. Of these, DC bills for Rs. 387 crore were pending upto 2005-06.
Delay in furnishing Utilisation Certificates	269 UCs aggregating Rs. 31 crore due in respect of grants paid during 1992-2011, were outstanding (from 11 to 18 years) as of 31 March 2011.
Misappropriations, losses, defalcations, etc.	The State Government reported 472 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs. 35 crore (up to April 2011) on which final action was pending.

Audit Report (Civil)

The Audit Report (Civil)[♣] consists of 13 chapters. Chapter-1 presents the profile of the audited entities, authority for audit, planning and conduct of audit and key audit findings. The 12 other chapters cover significant matters arising out of the compliance and performance audit of various departments including autonomous bodies.

Highlights

- **The performance of Agriculture department with regard to interventions for increasing the productivity and income of farmers was not effective and did not achieve the envisaged objectives. Implementation of schemes was marked by inefficiencies in utilisation of funds, inadequate production of foundation and certified seed, failure in strengthening seed testing laboratories and inability to spend funds for improving seed farms. Lack of transparency in disbursement of relief assistance for the calamity-affected farmers and absence of adequate proof of disbursement to farmers underlined strong likelihood of vested interests indulging in corrupt practices in passing such benefits to the intended beneficiaries. Abnormal delays were noticed in implementation of Pavalavaddi scheme as it reached only 8 *per cent* of the eligible farmers as of March 2011. Extension services received inadequate attention. Subsidy released by the Government for procurement of combine rice harvesters was captured by ineligible/ dubious groups of farmers. Huge vacancies in the cadre of Agricultural Officer and Agricultural Extension Officer are adversely affecting the effective functioning of the Department. Internal controls within the DoA were inadequate in most cases and where adequate, were not functioning as envisaged. The performance of the DoA in terms of achieving its Mission of 5 *per cent* growth rate as well as increasing returns on agricultural investment and developing farmers as seed entrepreneurs is far from satisfactory.**

- **The functioning of blood banks in the State is far from satisfactory. Although specific rules were framed for ensuring the safety of blood donors, a majority of the blood banks verified in audit flouted these rules. Donor safety was compromised by violating the eligibility criteria for blood donors. There was no assurance about the quality of blood supplied by the blood banks as calibration of equipment at regular intervals was absent. Non-compliance with the rules and ineffective monitoring by the Drug Inspectors had resulted in several deficiencies, endangering the safety of both the donor and the needy patients.**

- **Trauma Care Centres (TCCs) in Andhra Pradesh have either not been set up or are yet to become fully operational as of August 2011, either due to the civil works not being completed, or where completed, due to delay in procurement of equipment and absence of requisite manpower. The objective of providing basic life support and emergency care in the golden hour i.e., first hour of injury to accident victims in the Golden Quadrangle within the State remains unachieved even after the lapse of over two to five years of necessary sanctions having been accorded by GoI.**

- **Six Marine Police Stations (MPSs) in the State, set up under 'Coastal Security Scheme' in November 2005 with 100 *per cent* Central assistance, have remained virtually defunct as fulfillment of basic requirements like adequate arrangements for maintenance of boats, provision of jetties in the vicinity of the MPS, recruitment of adequate and skilled manpower and imparting appropriate training to them was not ensured. No evidence was available on the actual operation of monitoring mechanism to ensure foolproof coastal security in the State. The main objective of strengthening coastal security against infiltration, intrusion and other illegal activities had remained unachieved.**

[♣] Tabled in the State Legislature on 29 March 2012 in the Budget Session

- ☞ **Although Integrated Handloom Development Scheme (IHDS) is at present the only major intervention by both Central and the State Governments in the handloom sector, its implementation in the State had been less than effective despite availability of Central assistance. Working capital needs of weavers were not met. The department also could not sort out with the banks the issues adversely impacting better credit linkages. As a result, none of the 35 clusters and 262 groups which were due for completion by 2010-11, were operational as of August 2011.**

- ☞ **Rajiv Udyogasri Society failed to achieve the envisaged objectives despite expending Rs. 112 crore, due to flaws in implementation. Funds were released without instructions relating to their utilisation and there were no internal controls with regard to release and accountal of funds. Selection of candidates lacked transparency as no criteria was fixed and industry partners/employers were not associated in the selection process. Data relating to number of applications received, processed and rejected was not maintained. The Society could not ensure placement of the trained candidates, as it had not instituted adequate linkages between training and placement.**

- ☞ **Vijayawada, Guntur, Tenali and Mangalagiri Urban Development Authority (Authority) could not achieve its objectives to a very large extent. Sectoral developments proposed in Master Plan/Zonal Development Plans were not implemented. None of the townships/ projects taken up by the Authority could be completed. There was no perspective plan with the Authority for acquiring land for development purposes and no land was acquired by it during the five year period 2006-11. Contract management in the few projects taken up was ineffective and led to financial loss to the Authority. The Authority also did not pay adequate attention to provision of basic amenities in the already established townships. Financial management was poor and record maintenance was abysmal. Internal controls were inadequate.**

- ☞ **Implementation of the two Centrally sponsored projects viz., 'ICT-5000' and 'ICT-1300' suffered due to poor planning, lack of compliance with tendering procedures, non-synchronization of implementation schedule with academic years, failure to ensure continued computer education after closure of the project, poor monitoring, etc. Provision of internet access to students was not ensured. Training to teachers by the agencies was not also fully ensured. The Monthly Progress Reports which form the basis for making deductions/ imposing penalties on the agencies did not reflect the facts regarding the deficiencies. The Headmasters of the schools concerned were not involved in the important exercise of evaluation of performance of students.**

Performance Audit Reviews and Compliance Audit paragraphs

Agriculture Department

Functioning of Agriculture Department

The Department of Agriculture (DoA) was created mainly to provide agricultural extension services to farmers involving transfer of the latest technical knowhow to the farming community, introduce high yielding varieties of seeds, ensure timely supply of seeds, fertilizers and pesticides, impart training and awareness to farmers to boost agricultural production and productivity, etc. Performance Audit of 'Functioning of the Agriculture Department' revealed the following points.

Major Audit findings

Seed requirements of farmers not met	Government neither met the seed requirements of the farmers on its own nor made any other contingency plans for the purpose. DoA had not made adequate arrangements for ensuring availability of required quantity of seeds to farmers even during 2011-12. Short supply of subsidised seeds forced the small and marginal farmers to buy seeds in the open market at higher rates, leading to increased financial burden. Crop failures in such cases invariably push the farmers to the door-step of private money lenders.
Seed Village Scheme for supply of quality seeds suffered	Supply of quality seeds through the implementation of GoI's Seed Village Scheme and other State plan schemes was affected by poor utilisation of funds, inadequate production of foundation seed, insignificant supply of certified seed and non-strengthening of seed testing laboratories and seed farms.
Disbursement of relief assistance	Lack of transparency in disbursement of relief assistance and absence of adequate proof of disbursement of money to farmers underlined strong likelihood of vested interests indulging in corrupt practices in passing such benefits to the intended beneficiaries, their harassment in the process and even misappropriating public funds.
National Agriculture Insurance Scheme	National Agricultural Insurance Scheme (NAIS) was characterised by poor coverage of non-loanee farmers, delayed disbursement of claims and their credit to loan accounts held by banks and Primary Agricultural Cooperative Societies, providing no relief to calamity stricken farmers.
Inadequate coverage under Pavalavaddi scheme	As against 120 lakh cultivators, only 10.17 lakh farmers (8.47 *per cent*) got the benefit of Pavalavaddi Scheme as of March 2011. Abnormal delays were also noticed in its implementation. An amount of Rs. 146.57 crore being the interest rebate allowed by Primary Agricultural Cooperative Societies pertaining to the claims of 2008-09 was yet to be released by the Government.
Inadequate attention towards Agricultural Extension services	Coverage of female farmers in ***Rythu Chaitanya Yatras (RCYs)*** remained stagnant at 16 - 17 *per cent* while the coverage of habitations declined from a maximum of 70 *per cent* in 2008-09 to 51 *per cent* in 2010-11. ***Adarsha Rythu scheme*** could not deliver the assigned tasks and failed to bridge the gap between the farmers and the Government.

Rythu Mitra and other farmers groups were non-functional and thereby the objective of strengthening research and extension linkages was not achieved.

Photographs show thin attendance in the RCY held on 17 and 18 May 2011 in Billuruvadapalli and Pandulakunta habitations in Anantapur district

Supply of high cost farm machinery in contravention of the guidelines

High cost machinery including Combine Rice Harvesters was sanctioned irregularly to 86 out of 113 Rythu Mitra Groups in the sampled districts in contravention of the guidelines without being backed by institutional finance and under political pressure involving release of subsidy of Rs. 8.58 crore (76 *per cent*).

Key posts lying vacant

About 29 *per cent* of key posts were lying vacant in the DoA as of March 2011.There were vacancies up to 32 *per cent* in the crucial cadre of Agricultural Extension Officers. This has had a severe impact on the extension services envisaged by the DoA.

Weak budgetary process

Overestimation of budgetary requirement, inadequate releases to implementing agencies and dishonouring of bills by treasuries impeded the progress of implementation of plan schemes.

Huge pendency of AC bills

As of October 2011, 130 AC bills amounting to Rs. 413 crore drawn during 2008-11 were outstanding for adjustment.

Incorrect Utilisation Certificates

A random review of utilisation certificates submitted by the officials for an aggregated value of Rs. 71.97 crore during the period 2008-11 indicated that these were submitted on the same date on which, such funds were received. Besides, these certificates were also misleading for various reasons.

Inadequate record maintenance

Record maintenance at various levels in DoA was quite inadequate. Important control registers such as Register of Advances, Register of Valuables, Register of AC bills, Register of Cadre Control strength, etc. were not maintained by the Assistant Directors of Agriculture.

Absence of internal audit	The Bureau of Internal Audit and Surveillance (BIAS) in the Department of Finance, the designated agency for conducting Internal Audit of all the State Government Departments, had not conducted the audit of DoA even once as of October 2011. The Government thus, could not derive any assurance about financial discipline and adequacy of internal controls in the Department.

Animal Husbandry and Fisheries Department

Unauthorised production and distribution of animal vaccines	Animal vaccines were being produced in Veterinary Biological Research Institutes (VBRIs) at Hyderabad and Samalkot without valid licence and released for field distribution without complying with quality assurance (Good Manufacturing Practices and Good Laboratory Practices) standards prescribed by the Central Drug Control Authority. Failure to comply with regulatory provisions by Government agencies, especially in the domain of pharmaceutical production, would set a poor example and pose serious risk to the livestock health.

Consumer Affairs, Food and Civil Supplies Department

Extra financial burden due to excess allotment of kerosene	District Supply Officer, Ranga Reddy understated the number of 'Deepam' connections by 1.10 lakh thereby computing the requirement of kerosene for each of these beneficiaries at the scale of three and six litres of kerosene, respectively, in rural and urban areas as against their actual entitlement of two litres. This resulted in excessive projection of kerosene requirement for the district to the extent of 84.51 lakh litres. The extra burden on the State exchequer amounted to Rs. 23.93 crore. Possibility of excess allotment of kerosene in similar fashion in other districts cannot be ruled out. Additionally, possibility of excess allotments being diverted to open market can not also be ruled out.

Health, Medical and Family Welfare Department

Functioning of Blood banks

Blood banks are governed by Drugs and Cosmetics Act, 1940 (Act) and relevant rules made thereunder. Government of India formulated the National Blood Policy (NBP) in April 2002 to bring about a "comprehensive, efficient and a total quality management approach" throughout the country to ensure easy access to adequate and safe blood. Audit findings on the functioning of 45 (out of 126) blood banks in eight districts viz., Anantapur, Chittoor, Guntur, Hyderabad, Krishna, Kurnool, Medak and YSR covering three year period 2007-10 are as follows:

Major Audit findings

Absence of relevant data and vital details	The State does not have a centralised online database indicating the availability of various groups of blood at the blood bank level, district level and at the State level. Vital details such as date of collection of blood, name of the donor, address, age, weight, percentage of haemoglobin (Hb), blood group, etc. were not captured/recorded in the blood donors register.
Donor safety compromised	Although specific rules were framed for ensuring the safety of blood donors, a majority of the blood banks verified flouted these rules such as blood was collected from the ineligible donors. Thus, donor safety was compromised by violating the eligibility criteria for blood donors.
Calibration of equipment not being done regularly	Calibration of equipment was not being done at regular intervals in 11 blood banks reviewed in audit, thereby the risk of the results/readings (obtained by using these equipments) not being accurate and reliable was ever present.
Ineffective monitoring of blood bank operations/ activities	Monitoring of the blood bank operations/activities by the Inspectors was found to be ineffective. Out of 45 blood banks verified, 22 had not been inspected by the licencing authority during 2008 and 2009.
Huge shortages of Drug Inspectors	There was acute shortage of 'Drug Inspectors' in the Department. Although, Government had sanctioned 75 additional posts during 2007-09, even these were not deployed as of August 2011.

Functioning of Trauma Care Centres

As part of its scheme for developing a network of Trauma Care Centres (TCCs) along the Golden Quadrilateral to provide emergency treatment to accident victims, Government of India (GoI) extended financial assistance for upgradation and strengthening of emergency facilities in State hospitals located on National Highways. In Andhra Pradesh, 17 hospitals were selected (2004-09) for upgradation as TCCs at a total cost of Rs. 125.25 crore. Audit findings on the functioning of the TCCs are as follows:

Major Audit findings

Tardy execution of civil works	Tardy progress in completion of the buildings to house TCCs resulted in release of further funds amounting to Rs. 76.17 crore by GoI, towards other components like equipment, etc. being put on hold.

Procurement of equipment delayed	While Andhra Pradesh Health and Medical Housing and Infrastructure Development Corporation (APHMHIDC) was ineffective in speedy procurement and supply of equipment, the Superintendents of the hospitals also had failed to monitor this aspect vigorously resulting in non-receipt of the indented equipment even after the lapse of considerable time after placing the indents with APHMHIDC and funds remaining unused.
Inadequate manpower	The staff sanctioned was not as per the approved norms applicable for Level-II and Level-III TCCs. Even in the hospitals where manpower was sanctioned, as against the prescribed norm of 84 for Level-II hospitals and 75 for Level-III hospitals, staff actually recruited was far lower and ranged between 3 and 17.

Fraudulent drawal of pay and allowances and advances

Fraudulent drawals in PHCs	In audit of Primary Health Centres (PHCs) in Duppalapalem and Chavitidibbalu (East Godavari district) on a sample basis we detected fraudulent drawal of pay and allowances, house building, motor cycle and GPF advances aggregating Rs. 17.73 lakh in the name of transferred staff, in whose cases Last Pay Certificates (LPCs) had already been issued.

Home Department

Sub-optimal utilisation of Interceptor boats

'Coastal Security Scheme' with 100 per cent Central assistance was to be implemented in the State for five years from 2005-06 to provide additional line in coastline defence of the country and to address the critical gap in policing of the coastal waters against infiltration, intrusion and other illegal activities. Audit of the implementation of the Coastal Security Scheme involving utilisation of interceptor boats supplied to Marine Police Stations (MPSs) revealed the following points:

Major Audit findings

Sub-optimal utilisation of boats	Eight out of the initially received thirteen boats had not been put to use by the MPSs concerned. The remaining five boats were also under-utilised to the extent of 82 to 97 *per cent*.
Non-construction of Jetties	None of the six MPSs (situated in East Godavari and Guntur, Krishna, SPS Nellore, Srikakulam and Visakhapatnam districts) have jetties of their own. Therefore, the boats had to be berthed in the jetties of the nearby fishing harbours/ports.

Supply of boats and recruitment of crew for their operation not synchronized	While the proposal for creation of MPSs was approved by GoI in November 2005, the crew for the MPSs were belatedly sanctioned by the State Government only in November 2009.
Shortage in key technical posts	There were shortages in key technical posts such as 42 *per cent* in the cadre of Masters, 33 *per cent* in the cadre of Sarangs and as high as 75 *per cent* in the cadre of Engine drivers till March 2011.
Deficient Annual Maintenance Contract	Though GoI entered into Annual Maintenance Contract with the manufacturing company in January 2010 to provide after sale service, necessary repairs to the boats were not carried out. As a result, the eight boats procured at a cost of Rs. 11.70 crore for the purpose of coastal security did not serve the purpose, rendering the implementation of the scheme ineffective.

Industries and Commerce (Handlooms and Textiles) Department

Implementation of Integrated Handloom Development Scheme

GoI introduced the Centrally sponsored Integrated Handloom Development Scheme (IHDS) during 2007-08 and sanctioned 52 clusters in five phases with a proposed outlay of Rs. 29.80 crore for coverage of 21,588 weaver beneficiaries and 262 Groups with a proposed outlay of Rs. 8.81 crore for coverage of 3,978 beneficiaries. Audit findings on the implementation of the scheme are as follows:

Major Audit findings

Delayed release/non-release of funds by the State Government/ Commissioner	Due to the delayed release/non-release of funds by the State Government/Commissioner, despite availability of Central assistance, none of the 35 clusters and 262 groups in the State which were due for completion by 2010-11, had become operational as of August 2011.
Utilisation Certificates not furnished	Non-furnishing of UCs to GoI resulted in freeze on release of further funds (Rs. 16.13 crore) by the latter.
CFCs/Dye Houses not established	The Common Facility Centres (CFCs)/Dye Houses, which are critical for the clusters have not been established fully, depriving the weavers of the benefit of having suitable workplace for pre and post loom weaving activities.

Marketing incentive not released	Due to non-provision of the envisaged bank linkages, the weavers could not procure yarn and hence were forced to depend on master weavers and private dealers for supply of yarn.
Corpus fund for yarn depot	The purpose of creating revolving fund with National Handloom Development Corporation for supply of yarn had remained grossly underachieved, as 78 *per cent* of the weavers could not purchase yarn since they could not afford it.
Poor credit linkage by banks/Delayed implementation of loan waiver scheme	Under the loan waiver scheme the State Government had not released any amount to banks during 2009-10. In 2010-11, though an amount of Rs. 312 crore was provided for in the budget, only an amount of Rs. 109.27 crore was released to the banks/financial institutions as of August 2011. Delayed implementation of loan waiver scheme contributed to poor credit linkage by banks under IHDS.

Labour, Employment, Training and Factories Department

Functioning of Rajiv Udyogasri Society

Rajiv Udyogasri Society (RUS) was set up by the State Government in July 2007 with the objective of generating 10 lakh jobs during 2008-10 through training in emerging sectors of economy. Review of the functioning of RUS revealed the following points:

Major Audit findings

Ineffective fund management by RUS	The finances of RUS were not managed efficiently and effectively and internal controls were poor with regard to release and accountal of funds.
Selection of candidates lacked transparency	Limited publicity was given to the scheme through news items and scrolling news in electronic media. Selection of candidates lacked transparency as no criteria was fixed and industry partners/employers were not associated in the selection process. RUS had no data with regard to the number of applications received, number of candidates considered and selected and the number rejected by the implementing agencies like District Employment Offices, Industrial Training Institutes, Polytechnics, National Child Labour Project, etc.

Inadequate linkages between training and placement	The Society could not ensure placement of the trained candidates, as it had not instituted adequate linkages between training and placement. In the sampled districts, the State achieved a minuscule 4.12 *per cent* of the target fixed for placements for the two year period 2008-10. The performance was especially poor in Nizamabad and Vizianagaram districts. In all the sampled Industrial Training Institutes, the District Employment Officers had not verified placement of candidates trained for various trades.

Municipal Administration and Urban Development Department

Functioning of Vijayawada, Guntur, Tenali, Mangalagiri Urban Development Authority

Vijayawada, Guntur, Tenali and Mangalagiri Urban Development Authority (Authority) was constituted for planned development of the area under its jurisdiction and to improve the quality of life of its inhabitants. Performance Audit of functioning of the Authority during 2006-11 revealed the following points.

Major Audit findings

Ineffective implementation of Master Plan/Zonal Development Plans	Sectoral developments proposed in Master Plan/Zonal Development Plans (ZDPs) were not implemented. Approvals for change of land use were given in violation of Master Plan/ZDPs, vitiating the sanctity of the approved plans.
Absence of Perspective plan for acquiring land	There was no perspective plan with the Authority for acquiring land for development purposes and no land was acquired by it during the five year period 2006-11.
Establishment of Townships	None of the test checked township projects undertaken by the Authority during 2006-11 had been completed as of October 2011. In fact, in Tenali town, except Chenchupeta township, which was taken up 25 years ago, no development project what so ever, has been initiated by the Authority.
Development of Projects/Deficient contract management	Authority could not act decisively and swiftly in developing the projects envisaged in the Master Plan/ZDPs, resulting in a stalemate with regard to the construction of the township projects taken up by it.

Contract management in the few projects viz. (i) Singapore Model Township in Mangalagiri) (ii) Mega Township in Ankireddipalem – (Guntur district) (iii) Cricket Stadium at Mangalagiri (iv) IT SEZ (Mangalagiri) taken up was ineffective and led to financial loss to the Authority.

Status of Singapore Model Township, Mangalagiri (20 April 2011)

Proposed site for Cricket Stadium at Mangalagiri (20 April 2011)

Inadequate infrastructure development

The Authority utilised only 28 *per cent* (Rs. 11.93 crore) of its income, as against 85 *per cent* prescribed, from development charges towards development, during the five year period 2006-11.

Inadequate infrastructure facilities to the already established townships

The Authority did not pay adequate attention to provision of basic amenities in the already established townships viz., Amaravathi township at Mangalagiri, Vijayawada Township and Chenchupeta Township at Tenali.

Status of Amaravathi township (20 April 2011)

Lack of basic infrastructure in Chenchupeta Township, Tenali (April 2011)

Preparation of Annual Accounts badly delayed

The accounts for the years 2006-07, 2007-08, 2008-09 were presented to the State Legislature only during March 2011. Further, annual accounts for the years 2009-10 and 2010-11 have not been furnished to the Accountant General as of December 2011 for audit.

Lax control over remittance of development charges/fees by local bodies

The Authority does not have the details of dues (development charges collected on behalf of the Authority) recoverable from Vijayawada Municipal Corporation (VMC) beyond December 2009 by when the unremitted development charges had accumulated to Rs. 30 crore.

Parking of funds	Due to parking its funds in several short-term deposits with banks which offered lower interest rates, the Authority failed to derive maximum benefit from investment of its surplus funds and lost interest amounting to Rs. 5.18 crore.
Improper maintenance of control registers	The Authority had not maintained important control registers such as cashbook, land register and asset register properly. Maintenance of cash book by the Authority was irregular and deficient during the five year period 2006-11. There were delays ranging up to 60 days in depositing the DDs in banks, causing loss of interest to the Authority.
Weak internal controls	The Authority could process only 24 *per cent* (2,851) of the applications under ***Land Regularisation Scheme (LRS)*** and 32 *per* cent (1,716) applications under ***Building Penalisation Scheme***.

Planning Department

Constituency Development Programme

The State Government launched "Assembly Constituency Development Programme (ACDP)" in April 2005 to enable the Members of Legislative Assembly (MLAs) to initiate developmental works within their constituencies. The scheme was implemented in the State during 2005-08 and was revived in 2010-11 after a gap of two years, as "Constituency Development Programme (CDP)" extending it to Members of Legislative Council (MLCs) also. Audit findings on the implementation of ACDP/CDP since inception in April 2005 to March 2011 are as follows.

Major Audit findings

Lack of expenditure controls by CPOs	The Chief Planning Officers (CPOs) had exercised no control over actual expenditure and were thereby not in a position to monitor actual utilisation of funds and ensure remittance of unspent balances by the executing agencies. This also led to financial misreporting.
Non-remittance of unspent balances by executing agencies	An amount of Rs. 55.06 crore was lying unutilised (March 2011) in the PD accounts of the CPOs, Chittoor, East Godavari, Guntur and Visakhapatnam.
Incomplete works	As against 75,474 works sanctioned under ACDP (2005-08) and CDP (2010-11), only 53,457 were completed and about 15 *per cent* of works under ACDP, which were due for completion within nine months of sanction, remained incomplete as of March 2011. Consequently, huge funds were locked up for long periods with the executing agencies and depriving the benefit of those works to the public at large.

(11July 2011)
Incomplete community hall in Kodavali village, Pithapuram constituency of East Godavari district
(Delay: 25 months)

(12 July 2011)
Incomplete community hall in Vedanthapuram, Tirupathi constituency in Chittoor district
(Delay: 28 months)

Asset registers not maintained	Asset registers were not being maintained by any of the CPOs test checked by Audit and assets created were not being handed over to the user agencies. As verification of assets in the absence of asset registers was not possible, potential risk of non-existence of assets cannot be ruled out.
Absence of regular inspection of works	Inspection of works, which is crucial to assess compliance with rules and procedures and ensure quality, was neglected in three (Chittoor, Guntur and Visakhapatnam) out of four districts (i.e. except East Godavari) covered in Audit.

School Education Department

Implementation of ICT Policy

In accordance with the ICT policy of GoI, the State Government took up (June 2008 and November 2009) implementation of two Centrally sponsored projects viz., 'ICT-5000' (project period: 2008-13) and 'ICT-1300' (project period: 2009-14). Audit of implementation of the ICT-5000 and ICT-1300 projects in schools in six districts (East Godavari, Karimnagar, Khammam, Krishna, Vizianagaram and YSR) for the period 2008-11 revealed the following points:

Major Audit findings

Tardy release of scheme funds by the Central and State Governments	The State Government had not released about 57 *per cent* of its share of funds, as of 31 March 2011. Pending utilisation of funds released by GoI earlier, the GoI had not released further instalments of its share.
Incompatible software procured	Since the Government did not specify the operating system and the applications to be installed on the computers while inviting bids, the software initially procured by the State Government (June - July 2008) at a cost of Rs. 26.60 crore proved incompatible with the hardware supplied by the implementing agencies and had to be abandoned.

Denial of Computer education to new schools	'Computer Education in 1000 schools project' was initially implemented for five years (2002-07). The same 1000 schools were selected once again under the GoI sponsored 'ICT-1300 Project' also thereby depriving 1,000 new schools of the benefit of computer education.
Penal clause not enforced	In 466 out of 543 schools in the five sampled districts (except Karimnagar), 2.08 lakh days of downtime were recorded in respect of 5,091 out of 5,927 computers. However, penalty for the downtime was not actually recovered/adjusted even though the agencies had not addressed the problems within the stipulated time of three days.
No feedback by HMs/DEOs on imposing penalties	Deficiencies were not reflected in the Monthly Progress Reports both by Headmasters and the DEOs. None of the Headmasters/ DEOs in the 543 schools test checked in the six districts reported the downtime to the Commissioner. As a result, no penalty was imposed on the agencies leading to excess payment of Rs. 1.62 crore to the agencies.
Inadequate teachers' training	In 466 schools test checked in five out of six districts (except Karimnagar), out of 2,330 teachers to be trained per year, the agencies had trained only 1,267 teachers (short fall: 46 *per cent*).
Evaluation of performance of students	The important task of obtaining feedback regarding the scheme was entrusted to the executing agency/firm itself instead of to an independent agency, thereby the accuracy of feedback cannot be vouchsafed. The Headmasters of the schools concerned were also not involved in this vital exercise.

Youth Advancement, Tourism and Culture (Sports) Department

Unwarranted loan burden in construction of Sports Hostel	The decision of the State Government not to fund the construction of the hostel and to leave SAAP in a situation where it had to obtain loan from Punjab National Bank on unfavourable terms, pushed SAAP into financial crisis saddled, as it is, with a debt burden of Rs. 58.14 crore (principal: Rs. 39.29 crore and interest: Rs. 18.85 crore) as of end of March 2011. The additional portion (six floors) of the building, which was scheduled for completion by January 2008, was not completed even after the lapse of four years. Inexplicably, even the built up space is lying unused thus, further accentuating the financial burden of SAAP.

Audit Report on Land Allotment

The Report[♣] consists of 9 chapters and covers significant matters arising out of the performance audit of "Land Allotment" in Andhra Pradesh during the five year period 2006-11.

Highlights

- **Alienation/allotment of land during 2006-11 (period covered by this Report) was characterized by grave irregularities, involving allotment in an *adhoc*, arbitrary and discretionary manner to private persons/entities either directly or through APIIC at rates far below market value, without safeguarding the financial and socio-economic interests of the State. There was no policy for land alienation, which would have minimized arbitrariness and ad-hocism and safeguarded public exchequer, while at the same time, promoting desirable social causes in an open and transparent manner.**
- **The land valuation proposed at different established levels of the Government hierarchy set up by the Government itself to protect the public interest, were disregarded, even as these were already below the true market value of land thus granting further undue benefit to the private parties. In view of land being finite and scarce, the entire set of land alienations commented upon in this report represents a substantial and permanent loss to the State without commensurate benefit to the public. In some cases, such allotments also involved irregular alienation of water bodies, sites of historical, cultural and archeological importance.**
- **Since in the large majority of cases, the envisaged development projects have not materialized, the public purposes for which the land was alienated at cheap rates have not been fulfilled. Instead, it has merely facilitated growth of the real estate business of private developers. Although hundreds of acres of lands were transferred to various applicants for creation of Special Economic Zones and industrial parks, the stated objectives of such transfers in terms of employment and economic growth remained unachieved. In all such cases, Government should immediately initiate action under law, for cancellation of the allotments .**
- **While the Government had channelized thousands of acres of land through APIIC for industrial development, the latter could neither propel the State towards targeted industrialization nor safeguard Government interest while entering into development agreements and in related allotment of lands to various entrepreneurs. It also failed to monitor effectively the end use of allotted land causing huge loss to Government exchequer. It, in effect, became a conduit for transferring Government land to entities and persons, whose ability to undertake developmental projects was never seriously scrutinized.**
- **Government has been a mute spectator to encroachment of its lands and instead of instituting a mechanism for preventing and detecting illegal encroachments and dealing with them swiftly and effectively, it has, in a sense, fuelled such encroachments by regularizing unauthorized encroachments, collecting meagre revenue in the process, for reasons that are prima facie susceptible to doubt. Worse still, it paid substantial amounts for reacquiring its own lands from persons who had occupied these lands illegally.**
- **Government has also not instituted appropriate internal controls at various levels to ensure transparency and consistency in allotment of land, as well as full compliance with the conditions of allotment, notably setting up of the stipulated facilities within the mandated timelines. In the absence of assessment with regard to the extent of land required for each specific purpose, there was lack of uniformity in allotting land for similar purposes to different parties.**

[♣]Tabled in the State Legislature on 29 March 2012 in the Budget Session

The Comptroller and Auditor General of India has been pointing out in his Audit Reports, year after year, several irregularities relating to allotment of land by the Government of Andhra Pradesh. The State Government, however, is yet to take corrective measures in this regard and come up with a comprehensive policy relating to alienation/allotment of land.

We conducted (March - December 2011) a performance audit of "land allotment", covering the allotments made by the Government of Andhra Pradesh during the five year period 2006-11. The objective of this performance audit was to assess whether the processes followed for land allotment were compliant with the legal framework and were transparent, consistent and protected the interest of the State, and appropriate value was realized while alienating land. As part of this audit, we also examined the utilisation of the allotted land.

Major Audit findings

Land policy and database

Absence of primary and comprehensive database

State Government did not have the primary data, which is essential for effective land administration. In the absence of a comprehensive database with regard to land, indicating the location and utilisation of clear Government land, assigned land and resumed land, in some cases assigned lands were allotted for other purposes.

Government had also not formulated any land use policy defining its sector-wise priorities in utilization/allotment of land for the present and future needs for socio-economic development of the State.

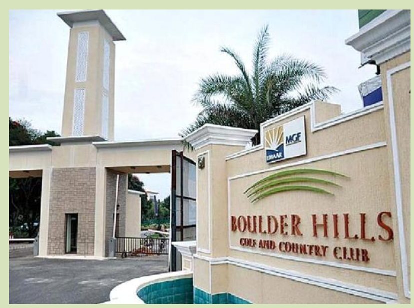
Alienation of land

Lack of uniformity and transparency in allotment

The rates proposed at different established levels of the Government hierarchy were disregarded and substantial benefits were unduly granted to private parties. In the test-checked cases undue benefit of Rs. 1,784 crore was given to various entities and persons, due to the difference in the rates at which land was allotted and the market value as recommended by the District Collector/ Empowered Committee.

In a large number of cases of land allotment, the State Government has ignored the prescribed procedures and disregarded canons of financial propriety.

Allotment for setting up of Commercial Airport ***(YSR district)***	3,115.64 acres of land in Jammalamadugu Mandal, YSR district was allotted to Brahmani Industries Limited for setting up a Commercial Airport and Flying Academy, in violation of GoI's policy on setting up of commercial airports, and without verifying the suitability of the site and viability of the project. It overlooked the fact that the Kadapa airport was just about 50 km away.
Allotment for establishment of Greenfield Integrated Steel Plant ***(YSR district)***	 10,760.66 acres of land in the same mandal was allotted to Brahmani Industries Limited for establishing a Greenfield Integrated Steel Plant. This involved illegal alienation of 674.58 acres of water bodies and allocation of 2 TMC of water from the Gandikota Reservoir, without environmental clearance or independent examination of the Project Report. As of November 2011, even the 1st phase of construction had not been completed.
Allotment to Lepakshi Knowledge Hub Pvt. Ltd. ***(Anantapur district)***	In Anantapur district, APIIC irregularly executed a sale deed for 8,844.01 acres of land in favour of Lepakshi Knowledge Hub Ltd. (LKH) even before creation of infrastructure by the developer (LKH). LKH did not establish any industry nor create any employment, but had mortgaged 4,397 acres of allotted land for obtaining loans of Rs. 790 crore from the banks.
Allotment to Obulapuram Mining Company (OMC) ***(Anantapur district)***	The request of Obulapuram Mining Company (OMC), which had unauthorisedly occupied Government lands, for grant of lease of 413.81 acres of land was initially turned down by the Collector, Anantapur in August 2008. However, within a month thereafter, this position was reversed by the Collector who, at the request of APIIC, recommended alienation of 304.66 acres of land to APIIC (for transfer to OMC) for establishment of industrial park. The reasons for reconsidering the lease or alienating the land were not recorded.
Allotment of land for ICT ***(Ranga Reddy district)***	Government lost revenue of Rs. 874.03 crore by alienating 881.32 acres in Mamidipally Village, Ranga Reddy District to APIIC at a meagre cost. APIIC, in turn allotted 500 acres of this land at very low rates to Indu Tech Zone and Brahmani Infra Tech even before orders of alienation were issued.

Allotment to VANPIC ***(Guntur and Prakasam districts)***	The process of agreement (July 2008) with VANPIC and alienation (February 2009) of land (extent: 18,001 acres) lacked legitimacy and transparency. As the terms of agreement were loaded heavily in favour of VANPIC without leaving any elbow room to the Government to amend the provisions of the agreement, it had serious financial and legal implications for the Government.
Allotment to Raheja Corporation Private Limited ***(Ranga Reddy district)***	APIIC entered into an arrangement (December 2003) with K Raheja IT Park Pvt Ltd. (KRITPL), the terms of which, enabled the latter to sell/ mortgage Government land of 110 acres, apart from exposing Government to financial risk.
Allotment to Georgia Institute of Technology ***(Ranga Reddy district)***	Government allotted 250 acres of land to Georgia Institute of Technology (GIT) based on the orders of the then Chief Minister at Rs. 1.50 lakh per acre against the prevailing market value of Rs. 18 lakh per acre which gave an undue benefit of Rs. 41.25 crore to the Institute. GIT is yet to pay the cost of the land.
Allotment to Emaar Properties ***(Ranga Reddy district)***	Government allotted 535 acres of land in Ranga Reddy district to Emaar Properties PJSC, Dubai through APIIC for establishing an 'Integrated project with international standard Convention Centre, a Star hotel, Golf course and Multi-use developmental Township'.  However, the SPV set up in terms of the MOU with Emaar re-assigned (November 2006) the rights of development of the project to its sister concerns. This process diluted the financial stake of APIIC/Government without its consent and diluted its control over a developmental initiative in which it had invested substantial equity.
Allotment to Simhapuri Energy Pvt. Ltd. and others ***(SPS Nellore district)***	Revenue of Rs. 72.07 crore and Rs. 39.60 crore respectively were foregone by Government, through allotment of land in Chillakur Mandal of SPS Nellore district (through APIIC) at very low rates for establishment of an industrial park by Simhapuri Energy Pvt. Ltd/ Vikas Power Ltd. and setting up of two power projects by Simhapuri Energy Pvt. Ltd/ Meenakshi Energy Pvt. Ltd.

Allotment to Bellary Iron Ore Pvt. Ltd (Anantapur district)	Instead of taking action for unauthorized occupation of 20.06 acres by Bellary Iron Ore Ltd. (BIOL), the District Collector, Anantapur accepted an amount of Rs. 0.63 crore in respect of an application for an additional 50.69 acres of land by BIOL and disbursed awards to the assignees for resumed land, even before approval of the Government.
Non-realisation of alienation cost	In 60 cases[2], alienation cost amounting to Rs. 2,559 crore was not collected by the District Collectors from the institutions to which land was alienated between 2003-04 and 2010-11.

Allotment through APIIC

Failure of APIIC to safeguard Government interest/Ineffective monitoring of the end use

Government allotted over 34,000 acres of land to/through APIIC for industrial development in the State during 2006-11. However, APIIC could not provide the required thrust towards targeted industrialization of the State despite thousands of acres of land being alienated to it by the Government. Further, APIIC while entering into development agreements and related allotment of lands to various entrepreneurs (mentioned below), not only failed to safeguard Government interest but also failed to monitor effectively the end uses, causing considerable loss to Government exchequer.

Name of the firm/purpose	No. of acres alienated
Allotment to Stargaze Properties Pvt Ltd.(Ranga Reddy district)	250.00
Allotment of assigned land to Apollo Hospitals (Chittoor district)	86.49
Allotment to Pearl Breweries Pvt Ltd. (Medak district)	75.78
Allotment to Indu Genome Valley Project (Ranga Reddy district)	20.00
Alienation of a Historical site to Whistling Woods International Ltd. (Hyderabad district)	20.20
Allotment to Obulapuram Mining Company (Anantapur district)	290.96
Allotment to Bellary Iron Ore Pvt. Ltd (Anantapur district)	50.69
Allotment to Brahmani Infratech Pvt Ltd (Ranga Reddy district)	250.00
Indu Tech Zone Pvt Ltd (Ranga Reddy district)	250.00
Allotment to Raheja Corporation Private Limited (Ranga Reddy district)	110.00
Allotment to Emaar Properties (Ranga Reddy district)	525.50
L&T Hitec City, Gannavaram, (Krishna district)	30.17
Footwear SEZ, Mambattu, (SPS Nellore district)	313.57
Brandix India Apparel City, (Visakhapatnam district)	1000.00
Bharatiya International, Nellore, (SPS Nellore district)	250.59
Sri city, Tada (SPS Nellore districts)	3798.86

[2] Guntur (9), Hyderabad (18), Mahbubnagar (3), Ranga Reddy (10), SPS Nellore (5), Srikakulam (1), Visakhapatnam (3), Vizianagaram (9), Warangal (1) and YSR (1)

Name of the firm/purpose	No. of acres alienated
Special Projects Zone, (Visakhapatnam district)	2210.28
MAS Fabric Park India Pvt. Ltd. (SPS Nellore district)	714
Allotment to Health City Visakhapatnam (Visakhapatnam district)	111.01
Allotment to Hardware Park, Maheswaram (Ranga Reddy district)	329.32
APIIC (for industrial development), Rampur village, (Warangal dist.)	72.14
M/s. Neuland Lab (Ranga Reddy district)	5.00
Visual Soft Technologies Inc. (Ranga Reddy district)	15.61
Prakruthi Infrastructure Development Co. (Ranga Reddy district)	1.57
Amazon IT Services (India) Pvt. Ltd., (Ranga Reddy dist)	10.57
APIIC (for Science City) Ananthapur district	402.10
Palnadu Infrastructure Pvt. Ltd. (Ranga Reddy district)	0.93
V Zone Hospitality (Ranga Reddy district)	1.23

Objective of development of IT infrastructure and generation of employment defeated

As APIIC allowed the private developers to utilize Government land for furthering their real estate business, the envisaged purpose of developing IT infrastructure and generating employment was defeated. APIIC did not safeguard Government interest in permitting these private firms to mortgage/ sell Government land exposing Government to financial risk.

Employment Generation by SEZs

Objectives of generation of employment and economic growth remained unachieved

11 SEZs/IT parks had not generated the expected employment. Against the total contemplated employment of 5.93 lakh jobs, four SEZs had generated zero employment opportunities and seven SEZs had generated only about 0.26 lakh jobs during the last 4-5 years as detailed below. Thus, the objective of these allotments remained unachieved.

Generation of employment by SEZs

Sl. No.	Name of Company	Extent of land (in acres)	Year of allotment	Type of industry	Employment contemplated	Employment generated
1	**L&T Hitec City, Gannavaram, Krishna District**	30.17	2006	IT SEZ	10000	**210**
2	**Footwear SEZ, Mambattu, SPS Nellore District**	313.57	2006	Footwear	15000	**5000**
3	**Brandix India Apparel City, Visakhapatnam**	1000.00	2006	Textile Park	60000	**13298**
4	**Bharatiya International, Nellore, SPS Nellore District**	250.59	2007	Leather	10000	**0**
5	**Sri city, Tada, SPS Nellore District**	3798.86	2007	Multi- product SEZ	175000	**5000**
6	**Special Projects Zone, Visakhapatnam District**	2210.28	2007	Multi-product SEZ	6507	**2074**
7	MAS Fabric Park India Pvt. Ltd., SPS Nellore District	**714**	**2007**	**Establish textile and apparel park**	**31000**	**----**

Sl. No.	Name of Company	Extent of land (in acres)	Year of allotment	Type of industry	Employment contemplated	Employment generated
8	**Lepakshi Knowledge Hub Pvt. Ltd. (LKH) Gorantla & Chilamattur, Anantapur District**	8844.01	2009	Integrated Global Knowledge Hub	150000	----
9	**Brahmani Infratech Pvt. Ltd.** **Raviryal and Mamidipalli Villages, RR District**	250	2006	Setting up an IT/ITeS SEZ	45000	----
10	**Indu Tech Zone Pvt. Ltd.** **Mamidipalli Village, RR District**	250	2006	Setting up an IT/ITeS SEZ	45000	----
11	**Stargaze Properties Pvt. Ltd.** **Raviryal Village, RR District**	250	2006	Setting up an IT/ITeS SEZ	45000	----
	Total	**17911.48**			**592507**	**25582**

Non-utilization of Land for Allotted Purpose

Allotment to Health City (Visakhapatnam district)

For establishment of 'Health City' in Visakhapatnam, APIIC allotted (July 2006 and January 2011) plots to ten hospitals with a stipulation to complete the projects within two years and extend free treatment to 10 *per cent* of poor out-patients and to the students of Government residential schools. However, none of the entrepreneurs had established the intended hospitals as of July 2011.

Allotment to Hardware Park, Maheswaram (Ranga Reddy district)

Government land to the extent of 615.43 acres were allotted, between June 2000 and June 2010, to 58 units in Hardware Park, Maheswaram, RR District. 36 units had not implemented their projects, while 11.97 acres of land were allowed to be irregularly diverted to 5 units for commercial purposes such as hotels, petrol bunk and office.

Other cases of Non-utilisation

25 other cases involving non-utilisation of 5,520.28 acres[3] of land allotted prior to 2010 for different purposes were detected during test-check of records.

Violation of Environmental Regulations

Alienation of water bodies against orders of Supreme Court (Srikakulam district)

Government violated the directions of the Supreme Court and its own orders (May 2000), in alienating 972.69 acres of water body in Sompeta mandal, Srikakulam district to Nagarjuna Construction Company Infrastructure Holdings Ltd (NCC) (total allotment was 1,046.21 acres).

[3] Anantapur (689.09 Ac), Hyderabad (110.23 AC), Krishna (650 AC), Mahbubnagar (105 AC), SPS Nellore (723 AC), Ranga Reddy (38.71 AC), Visakhapatnam (3132.11 AC) and Warangal (72.14 AC)

Mining activities in areas allotted for non-polluting industries ***(Ranga Reddy district)***	Temporary mining leases were irregularly granted (April 2006 to October 2009) in Qutbullapur Mandal, Ranga Reddy district in areas allotted for non-polluting industries.

Illegal encroachments

Regularization of unauthorized encroachments	Instead of instituting a mechanism for preventing and detecting illegal encroachments and dealing with them swiftly and effectively, in a sense, Government has fuelled encroachments by regularizing 14,878 of such unauthorized encroachments involving 21 lakh sq. yards of land, collecting meagre revenue of Rs. 63.71 crore.
Compensation to illegal occupants of Government land ***(Ranga Reddy district)***	Government regularised/ alienated 25.72 acres of land in favour of M/s Aurobinda Pharma Limited, Hyderabad (APL) at Rs. 5 lakh per acre, as against Rs. 25 lakh per acre recommended by the District Collector, despite the fact that 20.48 acres (out of 25.72 acres) was already under encroachment by APL. Government paid ex-gratia of Rs. 8.25 crore to encroachers for vacating 103.21 acres of Government land illegally held by them in Saroornagar mandal in Ranga Reddy district, for handing over the land to APIIC.
Acquisition of Government land ***(Ranga Reddy district)***	While on one hand, the Government allowed a concessional rate to Institute of Management Technology, Ghaziabad by alienating 30 acres of land valued at Rs. 15 crore for Rs. 45 lakh, on the other hand, it ordered payment of Rs. 26.43 lakh to encroachers for resuming its own land for the purpose of alienation.

Audit Report (Revenue Receipts)

The total revenue receipts of the State Government for the year 2010-11 amounted to Rs. 80,996.30 crore against Rs. 64,678.35 crore for the previous year. 69 *per cent* of this was raised by the State through tax revenue (Rs. 45,139.55 crore) and non-tax revenue

(Rs. 10,719.72 crore). The balance 31 *per cent* was received from the Government of India as State share of divisible Union taxes (Rs. 15,236.75 crore) and grants-in-aid (Rs. 9,900.28 crore).

The Report♣ contains 41 paragraphs involving Rs. 477.58 crore and three performance audits involving revenue implication of Rs. 294.85 crore relating to non/short levy of tax, duty, interest, penalty, etc. involving a total financial effect of Rs. 772.43 crore.

Highlights

- **Two performance audits on "Taxation of works contracts under the APVAT Act" and "Cross verification of Declaration Forms used in Inter-State Trade" revealed various irregularities/ deficiencies involving Rs. 35.23 crore and Rs. 77.31 crore respectively.**

- **Sales Tax/VAT of Rs. 58.13 crore was either not levied or short levied/collected due to misclassification of sales, excess/incorrect claim of Input Tax Credit (ITC), incorrect computation of turnover, application of incorrect rates, etc.**

- **A performance audit on "Alienation of Government land and conversion of agricultural land for non-agricultural purposes" revealed various irregularities/deficiencies such as non-finalisation of alienation proposals on advance possession of land for years together, absence of a system for cross verification and co-ordination between Departments resulting in non/ short levy of conversion fee/fine, non-levy of interest, etc., involving Rs. 182.31 crore.**

- **Audit of Transport Department revealed cases of non-realisation of quarterly tax and penalty, short levy of life tax, non-realisation of fitness fee/compounding fee due to non-renewal of fitness certificates, non-cancellation and re-notification of special numbers, non-levy and collection of green tax, etc. that resulted in non-realisation of revenue of Rs. 72.24 crore.**

- **Non levy of stamp duty on amalgamations/mergers, non/short levy of duty on lease deeds, misclassification of documents, etc. by the registering officers resulted in non-realisation of Stamp duty and registration fee of Rs. 44.90 crore.**

- **Non-levy/collection of electricity duty/professions tax, non-levy of penalty for removal of sugar without payment of purchase tax, etc. resulted in non-realisation of revenue of Rs. 299.44 crore.**

♣ Tabled in the State Legislature on 29 March 2012 in the Budget Session

☞ **Short recovery of seigniorage fee and non/short levy of dead rent resulted in non-realisation of revenue of Rs. 2.71 crore.**

Performance Audits

Revenue Department

Performance Audit on 'Taxation of works contracts under the APVAT Act'

Audit Objectives

The audit was taken up to assess the efficiency and effectiveness of

- the system of registration of works contractors by the Department and monitoring the filing of their returns;
- the system, if any, of cross verification of data with other Departments;
- the system of tax deduction at source and its proper accountal;
- the system of filing of returns/options and supporting documents;
- the system of self assessment by works contractors and scrutiny of such assessments i.e., VAT Audit by the Department;
- the implementation of the Regular and Optional Scheme of assessment of Works Contractors as per the provisions of the APVAT Act; and
- the system of internal control.

Major Audit findings

Absence of a system for detection of unregistered works contractors	Absence of a system for detection of unregistered works contractors by using their TDS particulars resulted in non-realisation of tax and penalty of Rs. 4.28 crore.
Absence of system for cross verification of data with other taxation Departments	Absence of a system for cross verification of departmental records with other taxation Departments resulted in non-realisation of tax and penalty of Rs. 141.73 crore.
Under declaration of tax due to incorrect allowance of exemption	Incorrect allowance of exemption without supporting documents and improper maintenance of accounts led to incorrect declaration of tax and inadmissible claim of Input Tax Credit (ITC) by the dealers. This had resulted in under declaration of tax of Rs. 6.26 crore.
Under declaration of tax on suppressed turnover	The VAT dealers declared lesser turnovers in the monthly VAT returns than that reported in their annual accounts filed with the Income Tax Department. This suppression resulted in under declaration of tax and penalty of Rs. 5.84 crore in 83 cases.

Non-declaration of tax on non-creditable purchases used in works contracts	Six dealers failed to declare tax of Rs. 6.24 crore on goods purchased from outside the State and used in execution of works contracts.
Non forfeiture of excess collection of tax	Excess collection of tax of Rs. 4.69 crore without obtaining forfeiture orders resulted in irregular claim of credit.
Misclassification of sale as works contracts	The turnovers relating to sale of lifts, air conditioners, fire fighting equipment, digital sign boards and bus body building were misclassified as works contracts in nine cases resulting in under declaration of tax of Rs. 4.82 crore.

Performance Audit on 'Cross verification of Declaration Forms used in Inter-State trade'

Audit Objectives

The audit was taken up to assess whether

- there exists a system for printing, custody and issue of the declaration forms;
- concessions and exemptions were allowed by the assessing authorities against valid/original, duly filled in and relevant declaration forms under the CST Act;
- there is a system of uploading the particulars in the TINXSYS website and the data available therein is utilised for verifying the correctness of forms;
- appropriate steps are taken on detection of fake, invalid and defective (without proper or insufficient details) declaration forms;
- there exists an effective and adequate internal control mechanism; and
- there was an adequate monitoring and control mechanism, for preventing and detecting revenue leakage.

Major Audit findings

Evasion of tax by fraudulent utilisation of fake forms	Fraudulent utilisation of fake forms in support of branch/ consignment transfers and inter-state sales resulted in non-levy of tax and penalty of Rs. 73.33 crore.
Grant of incorrect exemptions	Exemption was incorrectly granted on invalid declarations in support of branch/consignment transfers and inter-state sales, which attract tax of Rs. 2.70 crore.

Incorrect allowance of concessional rate of tax	Incorrect allowance of concessional rate of tax on inter-State sales in the absence of declaration forms ('C' forms) resulted in short levy of tax of Rs. 83.48 lakh.
Misutilisation of 'C' forms on inter-state purchases	Penalty of Rs. 35.45 lakh was not levied on misutilisation of 'C' forms on inter-State purchases.

Land Revenue Department

Performance Audit on 'Alienation of Government land and conversion of agricultural land for non-agricultural purposes'

Audit Objectives

The Performance Audit was conducted to examine

- the efficiency and effectiveness of the system of finalisation of alienation proposals;
- whether adequate monitoring mechanism existed for finalisation of alienation proposals and realisation of market value fixed;
- whether adequate internal control mechanism existed for assessment and realisation of One Time Fee (OTF) under the Act; and
- whether the arrears collectable under the erstwhile Andhra Pradesh Non-Agricultural Land Assessment Act, 1963 (NALA) have been collected.

Major Audit findings

Non-recovery of revenue	Non-finalisation of alienation proposals of Government land on advance possession led to non recovery of revenue of Rs. 160.86 crore, besides extending undue benefit to the allottees.
Absence of a system for cross verification and coordination between departments	Absence of a system for cross verification and coordination between the RDO, Local bodies, Sub registrars resulted in non/short levy of conversion fee/fine of Rs. 50.56 lakh.
Short levy of conversion fee and fine	Conversion fee and fine amounting to Rs. 11.13 crore was short levied due to incorrect arithmetic calculations.
Non-levy of interest on arrears collected	Interest of Rs. 6.04 crore was not levied on arrears of Non-Agricultural Land Assessment (NALA) collected under AP NALA Act, 1963, from 2006-07 to 2010-11.

Prohibition and Excise Department

A performance audit ***on 'Functioning of the Prohibition and Excise Department'*** *was conducted for the period 2005-06 to 2009-10 and the observations have been brought out as a stand alone Report♣.*

Audit Objectives

The Audit was taken up to assess

- whether the Department could perform its dual role of enforcing prohibition and procuring revenue through regulation of liquor efficiently and effectively;
- whether the provisions and the system of regulating levy and collection of excise duty and other applicable taxes in manufacture of raw material (molasses and rectified spirit) for manufacturing liquor were adequate and they were complied with;
- whether the provisions and the system of regulating levy and collection of excise duty and other applicable taxes in manufacture of liquor and allotment of licences for sale of liquor were adequate and they were complied with; and
- whether there was an adequate monitoring and control mechanism for preventing and detecting revenue leakage and associated crime.

Major Audit Findings:

I Production of Indian Made Foreign Liquor (IMFL)

Failure to achieve full sanctioned capacity by RS/ENA distilleries	The production of Rectified Spirit (RS)/Extra Natural Alcohol (ENA) which is the main source of raw material for manufacture of IMFL ranged between 59 *per cent* to 69 *per cent* by the State distilleries during the period from 2006-07 to 2009-10.
Non-commencement of production by distillery within stipulated time	One distillery had not commenced production within the stipulated period of two years from the date of issue of letter of intent (LoI). As a result, the State had lost potential revenue of Rs. 62.83 crore on account of excise duty.
Issue of LoI without payment of the mandatory fees	The Government had extended undue favour to one distillery by issuing LoI for production of IMFL without collecting the mandatory fees of Rs. 15 crore.

♣ Tabled in the State Legislature on 5December 2011 in the Winter Session

Steps not taken to investigate the reasons for shortfall in production of fermentable sugars	The Commissioner had not taken any steps to investigate the reasons for shortfall in production of fermentable sugars as per the standards despite the fact that the monthly returns sent by the Distillery Officers contained these particulars.
Allowance of additional production of IMFL without payment of additional licence fee	Three distilleries were allowed additional production of IMFL without collecting additional license fee of Rs. 1.06 crore.

II Licensing and Sale

Elements of sales potential/profit margin not factored in while fixing upset price	Though the licensees of retail outlets lift huge quantities and maintain considerable margins *vis-a-vis* the licence fee paid by them to the Government, the element of sales potential/profit margin was not factored in while fixing the upset price for conducting auctions.
Sales outlets operating in the vicinity of educational and religious institutions	Liquor outlets/Bars were granted licences ignoring their proximity to religious/educational institutions/national highways/ hospitals in violation of rules.
Indication of unauthorised sales/ unlicensed outlets	Outlets located even in small villages fetched record breaking bids in auction, which point towards unauthorised sales/ unlicensed outlets which would take place in future, to cover up the bid amount and earn maximum profits.
Non-collection of additional licence fee	In 74 *per cent* of the Excise Districts test checked, additional licence fee of Rs. 4.50 crore was not collected from Bars for having non-contiguous consumption enclosures.

III Monitoring and Control Mechanism

Increase in unauthorised sales	Crime on account of unauthorised sale of liquor through unlicensed shops increased by 351 *per cent* between 2005-06 and 2009-10.
Increase in liquor tragedies consequent to disbanding of Madya Vimochana Prachara Committee (MVPC)	Cases of liquor tragedies increased since disbanding of MVPC which was constituted in 2007, to educate masses about evil effects of liquor consumption.

Internal audit never done	Internal audit of the subordinate offices was never conducted and there was no internal audit programme either.
Sharp decline in focus on training	There was sharp decline in focus on training. Less than two *per cent* of the total men-in-position were trained in 2009-10.

Other major irregularities noticed in tax and non-tax administration

Sales Tax/VAT

Under declaration of tax on "Loose liquor"	The sales turnover of loose liquor was shown as exempt by 96 dealers in the VAT returns filed by them and the Assessing Authorities did not enforce the amended provisions of the Act with effect from 24 November 2005. This resulted in under declaration of VAT of Rs.19.67 crore on a taxable turnover of 207.04 crore.
Incorrect exemption of export sales on invalid declarations	Incorrect exemption of export sales covered by invalid 'H' Forms in 32 cases resulted in non-levy of tax of Rs. 15.87 crore.
Non-payment of VAT by rice millers	VAT of Rs. 10.13 crore was not collected from the rice millers on their sales turnover of rice made to Food Corporation of India (FCI), though the price paid by the FCI to the millers included the element of VAT.
Excess claim of Input Tax Credit (ITC)	The department allowed excess claim of ITC of Rs. 5.91 crore on account of sale of exempted goods and consignment sales/branch transfers in 19 cases.
Non-conversion of TOT dealers as VAT dealers	Non-conversion of TOT dealers as VAT dealers consequent to crossing the threshold limit, resulted in short realisation of revenue of Rs. 1.06 crore towards VAT besides penalty of Rs. 26.54 lakh.
Application of incorrect rate of tax	Levy of tax at incorrect rates resulted in under declaration of VAT of Rs. 72.92 lakh in 21 cases.

Land Revenue

Non/short levy of road cess	Road cess of Rs. 16.06 lakh was not/short levied in seven offices of the Tahsildars.

Taxes on vehicles

Non-renewal of fitness certificates	Failure to renew the fitness certificates within the prescribed period resulted in non-realisation of fitness certificate fee of Rs. 14.60 crore besides minimum compounding fee of Rs. 44.96 crore.
Non-realisation of quarterly tax and penalty on transport vehicles	Quarterly tax of Rs. 2.31 crore and penalty of Rs. 4.62 crore were not collected in respect of 2,631 transport vehicles.
Short levy of card fee	Issue of 8,16,868 driving licences at pre-revised rates resulted in short levy of fee by Rs. 4.08 crore.
Short levy of life tax	Collection of life tax in respect of non-transport vehicles owned by individuals, companies, institutions, societies and organisations at pre-revised rates resulted in short levy of life tax of Rs. 1.03 crore.

Stamp duty and Registration fees

Non-levy of stamp duty on vehicles registered with hypothecation agreements	Stamp duty of Rs. 36.48 crore was not levied on 4,84,944 vehicles hypothecated to banks and financial institutions during the year 2009-10.
Non-levy of stamp duty on amalgamation/ merger of companies	Cross verification of records of the office of the Commissioner and Inspector General of Registration and Stamps with the Registrar of Companies, Andhra Pradesh revealed that Stamp duty of Rs. 3.42 crore was not levied on amalgamation/merger of 16 companies between March 2007 and February 2009.
Short levy of stamp duty	Stamp duty of Rs. 1.96 crore was short levied on 12 lease deeds.
Short levy of stamp duty on distinct matters	Stamp duty of Rs. 1.50 crore on two documents of Development Agreement/Development agreement cum-General Power of Attorney involving distinct matters relating to payment of goodwill was short levied.

Other tax Receipts

Non-levy of electricity duty	Electricity duty of Rs. 264.58 crore was not levied by the Chief Electrical Inspector on the electrical energy generated and sold by 113 private power generating units.
Non-levy and collection of professions tax	Professions tax of Rs. 27.77 crore on 3,70,288 non-transport vehicles was not levied and collected by the Transport Department.
Non levy of penalty	Penalty of Rs. 5.08 crore was not levied on 17 sugar factories on 7,63,745 quintals of sugar removed without payment of purchase tax.
Incorrect grant of remission of water tax	Remission of water tax of Rs. 65.63 lakh was incorrectly allowed without sanction of the Government.

Non-tax Receipts

Short recovery of seigniorage fee	Seigniorage fee of Rs. 2.11 crore was recovered short in seven offices of the Mines and Geology Department.
Non/short levy of dead rent	Dead rent of Rs. 60.05 lakh was either not levied or short levied in five offices of the Mines and Geology Department.

Audit Report (Commercial)

This Report[♣] deals with the activities of 72 Public Sector Undertakings (PSUs) comprising of 48 working PSUs (45 companies including six 619B companies and three Statutory Corporations) and 24 non-working PSUs (all companies including six 619B companies). The Report contains three performance reviews on three companies as well as 21 paragraphs on other important findings.

Overview of State Public Sector Undertakings

Audit of the Government Companies is governed by Section 619 of the Companies Act, 1956. The accounts of the Government Companies are audited by Statutory Auditors appointed by the CAG. These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2011, the State of Andhra Pradesh had 48 working PSUs (45 companies including six 619B companies and three Statutory Corporations) and 24 non-working PSUs (all companies including six 619B companies), which employed 2.64 lakh employees. The State working PSUs registered a turnover of Rs. 61,476.93 crore for 2010-11 as per the latest finalized accounts. This turnover was equal to 10.83 *per cent* of State GDP indicating an important role played by State PSUs in the economy. The working State PSUs earned a profit of Rs. 238.56 crore in aggregate for the year 2010-11 and had accumulated losses of Rs. 2,711.66 crore.

Investment in PSUs	As on 31 March 2011 the investment (Capital and long term loans) in 72 PSUs was Rs. 50,165.06 crore. It grew by 56.93 *per cent* from Rs. 31,967.13 crore in 2005-06. Power sector accounted for 53.76 *per cent* of total investment in 2010-11. The Government contributed Rs. 9,071.46 crore towards equity, loans and grants/subsidies during 2010-11.

[♣] Tabled in the State Legislature on 29 March 2012 in the Budget Session

Performance of PSUs	During the year 2010-11, 28 PSUs earned profit of Rs. 922.95 crore and 9 PSUs incurred loss of Rs. 684.39 crore. The major contributors to profit were the Singareni Collieries Company Limited (Rs. 351.37 crore), Andhra Pradesh Power Generation Corporation Limited (Rs. 313.22 crore), Andhra Pradesh State Financial Corporation (Rs. 67.33 crore) and Transmission Corporation of Andhra Pradesh Limited (Rs. 61.74 crore). Heavy losses were incurred by Andhra Pradesh State Housing Corporation Limited (Rs. 341.13 crore) and Andhra Pradesh State Road Transport Corporation (Rs. 317.40 crore). The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 19,601.37 crore were controllable with better management. Thus, there is a scope to improve the functioning and enhance the profits. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.
Quality of accounts	The quality of accounts of PSUs needs improvement. Out of 46 accounts finalized during October 2010 to September 2011, 28 accounts received qualified certificates. There were 51 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several areas of weakness.
Arrears in accounts and winding up	30 working PSUs had arrears of 70 accounts as of September 2011. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts wherever staff shortage exists. There were 24 non-working companies including six 619B companies. As no purpose is being served by keeping these PSUs in existence, the Government may consider closing them.

Performance Reviews relating to the Government Companies

Performance Review of 'Power Distribution Companies in Andhra Pradesh'

The power distribution in Andhra Pradesh is carried out by four Power Distribution companies namely Andhra Pradesh Central Power Distribution Company Limited (APCPDCL), Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL), Andhra Pradesh Northern Power Distribution Company Limited

(APNPDCL) and Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) which were incorporated on 1 April 2000 under the Companies Act, 1956.

As on 31 March 2011, the State had distribution network of 8.60 lakh Circuit Kilo Meters (CKM) of lines (33/11 KV and LT), 3,871 sub-stations, 5,226 Power Transformers (PTR) and 7,92,841 Distribution Transformers (DTR) catering to 2.24 crore consumers.

Major Audit findings

Distribution Network planning	Against the planned additions of 1,649 sub-stations only 1,200 sub-stations were actually added. As against the growth of connected load from 28,157 MW in 2006-07 to 41,872 MW in 2010-11 (48 *per cent*), the corresponding increase in DTR capacity was from 26,025 MVA to 34,650 MVA (33 *per cent*). Thus, the increase in distribution capacity could not match the pace of growth in connected load.
Delay in implementation of HVDS works	Delay in implementation of HVDS works resulted in non-achievement of envisaged benefits amounting to Rs. 147.71 crore.
Implementation of RGGVY	Under RGGVY, the percentage of achievement of electrification of BPL houses against target in the State ranged between 71.09 and 82.72 *per cent* during 2006-10, which decreased to 49.16 *per cent* in 2010-11. APEPDCL was lagging behind in achievement with only 32 to 55 *per cent* of electrification of households during the review period.
Low utilisation of R-APDRP funds	The DISCOMs could utilise only 32.74 *per cent* of R-APDRP funds out of Rs. 326.93 crore received till end of March 2011, due to delay in selection of IT implementing agency. DISCOMs may lose opportunity of conversion of loan into grant by GoI, if R-APDRP projects are not implemented within stipulated time.
High AT&C losses	In respect of APCPDCL, the AT&C losses were beyond 15 *per cent* and ranged between 17.26 and 18.34 *per cent* during 2006-11. Due to sub-transmission and distribution losses in excess of APERC norms, APCPDCL suffered a loss of revenue to the tune of Rs. 1,633.96 crore.
Operational efficiency	Wide gap between transformation capacity and connected load led to overloading of distribution system, excess failure of DTRs and higher quantum of energy losses.

Financial position	Subsidy towards purchase of high cost power alarmingly increased from Rs. 617 crore in 2006-07 to Rs. 6,542 crore in 2008-09, which stood at Rs. 1,619 crore in 2010-11, in respect of all the DISCOMs.
Government did not release full subsidy	As against total subsidy claim of Rs. 10,415.87 crore during 2006-11 by APCPDCL and APEPDCL, GoAP released only Rs. 5,356.13 crore, resulting in dependence on more borrowings.
DISCOM's dependence on borrowings increased	The Loan funds and Current liabilities of APCPDCL and APEPDCL increased from Rs. 4,006.21 crore and Rs. 1,603.96 crore in 2006-07 to Rs. 11,073.99 crore and Rs. 4,827.58 crore in 2010-11, respectively.
Subsidy not claimed	APERC disallowed 7,530.51 MU of free power to agriculture consumers, consequent to which APCPDCL and APEPDCL could not claim subsidy amounting to Rs. 2,519.94 crore from GoAP.
50 per cent of dues pending for more than three years and saddled with legal issues	The outstanding dues of APCPDCL and APEPDCL were Rs. 1,633.50 crore at the end of March 2011, out of which Rs. 466.26 crore was outstanding for more than three years; Rs. 444.15 crore was involved in court cases and Rs. 465.52 crore was due from Government departments and local bodies.
Inadequate Energy Audit	Out of 7,464 Nos. 11 KV feeders existing in APCPDCL and APEPDCL, energy audit was conducted only on 2,571 feeders. Energy audit was not conducted on the rural feeders. Consumer mapping was also not done in the above case.
Inadequate monitoring at the top level	The monitoring system is inadequate as the follow-up action was not effective due to which increase in arrears, excess failure of DTRs, high distribution losses, shortage of transformer oil etc., continued to occur.

Performance Review of 'Mining and Sales Activities of the Singareni Collieries Company Limited'

The Singareni Collieries Company Limited (SCCL/Company) was incorporated in December 1920 with the main objective of development of mines for extraction of coal. Jointly owned by GoI and GoAP, the Company had (31 March 2011) 9,481 million tonnes of proven coal reserves, which were 10.31 per cent of the country's reserves. As on 31 March 2011 the Company has 50 operative mines (16 Open Cast *and 34 Under Ground mines). About 63 to 65 per cent of the coal produced in these coalfields is of thermal power grade, ranging from E to G, which is mainly supplied to power sector units.*

Major Audit findings

Delay in completion of projects resulting in cost overrun and loss of production	During the year 2006-11, 21 projects were completed out of which 11 projects were completed with time overrun of one to five years resulting in cost over-run of Rs. 39.75 crore and loss of production of 7.34 million tonnes of coal valued Rs. 858.20 crore. Six projects scheduled to be completed during 2006-11 and one project scheduled to be completed in 2011-12 were lagging behind, due to delay in land acquisition and procurement of equipment, which resulted in cost overrun of Rs. 64.46 crore besides shortfall in coal production of 93.78 lakh tonnes valued Rs. 1,247.43 crore.
UG mines in losses	Though the overall production achieved by UG & OC mines put together had exceeded the targets, the UG mines could not achieve the targets and incurred a loss of Rs. 3,483.39 crore during 2006-11.
Surplus manpower not redeployed	Non-redeployment of surplus manpower to needy areas resulted in payment of Rs. 438.92 crore on account of wages to surplus staff.
Output per Manshift	Output per Manshift (OMS) ranged between 1.91 and 3.59 tonnes, as compared to OMS of Coal India Limited (CIL) , that ranged between 3.54 and 4.73 tonnes during 2006-11.
High stripping ratio	The average stripping ratio of the Company was high at 5.45 as against 1.87 of CIL. Defective clauses in the agreement for removal of overburden resulted in excess payment of Rs. 21.52 crore.
Low machine utilisation	Underutilization of machines in UG mines resulted in loss of production of 78.86 lakh tonnes of coal valued Rs. 1,092.61 crore. Utilization of HEMM ranged between 20 to 55 *per cent* as against the norm of 40 to 73 *per cent* during 2006-11. HEMM consumed HSD oil valued Rs. 24.46 crore over and above the norm.

Lack of coal pricing policy	There was no coal pricing policy. Non-revision of coal prices (F & G grades) resulted in loss of revenue of Rs. 3,411.96 crore during 2007-11.
Non-collection of Additional price	Non-collection of additional price from APGENCO for supply of coal over and above the linked quantity resulted in loss of revenue of Rs. 432.54 crore.
Internal Control and Monitoring	Technical audit was not conducted and strategic plan covering the risk assessment for audit for three years was not prepared. Internal Audit activity was limited to routine pre-audit checks of various claims but did not cover important issues viz., OB contracts, land acquisition, manpower deployment, FSAs, etc.
Safety Management	The number of accidents recorded had decreased during past five years, but there was a loss of 2.36 lakh man-days due to accidents during 2006-10.
Environment Management	Notwithstanding the fact that the Company had been conferred awards during 2006-11 in recognition of their commitment towards the environment, effective action needs to be taken to establish Effluent Treatment Plants at all Coal Handling Plants/ Area Workshops/ Base Workshops; Sewage Treatment Plants in all the colonies; and ensure better survival in all plantations.

IT Audit on Implementation of ERP in Transmission Corporation of Andhra Pradesh Limited

Transmission Corporation of Andhra Pradesh Limited (Company) is engaged in transmission of electricity and Grid operations.

The Company decided (April 2003) to implement an Enterprise Resource Planning (ERP) with four modules viz., Finance and Controlling, Materials Management, Projects Management and Maintenance Management to provide management accurate, timely and reliable information for better decision making.

Major Audit findings

Lack of IT strategy and IT policy	The Company had not formulated an IT strategy and IT policy.
Manual processing of critical activities	Major business activities such as calculation of price variation, generation of bills for its consumers, loan administration and pension accounting were not included in the ERP.

Logical Access Controls and IT Security	• There is no effective password policy. • No documentation available defining roles for allocation of user ID based on job description. • There was no audit trail as no logs were maintained. • The System is exposed to greater risks due to allowing access to data from backend. • Security of the system stands compromised by allowing the access to ERP application servers through LAN and existence of open ports on the computers connected to both ERP and LAN networks.
Lack of Reliability of data in the System	Most of the MIS reports were not being generated through the system and wherever generated, they were not reliable due to belated entry/ non-entry of data in the system.
Lack of integration	There was no integration between various modules resulting in duplication of work and giving scope to human errors.
Evaluation of System effectiveness	Post Implementation Review of the system was not conducted for evaluating the System effectiveness.

Transaction Audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications.

Andhra Pradesh Industrial Infrastructure Corporation Limited

Loss due to inclusion of a provision detrimental to the interests of the Company and violation of terms and conditions of Collaboration Agreement by the developer	Inclusion of contradictory clause in the MoU by the APIIC and consequent reassignment of development rights to other parties by the SPV, formed for development of villas/residential accommodation, without in-principle approval of the Company, failure of the VC&MD of the Company to monitor and report the same and sale of plots below market rate by the third party developer resulted in loss of revenue of Rs. 126.90 crore. In another SPV relating to development of golf course also the Company had suffered a loss of revenue of Rs. 3.67 crore with an expected loss of Rs. 109.37 crore for the balance period of lease.

Undue favour extended to an allottee

APIIC extended undue benefit at every stage of project implementation to the consortium of Reliance Energy Limited formed for development of Trade Towers and Business District, leading to forgoing revenue of Rs. 126.22 crore towards Development Premium, loss of Rs. 33.29 crore towards interest in debentures, deferment of payment of Rs. 230.27 crore towards land cost and non-forfeiture of Performance Security amounting to Rs. 32.90 crore, besides the project has not yet taken off.

Hyderabad Growth Corridor Limited

Irregular payment to contractors towards price adjustment	The Company made irregular payment of Rs. 9.11 crore towards price adjustment, without ensuring the genuineness of claims preferred by the contractors in the Outer Ring Road and its ancillary projects.

Northern Power Distribution Company of Andhra Pradesh Limited

Unfruitful Expenditure	The Company procured Distribution Transformers, which failed within guarantee period and failure of the Company to get them repaired at the risk and cost of the suppliers led to unfruitful expenditure of Rs. 11.11 crore.

Southern Power Distribution Company of Andhra Pradesh Limited

Avoidable expenditure due to defective price variation clause in HVDS works	The Company failed to include appropriate price variation clause in the bid for HVDS works, to take care of both positive and negative price variation of the cost of DTRs, which led to avoidable expenditure of Rs. 33.08 crore.

Andhra Pradesh State Road Transport Corporation

Extra expenditure in procurement of Pre-cured Tread Rubber	The Corporation incurred extra expenditure of Rs. 9.72 crore on procurement of Pre-cured Tread Rubber due to (i) non-enforcement of risk purchase clause; and (ii) change in evaluation method.

Your suggestions are highly valuable to us.

Please e-mail/fax your suggestions to the following address:

To

The Principal Accountant General (G&SSA),

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Saifabad,

Hyderabad – 500 004.

E-Mail :- agauandhrapradesh1@cag.gov.in

(or) *Fax:-* **040-23234157**

Subject : Epitome of CAG's Reports – 2010-11

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LIST OF OFFICERS WHO MAY BE CONTACTED FOR DETAILED INFORMATION ON AUDIT REPORTS

Audit Report	Name and Designation of the Officers
State Finances Civil & Performance Audit Report on 'Land Allotment'	**Ms. Vani Sriram,** Principal Accountant General (General & Social Sector Audit), Andhra Pradesh, Saifabad, HYDERABAD - 500 004. Phone: 040-23237275 E-mail: agauandhrapradesh1@cag.gov.in
Revenue Receipts & Commercial	**Shri K.R. Sriram,** Principal Accountant General (Economic & Revenue Sector Audit), Andhra Pradesh, Saifabad, HYDERABAD - 500 004. Phone: 040-23211223 E-mail: agauandhrapradesh2@cag.gov.in

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