



**Report of the
Comptroller and Auditor General of India
on
General & Social Sector
for the year ended March 2012**



Government of Andhra Pradesh
Report No. 4 of 2013

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Table of Contents

	Reference to	
	Paragraph	Page
<i>Preface</i>		v
Chapter 1 – Overview		
About this Report	1.1	1
Profile of General and Social Sector	1.2	1
Office of the Principal Accountant General (G&SSA), Andhra Pradesh	1.3	3
Authority for audit	1.4	3
Planning and conduct of audit	1.5	3
Response of the departments to Audit findings	1.6	4
<i>Significant Audit observations</i>	1.7	5
<i>Home (Prisons) Department</i>	2	15
Chapter 2 - Functioning of State Disaster Response and Fire Services Department		
<i>Social, Tribal, Backward Classes and Minorities Welfare Departments</i>	3	43
Chapter 3 – Performance Audit of Scholarship schemes for SC, ST, BC and Minority students		
<i>Municipal Administration and Urban Development Department</i>	4	75
Chapter 4 – Performance Audit of Implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM)		
<i>Panchayat Raj and Rural Development (Rural Water Supply and Sanitation) Department</i>	5	117
Chapter 5 - Performance Audit of Implementation of Rural Water Supply Schemes		

Reference to		
	Paragraph	Page
Chapter 6 – Compliance Audit Observations		
<i>Higher Education (Technical Education) Department</i> Functioning of Polytechnics	6.1	149
<i>Higher Education Department</i> <i>(Jawaharlal Nehru Technological University)</i> Delay in completion of Multipurpose Auditorium	6.2	158
<i>Youth Advancement, Tourism and Culture Department</i> Five Star Hotel project at Shilparamam Bay Park Resorts project at Rishikonda	6.3	160
	6.4	161
<i>Finance Department</i> Excess payments of dental treatment claims	6.5	163
<i>Labour, Employment, Training and Factories Department</i> Functioning of AP Building and Other Construction Workers' Welfare Board	6.6	165

Appendices

		Reference to	
		Paragraph	Page
1.1	Department-wise break-up of outstanding Inspection Reports and Paragraphs	1.6	171
1.2	Position of Pending Explanatory Notes	1.6	171
2.1	Details of Assembly Constituencies not having fire station	2.5.1.1	172
3.1	Budget and Expenditure relating to scholarship schemes	3.4.2	173
3.2	Absence of due diligence in scrutiny of applications by Verification Officers	3.6.5.1	174
3.3	Variations in fee structure for same course (B.Com) offered by different colleges of different Universities	3.6.5.10	176
4.1	Status of projects selected for audit scrutiny	4.2.3	178
4.2	Analysis of implementation of the Public Disclosure Law by the ULBs/Parastatal Agency	4.3.2.3	183
5.1	Status of projects selected for audit	5.2.3	185
5.2	Award of works in violation of tender condition	5.7.12.3	189
6.1	List of Polytechnics selected for audit	6.1.1	191
<i>Glossary</i>			193

Preface

1. The Comptroller and Auditor General of India (CAG)'s audit arrangements in respect of the Government of Andhra Pradesh were restructured with effect from April 2012 with the aim of integrating audit efforts and presenting a sectoral perspective. Accordingly, audit of Government offices, special purpose agencies, local bodies, autonomous bodies, Public Sector Undertakings, etc., of the State Government has been integrated on suitable sectoral lines, such as 'Social', 'Economic', 'Revenue' and 'General'.
2. This year onwards, Audit Reports covering sector-wise State Government departments are being prepared separately by the CAG for submission to the Governor as per the provisions of the Constitution of India.
3. This Audit Report on the Government of Andhra Pradesh, covering the activities of General and Social Sector has been prepared for submission to the Governor under Article 151 of the Constitution.
4. This Report contains results of Performance Audit relating to *Functioning of State Disaster Response and Fire Services Department* (Home (Prisons) Department); *Scholarship schemes for SC, ST, BC and Minority students* (Social, Tribal, Backward Classes and Minorities Welfare Departments); *Implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM)* (Municipal Administration and Urban Development Department); *Implementation of Rural Water Supply Schemes* (Panchayat Raj and Rural Development (Rural Water Supply and Sanitation) Department) and thematic audit on *Functioning of Polytechnics* (Higher Education (Technical Education) Department) in addition to five Compliance Audit paragraphs.
5. The Comptroller and Auditor General's Audit Reports relating to Economic Sector, Revenue Sector and Public Sector Undertakings are presented separately.
6. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2011-12, as well as those which had come to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2011-12 have also been included wherever necessary. The report has been finalised, after considering the responses of the Government/ Departments, wherever received.
7. Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Chapter-1

Overview

1.1 About this Report

The Comptroller and Auditor General of India (CAG)'s audit arrangements in respect of the Government of Andhra Pradesh were restructured with effect from April 2012 with the aim of integrating audit efforts and presenting a sectoral perspective. Audit of Government offices, special purpose agencies, local bodies, Public Sector Undertakings, etc., has been integrated on suitable sectoral lines, such as 'Social', 'Economic', 'Revenue' and 'General'.

Pursuant to this restructuring, this year onwards, Audit Reports covering sector-wise State Government departments are being prepared separately by the CAG for submission to the Governor as per the provisions of the Constitution of India.

This Report of the CAG relates to matters arising from performance audit of selected programmes and departments of the Government of Andhra Pradesh, compliance audit of transactions of its various departments, Central and State plan schemes and audit of local bodies and autonomous bodies of the State pertaining to General and Social Sector.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management of the organisations and contribute to better governance.

Compliance audit refers to examination of the transactions of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. On the other hand, Performance audit, besides including compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically, efficiently and effectively.

This chapter, in addition to explaining the planning and coverage of audit, provides a synopsis of the important achievements and deficiencies in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up action on previous Audit Reports.

1.2 Profile of General and Social Sector

A summary of the expenditure incurred during the last five years by the Departments of Government of Andhra Pradesh falling within the General and Social Sector is given below.

Table 1.1

(₹ in crore)

Sl. No.	Name of the Department	2007-08	2008-09	2009-10	2010-11	2011-12
A	General Sector					
1	Finance and Planning	19936.26	19769.25	23079.94	28572.35	30529.86
2	General Administration	353.76	594.14	717.03	444.09	705.90
3	Home	2190.04	2536.26	3068.72	3916.43	4412.53
4	Law	284.47	326.71	415.47	612.53	603.63
5	Revenue	975.95	1098.14	2132.93	1964.19	2412.21
6	State Legislature	49.40	54.09	53.56	51.08	84.69
	Total (A)	23789.88	24378.59	29467.65	35560.67	38748.82
B	Social Sector					
1	Backward Classes Welfare	497.24	1088.91	1181.74	1996.34	2758.53
2	Consumer Affairs, Food and Civil Supplies	1001.51	2771.67	2546.13	2415.79	2450.69
3	Health, Medical and Family Welfare	2529.28	3006.66	3323.02	4140.35	4980.25
4	Higher Education	1423.78	1334.60	1731.51	2551.16	2669.73
5	Housing	3207.60	4083.13	1398.34	1626.77	1743.33
6	Labour, Employment. Training and Factories	254.63	325.36	287.43	347.29	465.67
7	Minorities Welfare	123.33	195.72	197.88	324.62	370.33
8	Municipal Administration and Urban Development	2291.83	3527.45	3139.85	4054.53	4108.89
9	Panchayat Raj	3022.01	3768.10	2758.32	3533.15	2987.51
10	Rural Development	1982.83	2563.08	3159.24	3921.78	4855.68
11	School Education	5207.60	5827.19	6690.92	9906.66	12250.18
12	Social Welfare	1451.08	1448.93	1245.12	1776.64	1941.74
13	Tribal Welfare	565.86	705.10	765.45	961.50	1143.23
14	Women, Child, Disabled and Senior Citizens	831.98	1146.37	995.99	981.29	1513.03
15	Youth Advancement, Tourism and Culture	191.98	139.27	101.29	188.18	214.38
	Total (B)	24582.54	31931.54	29522.23	38726.05	44453.17
	Grand Total (A+B)	48372.42	56310.13	58989.88	74286.72	83201.99

Source: Appropriation Accounts of Government of Andhra Pradesh for the relevant years

1.3 Office of the Principal Accountant General (G&SSA), Andhra Pradesh

Under the directions of the CAG, the Office of the Principal Accountant General (General & Social Sector Audit), Andhra Pradesh conducts the audit of 21 departments and local bodies/PSUs/autonomous bodies thereunder in the State.



*Offices of the Accountants General,
Andhra Pradesh*

1.4 Authority for audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG conducts audit of expenditure of the General and Social sector departments of the Government of Andhra Pradesh under Section 13¹ of the DPC Act. CAG is the sole auditor in respect of autonomous bodies/local bodies which are audited under sections 19(2)² and 20(1)³ of the DPC Act. In addition, CAG also conducts audit, under Section 14⁴ of DPC Act, of other autonomous bodies which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

1.5 Planning and conduct of audit

Audit process commences with the assessment of risk of the department/organisation/autonomous body/scheme, etc. based on the expenditure incurred, criticality/complexity of activities, priority accorded for the activity by the Government, level of delegated financial powers, assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided and an annual audit plan is formulated to conduct audit. During 2011-12, 2042 units falling under General and Social Sector were audited.

After completion of audit of each unit, Inspection Report (IR) containing audit findings is issued to the head of the unit with a request to furnish replies within one

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Account and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts kept in any department of a State

² Audit of accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations

³ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government

⁴ Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹one crore

month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in the Government, are processed for inclusion in the Audit Reports which are submitted to the Governor of Andhra Pradesh under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

1.6 Response of the departments to Audit findings

Heads of offices and the next higher authorities are required to respond to the observations contained in the IRs and take appropriate corrective action. The audit observations communicated in the IRs are also discussed in the meetings at district level by the officers of the departments with the officers of the AG's office.

As of 30 September 2012, 7163 IRs containing 43,595 paragraphs pertaining to the years upto 2011-12 were pending settlement as detailed below. Of these, first replies had not been received in respect of 716 IRs (8,711 paragraphs). The department-wise details are given in *Appendix 1.1*.

Table 1.2

Year	Number of IRs/Paragraphs as of 30 September 2012		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
2008-09 and earlier years	4971	24932	252	4234
2009-10	636	5586	-	-
2010-11	1044	7752	121	873
2011-12	512	5325	343	3604
Total	7163	43595	716	8711

Lack of action on audit IRs and paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports, dilution of internal controls in the process of governance, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to public exchequer.

As per the instructions issued by the Finance and Planning Department in November 1993, the administrative departments are required to submit Explanatory Notes on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken. However, as of January 2013, six departments have not submitted Explanatory Notes in respect of 13 paragraphs/reviews that featured in the Audit Reports for the years 2005-06 to 2010-11. The details are given in *Appendix 1.2*.

As per the Finance Department's Handbook of Instructions and their U.O. dated 3 November 1993, all departments are required to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India, within six weeks of their receipt. During 2012-13, twelve thematic/

draft paragraphs and four draft performance audit reviews were forwarded to the Special Chief Secretaries/Principal Secretaries/Secretaries of the departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. It was brought to their personal attention that in view of the likely inclusion of these paragraphs in the Report of the Comptroller and Auditor General of India, which would be placed before the State Legislature, it would be desirable to include their comments/responses to the audit findings. Despite this, one department⁵ did not furnish reply to compliance audit paragraph. The responses of the departments, where received, have been appropriately incorporated in the Report.

1.7 Significant Audit Observations

This Report contains the findings of Audit from a test-check of the accounts and transactions of 13 departments of the Government of Andhra Pradesh during 2011-12. Audit focus during the year has been primarily on evaluating the implementation of specific Government programmes and initiatives in Social and General sectors so as to aid the Government in taking necessary corrective action to improve service delivery levels to the citizens. Initially, four Performance Audit reviews of schemes/department, one thematic paragraph and 11 draft paragraphs have been issued to Government. Of the 11 draft paragraphs initially proposed, in six cases, Government/department took remedial/rectificatory action on the points raised by Audit and hence these paragraphs have been withdrawn/not included in this report.

Significant results of audit that featured in this Report are summarised below:

1.7.1 Functioning of State Disaster Response and Fire Services Department

The State Disaster Response and Fire Services Department has been identified as a multi hazard first responder and entrusted with the task of safeguarding life and property during fire, floods, cyclones, earthquakes, etc. The Department is responsible for preventing and combating contingencies arising out of fire related incidents/disasters, and sensitising the public about fire hazards and preventive measures. Considering the inadequate priority accorded to it by the State Government, and the meagre budgetary resources allocated to it, the Department has been doing a yeoman service to the State in containing the impact of fire accidents. However, there are far too few fire stations in the State and the infrastructure and equipment with the Department is inadequate to ensure its efficient and effective functioning.

A comprehensive audit of the Fire Services Department was carried out in 2002-03 and the findings were included in the CAG's Report on the Government of Andhra Pradesh for the year ended 31 March 2003. Significant lacunae in the functioning

⁵Higher Education (in respect of Audit paragraph about 'Delay in construction of Multipurpose Auditorium')

of the Department were highlighted in that Report and various measures were recommended to streamline the procedures. This is a follow up audit to see the extent of improvement in the functioning of the Department during the last ten years. The current audit of the Department covered the period 2007-12 and the seven⁶ test checked districts included four⁷ out of the five districts which formed part of the earlier audit sample.

Significant audit findings are given below:

- *State Government has not implemented any of the major recommendation of the Sub-Committee constituted by the State Government despite the lapse of over three years (November 2012). State Government has also not accorded adequate priority to the Department in terms of budgetary allocation to fulfill the envisaged role. Further, non-release of funds from Calamity Relief Fund as prescribed by the Government of India, hampered the modernisation process in the Department.* (Paragraphs 2.3.3, 2.4 and 2.4.1)
- *The Department has not complied with the norms of SFAC⁸ with regard to infrastructure and was ill equipped to handle fire related exigencies in the State. There was no fire station in 875 (out of 1,128) Mandals and 89 (out of 294) Assembly constituencies. No new fire station was set up during the period 2007-12 despite specific recommendations by Audit and the Sub-Committee constituted by the State Government. The shortfall in this regard stood at 95 per cent. This had a cascading effect on the response time, which went upto 70 minutes and 152 minutes in urban and rural areas respectively, in the major fire incidents reviewed in Audit. The response time was above 30 minutes and above 60 minutes in 20 urban and 60 rural major and serious fire incidents respectively reviewed in Audit in the seven sampled districts.* (Paragraphs 2.5.1.1, 2.5.1.2 and 2.5.2.1)
- *Infrastructure in the existing fire stations was inadequate. Out of 85 fire stations test checked in Audit, six had no shelters for fire tenders and 17 were in a dilapidated condition. There was a huge gap between the requirement and availability of equipment like fire tenders, rescue vans, etc. The Department did not also utilise the equipments already procured such as Very High Frequency radio sets, etc. Availability of water source within the vicinity of fire stations was not ensured.* (Paragraph 2.5.1.2)
- *Awareness programmes were not conducted in the sampled districts (except YSR (Kadapa) district and some cases in Hyderabad district) to sensitise the public about the fire safety and prevention aspects. Auxiliary services have not been constituted in any of the seven sampled districts.* (Paragraph 2.5.2.2)

⁶ Chittoor, Hyderabad, Krishna, Mahbubnagar, Ranga Reddy, Visakhapatnam and YSR districts

⁷ Chittoor, Hyderabad, Krishna and Visakhapatnam districts

⁸ Standing Fire Advisory Council

- *Hazardous premises were only partially identified to enforce fire safety code/ norms and the District Fire Officers (DFOs) did not take action against the defaulters despite violation of specific fire safety norms and non-enforcement of fire precautionary measures. Joint physical verification of public places such as Government buildings, hospitals, educational institutions, theatres, etc. by Audit and the department officials revealed several violations of fire safety norms.*

(Paragraph 2.5.2.2)

- *There was considerable shortfall in key posts such as fireman and driver operator, and firefighting operations were carried out without full strength in all seven sampled districts. In 207 out of the 293 cases of major fire incidents reviewed, there were only one or two firemen as against three required.*

(Paragraphs 2.6.1. and 2.6.2)

- *Training and skill development programmes were not given adequate thrust. The State Training School did not have specific action plan for imparting training courses during the period 2007-12. None of the 811 Home Guards who were taken on deputation to the Department, was trained in firefighting. Departmental inspections did not take place at regular intervals and expenditure controls were also weak. Internal audit of the district offices (except Visakhapatnam district) was not conducted during the period 2007-12.*

(Paragraphs 2.6.3.1, 2.6.3.2, 2.7.1, 2.7.3 and 2.7.4)

1.7.2 Scholarship schemes for SC, ST, BC and Minority students

Scholarship schemes represent an important social welfare measure initiated by the Central and State Governments to increase the enrolment and ensure retention of Scheduled Caste (SC), Scheduled Tribe (ST), Backward Classes (BC) and Minority community students in educational institutions. Government of Andhra Pradesh has been implementing these schemes through the Departments of Social Welfare, Tribal Welfare, Backward Classes Welfare and Minorities Welfare. The benefits of these schemes are provided to pre-matric as well as post-matric students based on the parameters specified by the Government from time to time.

Performance Audit of implementation of Scholarship schemes was taken upto assess if all the eligible students are being provided with timely scholarship. Significant findings that emerged from this audit are summarised below:

Planning

Scholarship is provided on saturation basis⁹ and the Government is required to identify the eligible students before sanctioning the scholarship amount. While the departments were not ensuring compliance with the prescribed format with regard

⁹ Saturation basis implied that all the students who are eligible for sanction of scholarship are sanctioned. In case the student is not sanctioned during the current year, he is sanctioned scholarship on priority basis in the subsequent year

to income level of parents, there is no mechanism with the Government to derive assurance about the other details of students like proof of address, etc. Audit compared the data in the ePASS system (scholarship application) with the civil supplies database, which revealed that there are numerous cases where ration card details given in scholarship database do not exist in civil supplies database. This is further reinforced by the fact of inability of the nodal banks in crediting the scholarship amounts to the students' accounts in some cases due to absence of the requisite details. (Paragraph 3.3.1)

Budget Releases and Expenditure

- *About 24 per cent of allocated funds remained unutilised during 2008-12 with regard to post-matric scholarships, due to freezing of budget by the Government.* (Paragraph 3.4.2)
- *Government introduced payment of scholarships through Nodal Banks, which were to furnish the drawal particulars of scholarships and the details of inoperative accounts of students college-wise every quarter to the District Officer. Huge amounts (₹176.83 crore) remained undisbursed with the nodal banks, Corporate Internet Banking (CINB) and PD accounts.* (Paragraph 3.4.2.4)
- *Release of funds by the Government without any inputs from the Corporations resulted in ₹99.60 crore pertaining to various scholarship schemes funded by GoI and State Government being accumulated with these Corporations¹⁰ (APSMFC: ₹80.70 crore, APSCMFC: ₹10.44 crore, UAAP: ₹8.46 crore) as of March 2012.* (Paragraph 3.4.2.1)
- *4,156 eZpay/ATM cards were stolen during November 2010 to December 2011 in four divisions of District BC Welfare Officer, Hyderabad and an amount of ₹17.25 lakh (90 per cent of the total amount of ₹19.12 lakh credited into these accounts) was fraudulently withdrawn from 471 bank accounts.* (Paragraph 3.4.2.6)
- *Utilisation certificates for 70 per cent of the funds (₹1,122 crore) released were yet to be furnished by the District Welfare Officers/educational institutions.* (Paragraph 3.4.2.8)

¹⁰ Andhra Pradesh State Minority Finance Corporation Limited (APSMFC), Andhra Pradesh State Christian (Minority) Finance Corporation (APSCMFC) and Urdu Academy of Andhra Pradesh (UAAP)

Pre-matric scholarship schemes

- *Though GoI had released ₹16.93 crore during 2008-10 as its share for implementation of the schemes, State Government did not provide its matching share including the committed liability during the period. As a result, GoI did not release any further funds during 2010-12.* (Paragraph 3.5.1)

Post-matric scholarship schemes

- *There were numerous errors in ePASS system. Due to inadequate validation controls, ePASS application permitted processing of several irregular/excess payments/bogus claims involving an amount of ₹64.71 crore.*
(Paragraphs 3.6.3.2 to 3.6.3.4 and 3.6.3.6 to 3.6.3.8)
- *There were enormous delays in sanction/disbursement of scholarship to students. Upto 19 per cent students were not sanctioned Maintenance Fees (MTF) and Reimbursement of Tuition Fee (RTF) in the same academic year during 2009-11, which resulted in the college managements collecting the fee during the year coercively from the students.* (Paragraph 3.6.3.5)
- *RTF and MTF amounting to ₹6.18 crore was irregularly sanctioned to students who were admitted under Management Quota in Engineering/MBA/MCA/B. Ed courses for the year 2009-10.* (Paragraph 3.6.5.2)
- *State Government enhanced the rates of scholarship of students belonging to Minority communities on par with Backward Classes from 2008-09 onwards. However, while sanctioning scholarships, the enhanced rates were not applied, thereby depriving the minority community students of the payment of enhanced rates of scholarship involving an amount of ₹2.70 crore.* (Paragraph 3.6.5.5)
- *Verification Officers did not exercise due diligence in verification of scholarship applications and this resulted in sanction of scholarship at higher rates in some cases. Due to non-maintenance of the records relating to the attendance of the students, scholarships were being sanctioned without ensuring the prescribed checks.* (Paragraphs 3.6.5.1, 3.6.5.6 and 3.6.5.7)
- *Huge variations in the tuition fee structure were observed for the same course offered by different colleges of different Universities resulting in payment of different rates for the same course.* (Paragraph 3.6.5.10)

Beneficiary Survey

Beneficiary survey conducted by visiting the selected colleges in the sampled districts and through information received from 3,061 students online by Audit disclosed that:

- *66 per cent students received scholarship with delays ranging from one year to three years.*

- 34 per cent students were facing problems in submitting the application.
- 21 per cent students were facing problems in obtaining sanction of scholarship.
- 9 per cent students were forced to pay RTF in advance to the college.
- 15 per cent students have not received their full scholarship.
- 11 per cent students stated that their eZpay cards were retained by the College management. (Paragraph 3.7.5.1)

1.7.3 Implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

GoI launched the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in December 2005 with the aim of encouraging reforms and fast tracking planned development of identified cities, with focus on efficiency in urban infrastructure and service delivery mechanism, community participation and accountability of Urban Local Bodies (ULBs) toward citizens. Out of the 65 'Mission cities' identified under JNNURM, four - Hyderabad, Visakhapatnam, Vijayawada and Tirupati are from the State. As of March 2012, GoI had approved 251 projects, with a total project cost of ₹11,907 crore, for Andhra Pradesh.

Performance audit of the implementation of JNNURM was carried out to ascertain whether the stipulated reforms agenda was achieved effectively, requirements for infrastructural development of cities were comprehensively assessed, and individual projects were planned appropriately and executed economically and efficiently, and achieved their intended objectives. 74 projects with a total approved project cost of ₹6,352 crore (53 per cent) in all four Mission cities and 38 Non-Mission cities were selected for detailed audit scrutiny. Significant findings of this Performance Audit are summarised below:

Implementation of Reforms

JNNURM was envisaged as a national level reform linked investment initiative. While State level reforms were implemented, there were delays in implementation of reforms in most of the ULBs vis-à-vis the targeted milestones. The reports to GoI on successful achievement of reforms by the State Level Nodal Agency (SLNA) and the ULBs in respect of shift to accrual based double entry accounting system were inappropriate. Ninety per cent collection efficiency of property tax and 100 per cent cost recovery for water supply and solid waste management as stipulated, was not achieved in all the ULBs. (Paragraph 4.3)

Programme Implementation

- Out of 74 projects of different categories viz., Sewerage, Water Supply, Storm Water Drains, Housing and Urban Transport selected for detailed scrutiny, only 28 (38 per cent) projects were completed and commissioned as of June 2012. The main reasons for delay in completion of the projects, as seen from a test-check, were faulty planning in laying of pipe lines with regard to

sewerage and water supply, change of technology, non-finalisation of land, non-identification of water source prior to initiation of water supply projects, delay in obtaining permission from other departments, etc.

(Paragraphs 4.7.1 and 4.7.2)

- *16 sewerage projects sanctioned during 2005-09 with an approved cost of ₹1,781 crore were taken up for detailed audit scrutiny. Even though, ₹1,090 crore was incurred on these projects, only one project was completed. Likewise, out of 35 water supply projects sanctioned during 2005-09 with an approved cost of ₹2,457 crore taken up for detailed scrutiny in audit, only 11 projects were commissioned as of June 2012.* (Paragraphs 4.7.3 and 4.7.5)
- *None of the five sampled housing projects sanctioned during 2005-08 were completed as of June 2012, even after incurring an expenditure of ₹1,159 crore. The status of completion of houses in Tirupati was particularly poor. The main reasons for delay were non-availability of land and paucity of funds.*

(Paragraphs 4.7.7, 4.7.2 and 4.7.7.3)

- *Tendering process involved several irregularities. Established procedures for evaluation of tenders were not followed and contracts were awarded to single bidders. There were instances of splitting of works into multiple packages and award on nomination basis.* (Paragraph 4.6)

Monitoring and Evaluation

Third Party Inspection and Monitoring Agencies/Independent Review and Monitoring Agencies (TPIMAs/IRMAs) to be appointed for monitoring the implementation of the projects of some of the test checked projects were appointed after the projects were conceived. Consequently, their role could not cover the pre-construction stages of the projects concerned. (Paragraph 4.8)

Impact assessment

In order to assess the impact of the implementation of the project, beneficiary survey was conducted in Audit. 1,528 beneficiaries of 20 projects were surveyed at random to gauge their perception about related projects. About 85 - 90 per cent of the beneficiaries surveyed in respect of sewerage projects, expressed satisfaction and stated that water logging in their area had been reduced after implementation of these projects. However, beneficiary perception with regard to water supply, storm water drains and housing was mixed. While some of the beneficiaries expressed satisfaction with regard to unclogging of drains and quality of amenities in general post execution of projects, beneficiaries in Hyderabad and Tirupati expressed dissatisfaction on the size of dwelling units, lack of water/drainage facilities, improper/poor conditions of roads and stink from the decayed garbage from the dumping yard. Impact assessment carried out by Audit reinforced the need to implement the projects expeditiously and reap the envisaged benefits.

(Paragraph 4.9)

1.7.4 Implementation of Rural Water Supply Schemes

The National Rural Drinking Water Programme (NRDWP) is one of the flagship programmes of GoI for rural drinking water supply. Originally introduced as the Accelerated Rural Water Supply Programme (ARWSP) in 1972-73, this programme was modified/re-designated as the National Drinking Water Mission (1986) and the Rajiv Gandhi National Drinking Water Mission (1991), before being revised with effect from April 2009 as the NRDWP.

A performance review of the ARWSP was carried out in 2007 covering the implementation of rural water supply schemes in the State during 2002-07 and the findings featured in the Audit Report of the CAG of India on the Union Government for the year ended 31 March 2008. This report brought out several lapses in the implementation of rural water supply schemes in the areas of planning, execution of schemes, financial management, sustainability issues, O&M related aspects and monitoring. Five years down the line, it was decided to carry out another performance audit of rural water supply schemes to assess whether the State Government has taken adequate corrective measures to improve the implementation of the Scheme in its latest version as NRDWP. Audit scrutiny revealed that the lacunae pointed out in the earlier report of CAG on this subject have not been addressed adequately and several lapses continue to persist. Significant audit findings on various issues are given below:

- *No survey has been carried out during the recent past/during the audit review period to validate the details of coverage of habitations as reflected in the State MIS. Lack of adequate attention to sustainability of water sources led to several habitations slipping back from FC to PC status. During the period 2007-12, 15,988 PC habitations (49 per cent) were slipped back habitations from FC status. (Paragraph 5.4.1)*
- *Annual Action Plans (AAPs), which were to be prepared as per ARWSP/ NRDWP guidelines to provide a definite direction to the programme and ensure regular monitoring of the physical and financial progress, were not prepared by the Government for the period (2007-11) covered in audit. (Paragraph 5.5.1)*
- *As per the guidelines, priority should have been accorded for completion of incomplete works as well as problem habitations. Twenty seven incomplete projects out of 66 test checked in Audit indicated non-compliance with this requirement, as these were all sanctioned way back between 2002-2010. (Paragraph 5.5.1)*
- *Out of 538 CPWS schemes sanctioned by the Government to the end of March 2012, only 292 (54 per cent) were taken up for execution. Of these, 56 schemes have been completed and 236 schemes are in progress. (Paragraph 5.7)*

- *Audit scrutiny revealed numerous deficiencies in execution and implementation of works of selected schemes. These included cases of non-completion/delayed completion of works, time and cost overrun, incorrect prioritisation of works, and other cases of unfruitful expenditure. The main reasons for non-completion of schemes are lack of forest clearance for laying of pipes, delay in obtaining water drawal permission from Irrigation Department and non-acquisition of land.* (Paragraph 5.7)
- *Out of 2,975 sustainability-related works sanctioned during 2006-11 at a cost of ₹162.56 crore by the State Government, only 734 works costing ₹2.62 crore (2 per cent) were taken up for execution.* (Paragraph 5.8)
- *Quality of water was not given due importance as reflected in inadequate infrastructure for testing at the district level and non-compliance with the periodic testing requirements. Field testing kits distributed at the village level remained idle for want of chemicals/vials.* (Paragraph 5.9)

1.7.5 Compliance Audit observations

1.7.5.1 Functioning of Polytechnics

Audit of 21 (out of 115) Government Polytechnics revealed that there was no action plan for setting up of new polytechnics and the courses introduced did not match the seats available in various engineering courses. Second shift was introduced in polytechnics although hostel facilities were poor and there was dearth of staff and infrastructure in these institutions. Under the scheme of “Sub-mission on Polytechnics under Coordinated Action of Skill Development” only a meagre 18 per cent of GoI releases (₹11.44 crore out of ₹61.69 crore) made in 2009-12 was utilised by the concerned polytechnics, leaving the remaining funds unutilised with the Principals (₹12.80 crore/21 per cent) and State Government (₹37.45 crore/ 61 per cent). Audit observed deficiencies in the test checked polytechnics with regard to availability of infrastructure such as laboratory/workshop facilities, LAN facilities, non-functional equipment, toilet facilities, etc. Huge vacancies existed in the categories of staff that were essential for functioning of the polytechnics. Out of the total 24,769 students who passed out during the years 2008-09 to 2010-11, only 4,672 (19 per cent) were provided apprenticeship and only 3,770 (15 per cent) were employed. This is an area of concern which has to be addressed at the earliest.

(Paragraph 6.1)

1.7.5.2 Delay in completion of Multipurpose Auditorium

Delay in providing drawings and designs by Jawaharlal Nehru Technological University College of Engineering, Anantapur and change in designs mid-way, coupled with non-award of contract for completion of balance work resulted in unproductive expenditure of ₹1.87 crore in construction of multipurpose Auditorium, with time over run of six years and cost escalation by ₹3.19 crore as of October 2012.

(Paragraph 6.2)

1.7.5.3 Five Star Hotel project at Shilparamam

Due to non-adoption of the prevalent market value while fixing lease rentals for the land allotted to set up a five star hotel for promoting tourism at Shilparamam, Hyderabad, under Public Private Partnership mode, there is a revenue loss of at least ₹29.36 crore for the lease period of 33 years thereby conferring an undue benefit to the developer to that extent. (Paragraph 6.3)

1.7.5.4 Bay Park Resorts project at Rishikonda

Non-allotment of full extent of agreed land to the Developer, coupled with lack of urgency and initiative in renegotiating Development and Management Agreement by the Department (consequent upon refusal of de-notification of 13 acres of forest land by Ministry of Environment & Forests in February 2009) resulted in the Bay Park Resorts Project on the Visakhapatnam - Bheemili road not being completed even after the lapse of over 11 years, thereby defeating the objective of promoting the coastal city of Visakhapatnam as an international tourist destination.

(Paragraph 6.4)

1.7.5.5 Excess payments of dental treatment claims

Non-compliance with Government orders of April 2007 relating to medical reimbursement (dental treatment) claims by the Drawing & Disbursing Officers while admitting medical claims, and failure of the treasury officers in exercising due diligence while passing the bills, resulted in excess payment of ₹1.06 crore on account of dental treatment claims. (Paragraph 6.5)

1.7.5.6 Functioning of AP Building and Other Construction Workers' Welfare Board

Absence of an appropriate mechanism to ensure that all the construction workers are identified and registered, and the correct amount of Cess is levied and collected from all the building construction employers, resulted in the objective of setting up the AP Building and Other Construction Workers' Welfare Board not being fully achieved. (Paragraph 6.6)

Chapter-2

Functioning of State Disaster Response and Fire Services Department

Home (Prisons) Department

2.1 Overview of the Department

The Fire Services Department was originally formed in 1957 and was renamed as ‘Fire and Emergency Services Department’ in 2004 and thereafter as ‘State Disaster Response and Fire Services Department’ in July 2009. The Department has been identified as a multi hazard first responder and also entrusted with the task of safeguarding life and property during fire, floods, cyclones, earthquakes, etc. The main functions of the Department are as follows:

- Prevent loss of life and property and undertake rescue operations when fire breaks;
- Provide fire protective cover during large public gatherings/functions/VVIP visits;
- Impart training in fire fighting operations;
- Prescribe mandatory fire safety measures;
- Create fire safety awareness and sensitise the public about prevention and dealing with fire accidents;
- Enforce fire safety measures stipulated in multi-storied buildings Regulations, 1981; and
- Enforce fire safety measures stipulated in AP Fire Service Act (APFSA) 1999 and AP Fire and Emergency Operations and Levy of Fee Rules (AP F&EO and LFR) 2006.

Standing Fire Advisory Council (SFAC), an apex body at national level under the Union Ministry of Home Affairs, advises the State Government on various issues relating to fire services including administration, legislation, training, equipment, etc.

2.1.1 Organisational Set-up

The Department functions under the overall control of the Principal Secretary (Prisons) in Home Department. The Director General of Fire & Emergency Services (DGFS) is the Administrative Head of the Department and is also the Chief Controlling Officer (CCO). DGFS is assisted by the Director of Fire Services (DFS), Additional Director (ADFS), three Regional Fire Officers (RFOs) for the three¹ regions and 23 District Fire Officers (DFOs). There are 253 fire stations² and 19 fire Out Posts (established on outsourcing basis) to cater to fire, emergency and rescue needs in the State. Besides, State Training School (STS) headed by a DFO rank officer, imparts training to the staff in performing departmental functions.

¹ Anantapur (Rayalaseema), Hyderabad (Telangana) and Visakhapatnam (coastal)

² Including one fire station at Gachibowli functioning on Public Private Partnership (PPP) mode

2.2 Audit Framework

2.2.1 Audit objectives

A comprehensive audit of the Fire Services Department was carried out in 2002-03 and the findings were included in the Comptroller and Auditor General (CAG)'s Report on the Government of Andhra Pradesh for the year ended 31 March 2003. Significant lacunae in the functioning of the Department were highlighted in that Report and various measures were recommended to streamline the procedures. This is a follow up audit to see the extent of improvement in the functioning of the Department during the last ten years and to assess whether,

- the planning process was robust and effective in strengthening the preparedness of the Department to combat emergencies;
- adequate funds were provided to meet the requirement of the Department;
- the Department had adequate and appropriate infrastructure to deliver the services entrusted to it effectively;
- enforcement of fire safety norms for prevention and control of fire incidents was effective;
- manpower management and capacity building were effective and ensured operational efficiency; and
- internal controls and monitoring were adequate and functioned effectively.

2.2.2 Audit criteria

Audit findings were benchmarked against the criteria sourced from the following:

- AP Fire Service Act, 1999 (as amended by Act 21 of 2006) (Act);
- AP Fire & Emergency Operations and Levy of Fee Rules, 2006 (Rules);
- AP Fire Service Manual 1968;
- Norms prescribed by SFAC;
- AP Treasury code, AP Financial Code and AP Budget Manual; and
- Government Orders, sanctions, instructions/circulars of the DGFS issued from time to time.

2.2.3 Scope and Methodology of Audit

Audit was carried out during August 2011 to February 2012 and covered the functioning of the Department with respect to Fire Services for the period 2007-12. Audit methodology involved scrutiny of records and analysis of data at the office of the DGFS and the sampled District Fire Offices. Audit objectives, scope, criteria and methodology were discussed with the DGFS in an Entry Conference in July 2011. Discussions were held with various officials of the Department in the field units covered by Audit. Joint physical verification of fire stations and certain hazardous

premises was also conducted along with the Department officials and photographic evidence was taken to substantiate audit findings, where necessary. Audit findings were discussed with the Special Chief Secretary to the Government and other officers of the Department in an Exit Conference in October 2012 and the replies of the Government have been incorporated in the report at appropriate places.

2.2.4 Audit sample

There were 26 Drawing and Disbursing Officers³ (DDOs) under DGFS as of March 2012. ADFO⁴ in the Office of District Fire Officer (DFO) is the DDO for all offices of the Department in a district. Records of DGFS and DFOs of seven⁵ districts (two districts from each region i.e., Coastal, Rayalaseema and Telangana and the Capital district of Hyderabad) covering 85 fire stations were selected for detailed scrutiny. Audit sample also included the State Training School, Hyderabad.

Audit Findings

2.3 Planning

2.3.1 Perspective/Annual Plans

A medium to long-term perspective plan provides an organisation with a framework to enunciate its goals, strategies and work plans for implementing targeted programmes, deploying resources, setting performance indicators and monitoring progress vis-à-vis targets/goals.

Audit scrutiny revealed that the Annual Plans of the State Government did not include plans/priorities relating to the Department. The DGFS had also not outlined the infrastructural and other institutional requirements along with a detailed timeframe for fulfilling them through any strategic or perspective plan. There were no annual action plans in any of the seven sampled districts indicating the local level requirements and proposed mode of achieving them. In the absence of a perspective plan/action plan, priorities could not be identified and no specific measures were undertaken in a planned manner to achieve the objectives of the Department.

2.3.2 Operational Data

For effective functioning of the Department, it is imperative to have a comprehensive database containing the details relating to area-wise distribution of population, service area villages and houses with category of premises (like hazardous/non-hazardous), fire stations and their location, geographical mapping of distances between places, short/traffic free routes, etc. within the jurisdiction of a fire station along with the water sources in the vicinity.

³ DGFS-1, RFO Central-1, STS-1 and DFOs-23

⁴ Assistant District Fire Officer

⁵ Chittoor, Hyderabad, Krishna, Mahbubnagar, Ranga Reddy, Visakhapatnam and YSR (Kadapa) – Of these four districts viz., Chittoor, Hyderabad, Krishna and Visakhapatnam were last covered and the findings included in the CAG's Audit Report 2002-03

Audit scrutiny revealed that such a database was not maintained by the DFOs in any of the sampled districts. Further, the Department had not developed any Standard Operating Procedures for combating fire in high rise buildings, earthquakes and other natural disasters.

2.3.3 Recommendations of Sub-Committee

Recognising the need for strengthening the Department, the State Government constituted (May 2008) a Sub-Committee headed by the Home Minister to suggest measures for restructuring the Department. The Sub-Committee felt that there was a need to strengthen the Fire Services Department at all levels to effectively respond to emergencies and search and rescue calls during disasters, by providing specialised vehicles, equipment and training to all the fire personnel. The Sub-Committee also felt that the existing fire stations in the State were quite inadequate to cope with the requirement and also lacked adequate budgetary support. The recommendations of the Sub-Committee (February 2009) included, *inter alia*,

- ⇒ renaming the Department;
- ⇒ establishing 140 new fire stations, especially in the Assembly constituencies where not a single fire station exists;
- ⇒ formation of 23 search and rescue teams at district level and 93 search and rescue teams at Sub-Divisional Headquarters;
- ⇒ formation of Nuclear, Biological and Chemical (NBC) Search and Rescue Teams at Hyderabad, Visakhapatnam and Vijayawada;
- ⇒ provision of State-wide modern communication system, etc.;
- ⇒ allocation of 20 *per cent* of the Calamity Relief Fund for procurement of specialised equipment; and
- ⇒ allocation of 3 *per cent* of property tax collected by Municipal Authorities towards implementation of modernisation scheme.

Government accepted (July 2009) the recommendations of the Sub-Committee. However, no time frame was fixed for implementing them. Audit scrutiny revealed that despite a lapse of over three years (November 2012), none of the recommendations have been implemented except renaming (July 2009) the Department and formation of search and rescue teams in the twin cities of Hyderabad and Secunderabad (as against the requirement of 23 such rescue teams).

DGFS accepted (November 2012) the audit finding and attributed inaction in this regard to non-allocation of funds by the Government.

2.4 Inadequate Budgetary Support

Details of budget allocation and expenditure of the Department during the period 2007-12 are given below.

Table 2.1

(₹ in crore)

Year	Budget sought by DGFS	Budget provided (per cent)	Expenditure	Funds unutilised (-)/ Excess (+)
2007-08	186	69 (37)	64	(-) 5.00
2008-09	159	79 (50)	79	0.00
2009-10	243	89 (37)	83	(-) 6.00
2010-11	358	121 (34)	107	(-) 14.00
2011-12	334	145 (43)	150	(+) 5.00
Total	1280	503	483*	

* Plan: ₹25 crore; non-plan: ₹458 crore

Source: Appropriation Accounts of Government of Andhra Pradesh for the relevant years and data furnished by DGFS

As can be seen from the above table, allocations by the Government constituted only 34 to 50 *per cent* of the requirement sought by the Department in all the years during 2007-12. In compliance to the audit findings that featured in CAG's Audit Report 2002-03, DGFS had been submitting proposals every year in the budgets during 2007-08 to 2011-12 for construction of permanent buildings for fire stations, static water tanks, bore wells and purchase of fire tenders, portable pumps and electric motors. Further, the Department had also been submitting their requirements in Budget Estimates since 2008-09 for establishment of new fire stations in 89 Assembly constituencies. However, requisite funds were not provided by the Government in any of the budgets during the review period.

Even the funds allocated in the budgets were not made available to the Department due to freezing of budget/non-issue of budget release orders (BROs), as reported by the DGFS while adducing reasons for non-utilisation of the budgeted funds in the years 2007-08 to 2010-11. Due to non-release of the budgeted funds in full especially during 2010-11 (where the saving reported was ₹13.76 crore), the Department could not go ahead with construction of permanent buildings for the existing fire stations (30), purchase of fire tenders, provision for water source, etc. and setting up new fire stations. Operational expenditure⁶ of the Department constituted 12 to 27 *per cent* of the total expenditure during the years 2007-08 to 2011-12, while the remaining expenditure was on establishment and staff salaries.

DGFS accepted the Audit observations and stated (November 2012) that, during the financial year 2012-13 funds amounting to ₹25 crore were sanctioned by the Government for construction of Office/fire station buildings.

2.4.1 Short release of CRF funds

With a view to strengthening the Fire Services Department in the States, GoI permitted (September 2006) the State Governments to utilise 10 *per cent* of the allocation from Calamity Relief Fund (CRF⁷) towards procurement of modern equipment for Search and Rescue operations including Communication equipment.

⁶ 2007-08: ₹12 crore (18 *per cent*), 2008-09 : ₹18 crore (23 *per cent*), 2009-10: ₹11 crore (13 *per cent*), 2010-11: ₹13 crore (12 *per cent*) and 2011-12: ₹40 crore (27 *per cent*)

⁷ now State Disaster Response Fund (SDRF)

GoI released ₹1,579.25 crore towards its share (75 *per cent*) during the period 2007-12, in addition to the State share of ₹559.76 crore towards CRF as detailed below.

Table 2.2

(₹ in crore)

Year	Amount of CRF (75% Central share and 25% State share)	Entitled share of 10% to Fire Services	Actually released to Fire Services by State Government
2007-08	379.35	37.94	0.50
2008-09	398.31	39.83	1.33
2009-10	418.23	41.82	0.00
2010-11	508.84	50.88	0.00
2011-12	434.28	43.43	0.00
Total	2139.01	213.90	1.83

Source: Data furnished by Revenue (DM-III) Department

State Government released less than one *per cent* (₹1.83 crore) from CRF instead of 10 *per cent* (₹213.90 crore⁸) as permitted by the GoI for procurement of modern equipment during the period 2007-12. Although the DGFS had been corresponding regularly with the Government for release of funds under CRF, funds were not released by the Government as of November 2012.

Due to non-release of funds by the Government, the process of modernisation could not be undertaken and the proposal of 2006 to constitute Search and Rescue Teams at Vijayawada, Visakhapatnam and Tirupati was not acted upon.

2.4.2 Non-collection of Fire Tax

As per the provisions of AP Fire Service Act 1999 and the APF&EO and Levy of fee Rules 2006, fire tax should be levied (in the form of surcharge) at one *per cent* of the amount of property tax on lands and buildings on which property tax is levied and it is to be recovered as if it were arrears of land revenue.

Although the Act and the Rules came into force in 2001 and 2006 respectively, Government did not issue orders for collection of fire tax by the local bodies. As a consequence, Government lost possible revenue amounting to ₹49.11 crore⁹ being fire tax during the period April 2007 to March 2012, which could have been utilised for improvement of fire and emergency services.

2.5 Infrastructure and Fire Management

2.5.1 Infrastructure

2.5.1.1 Establishment of fire stations

SFAC recommended a scale of one fire station for 10 sq km radius for towns and one for 50 sq km radius in rural/open areas. As per this norm, the requirement of fire stations in Andhra Pradesh would work out to 5,502.

⁸ 10 *per cent* of (GoI's release (75%): ₹1,579.25 crore + State's share (25%): ₹559.76 crore)

⁹ 1% of ₹4,911 crore being the Property Tax collected by the urban local bodies during 2007-12

Audit scrutiny revealed the following:

- (i) There were only 253 fire stations (shortfall: 95 per cent) in the State to cover an area of 2.75 lakh sq km¹⁰. Not a single fire station was set up during the period 2007-12. While the Government issued administrative sanction for six new fire stations (including one in AP Legislative Assembly) in May 2011, as of November 2012, these have not been set up due to non-provision of funds/ non-allotment of land.
- (ii) Each fire station covers 16 to 144 sq km in urban areas against the norm of 10 sq km, and 144 to 1,480 sq km in rural areas against the norm of 50 sq km.
- (iii) One fire station covers 3 lakh population on an average as against 50,000 population as per the SFAC norms.
- (iv) 875 Mandals (out of 1,128¹¹) and 89 (out of 294) Assembly constituencies did not have a fire station (details are given in *Appendix 2.1*) as of November 2012.
- (v) The Department did not accord priority for operating fire stations in crowded/ populated areas as discussed below:
 - Government sanctioned (November 2009) 10 dedicated fire stations¹² in marketing yards with Agricultural Marketing Committee (AMC) funds. Seven out of ten AMCs deposited (February – September 2010) ₹2.65 crore with the DGFS for this purpose. As of November 2012, chassis for fire tenders were procured at a cost of ₹1.01 crore and fabrication work was in progress. The balance ₹1.43 crore was lying with DGFS and the intended objective was not achieved.
 - The temple town of Tirupati (a pilgrim centre) has a population of 6 lakh and a floating population of about one lakh per day. Heavy congestion in public places like bus terminals and railway stations, etc. and the increasing number of multistoried hotels pose the risk of fire accidents. However, there was only one fire station at Tirupati¹³ covering urban, rural and four surrounding mandals, as against the requirement of 12 fire stations as per SFAC norms. Government replied (November 2012) that the Tirumala Tirupati Devasthanam (TTD) was requested (September 2012) for funding the establishment of five new fire stations at Tirupati and Tirumala.

DGFS, while accepting the Audit observation, stated (November 2012) that proposals were sent to the Government for establishment of fire stations in Assembly Constituencies which do not have even a single fire station, in a phased manner from 2012-13 onwards.

¹⁰ Rural: 2.71 lakh sq km, Urban: 4,480 sq km as per Census of India, 2011

¹¹ While it is 1,108 as per Panchayat Raj and Rural Development Department, it is 1,128 as per Fire Services Department

¹² Adilabad, Bhainsa, Guntur, Jammikunta, Karimnagar, Khammam, Kurnool, Nizamabad, Suryapet and Warangal

¹³ another located at Tirumala

2.5.1.2 Infrastructure in fire stations

Non-provision of adequate infrastructure facilities in the fire stations located in Chittoor, Hyderabad, Krishna and Visakhapatnam districts was commented upon in the earlier Audit Report. Audit however, observed that there was no perceptible improvement in infrastructure in the fire stations in the sampled districts (including the earlier sampled districts) during the period 2007-12 as detailed below:

Land

As per AP F&EO and LF Rules¹⁴, 2006, every fire station should be provided with land admeasuring two acres with a building and accommodation for safe custody of fire vehicles, appliances and equipment as well as accommodation for staff. Audit scrutiny revealed that only 7 out of the 85 fire stations (8 *per cent*) in the seven sampled districts were provided with two acres of land as per the norm.

Table 2.3

Sampled district	Total No. of fire stations	Number of fire stations having land			
		Two acres	Between one and two acres	Less than one acre	No land
Chittoor	15	1	2	8	4
Hyderabad	12	--	--	6	6
Krishna	21	2	3	15	1
Mahbubnagar	8	2	2	3	1
Ranga Reddy	6	--	2	3	1
Visakhapatnam	11	--	2	8	1
YSR (Kadapa)	12	2	3	7	-
Total	85	7	14	50	14

Source: Records of DFOs

Apart from not obtaining adequate land for its functional use, the Department failed to protect its lands from encroachment by other agencies, as detailed below:

- Fire station land at Narayanpet was encroached upon by private parties due to non-construction of compound wall. Though the DFO, Mahbubnagar instructed (August 2011) SFO, Narayanpet to resurvey the land through revenue authorities, the survey was not yet conducted (June 2012).
- Vacant land belonging to Malakpet (Hyderabad) fire station was occupied by the Prisons department. The matter was not brought to the notice of the higher authorities (June 2012).

DGFS assured (November 2012) that requisite action would be taken to protect the lands of the Department.

Buildings

As per AP F&EO and LF Rules, 2006, every fire station should be provided with permanent building to house fire vehicles, appliances and equipment under safe custody. Audit scrutiny revealed as follows.

¹⁴ Andhra Pradesh Fire & Emergency Operations and Levy of Fee Rules

Out of 253 fire stations in the State, 30 fire stations were functioning without buildings. In the seven sampled districts, 17 out of the 85 fire stations (20 *per cent*) were in a dilapidated condition and in another six fire stations, there was no shelter for fire tenders as can be seen below.



*Tandur FS-Fire tenders parked in the open
(17 September 2011)*



*Gadwal-FS building in a dilapidated state
(10 November 2011)*

- In Chittoor district, four fire stations¹⁵ were established in 2004. However, permanent buildings had not come up as of November 2012. Vehicles and equipment in these fire stations were housed in poor condition and were exposed to the vagaries of weather.

DGFS stated (November 2012) that this problem would be addressed soon since requisite funds were allotted by the Government during 2012-13 for construction of fire stations.

Water Source

SFAC norms stipulate availability of continuous water supply as a prerequisite for the functioning of a fire station. It is an essential requirement to have a static water tank of 25,000 litres capacity in each fire station with bore well and electric motor for its effective functioning.

Only 9¹⁶ out of the 85 fire stations (11 *per cent*) in the seven sampled districts had water source within their premises. 51 fire stations (60 *per cent*) were drawing water from canals, irrigation channels, etc. which were located more than 2 km away from the fire stations.

DGFS accepted the Audit observation and stated (November 2012) that requisite funds were allotted by the Government during 2012-13 for construction of water tank, borewell, electricity motor, etc. for all the 253 fire stations.

Equipment

One of the key components for combating fire incidents effectively is adequacy and preparedness of firefighting equipment. SFAC norms prescribe one fire tender for every 50,000 population and one rescue van for 3 lakh population with another rescue van for an additional 10 lakh population.

¹⁵ Nagari, Vayalpadu (Now Valmikipuram), Pakala and Mulakalacheruvu

¹⁶ Krishna-4, Mahbubnagar-1, Ranga Reddy-1 and YSR (Kadapa)-3

In the 4 most important cities in the sampled districts, only 24 fire tenders were available (shortfall: 85 *per cent*) as against the total requirement of 163 fire tenders and only one rescue van was available against the requirement of ten as shown below.

Table 2.4

City	Population* (in lakh)	Fire Tenders			Rescue Vans		
		R	A	S	R	A	S
Hyderabad	55.34	110	12	98	6	1	5
Visakhapatnam	13.29	26	5	21	2	-	2
Vijayawada	10.11	20	5	15	1	-	1
Tirupati	3.50	7	2	5	1	-	1
Total		163	24	139	10	1	9

*As per Census 2001; R: Required as per SFAC norms; A: Available; S: Shortfall

Source: Records of DFOs

However, in all the fire stations test checked in Audit, adequate number of foam tins, breathing apparatus sets, dragon lights, rescue ropes, etc. were available.

(a) Fire tenders

- The fire station at Ajitsinghnagar in Vijayawada had no fire tender since 2005 and it was operating with a water lorry working with portable pump for both delivery and filling of water. Operating a fire station without a fire tender in a densely populated area like Vijayawada carries high risk.
- Fire tenders in Mulakalacheruvu (Chittoor district) and Kanchikacherla (Krishna district) were condemned in 2009. These were however, not replaced as of June 2012, and in emergencies, fire tenders were being called for from the fire stations situated beyond 5 km.
- During the period 2007-12 there were major fire accidents in the areas mentioned above, in which property worth ₹7.82 crore (Ajitsinghnagar: ₹7.35 crore, Mulakalacheruvu: ₹0.31 crore and Kanchikacherla : ₹0.15 crore) was damaged. Due to non-availability of fire tenders, the damage could not be minimised.

DGFS replied (November 2012) that funds were allotted during the year 2012-13 by the Government for procurement of fire tenders and the tendering process was in progress.

(b) Sky lifts

The Department purchased (March 2009) three Bronto Sky lifts¹⁷ at a cost of ₹9.95 crore and placed them at Secunderabad, Visakhapatnam and the State Training School, Hyderabad. These lifts require fire tenders of 14,000 litre capacity with high pressure pump for optimum utilisation of their capacity. The Department however, purchased (July 2009) only one fire tender with high pressure pump.

¹⁷ Hydraulic Platform cum Turntable Ladder mounted on Volvo FM 340 6X4 Chassis

APMHIDC¹⁸, which was entrusted with procurement of these equipment, returned the funds to the Department in October 2010. While the DGFS initiated the process of procurement in November 2011, as of November 2012 the fire tenders had not been procured.

In reply, DGFS stated (November 2012) that there is no prescribed scale of fire tender to be procured for conducting fire operations with Bronto Sky Lifts. The reply is not acceptable as the requirement of water tender of 14,000 litres capacity was mentioned by the Department itself in the technical bid specifications for fabrication of fire tenders for supplying water to the Bronto Sky lifts (of 54 m height).

(c) First aid kits

As fire fighting is a hazardous service, availability of first aid kit along with the fire fighting vehicle is one of the vital requirements. Audit scrutiny revealed that fire tenders were not provided with first aid kits in any of the fire stations test checked in the sampled districts.

DGFS replied (November 2012) that first aid kits would be procured in future, subject to availability of funds.

Staff quarters

SFAC norms prescribe allotment of quarters to all the fire personnel within the premises of fire stations to ensure their availability at all times. As per AP F&EO and LF Rules, members of fire service are entitled for rent free accommodation.

There were no staff quarters in the fire stations in the seven sampled districts, except in Vikarabad (Ranga Reddy district), and Wanaparthy (Mahbubnagar district). Quarters in these two stations were also in a dilapidated condition and hence were not in use.

DGFS accepted the audit observation and stated (November 2012) that staff quarters could not be constructed due to lack of funds and necessary proposals would be submitted to Government in this regard.

Rest rooms and toilets

SFAC norms and AP F&EO and LF Rules stipulate that every fire station should be provided with a rest room with appropriate basic facilities.

Out of the 85 fire stations in the seven sampled districts, 21 fire stations (25 *per cent*) had no rest rooms; 22 fire stations (25 *per cent*) had no toilet facilities; and the remaining fire stations, which had rest rooms and toilets, were not in a usable condition, as can be seen from the photographs given below.

¹⁸ AP Health, Medical and Housing Infrastructure Development Corporation - renamed (February 2011) as Andhra Pradesh Medical Services and Infrastructure Development Corporation (APMSIDC)



Parigi FS rest room (17 September 2011)



Narsipatnam FS toilet (4 January 2012)

DGFS replied (November 2012) that this problem would be addressed soon since funds were allotted by the Government during the year 2012-13 for construction of fire station buildings with rest rooms and toilets.

Communication System

The efficiency of Fire Services Department depends to a large extent on its ability to reach the fire accident site within the shortest possible time (within 5 minutes in urban and 20 minutes in rural areas as per SFAC norms).

Audit observations in this regard are as follows:

- Global Positioning System (GPS) to identify the exact location of fire premises, was not available with the Department. While confirming this, DGFS stated that it would be procured in future subject to availability of funds.
- Government sanctioned (January/February 2009) ₹4.33 crore for establishment of Very High Frequency (VHF) network with communication system to fit into the overall strategy of Disaster Management. The Department procured (February/March 2009) 10,567 VHF sets and distributed (November 2009 to April 2010) to all the DFOs in the State. Though DGFS replied (November 2012) that the VHF communication system is being used in all the Fire Stations, Audit observed that the VHF sets were not put to use in any of the sampled Fire Stations (except in Vijayawada city) due to non-receipt of licences.

The Department did not ensure receipt of licences before procurement of equipment. As a result, the objective of providing communication network throughout the State remains unachieved besides rendering the entire investment unproductive.

2.5.2 Fire Management

2.5.2.1 Response to fire calls

SFAC recommended a maximum response time of 5 minutes for built up urban areas and 20 minutes for non-built up open and rural areas.

Audit scrutiny of the fire reports of the sampled fire stations revealed that the response time was filled in by taking two minutes per kilometer uniformly. The actual time taken in each case, which varies with road conditions, traffic position, etc. was however, not recorded. In the seven sampled districts, the response time in

66 (18 *per cent*) out of 362 major and serious fire incidents¹⁹ in the urban areas reviewed in Audit, was within the prescribed norms (i.e., below 5 minutes) and in the remaining 296 cases, the response time ranged from 6 to 70 minutes (Bahadurguda, Hyderabad). In rural areas, the response time was within the prescribed norms (i.e., below 20 minutes) in 137 (28 *per cent*) out of 492 fire incidents and in the remaining 355 cases, the response time ranged from 28 minutes to 152 minutes (Tatipamula, Pebbair Mandal). The year-wise details of the cases in urban and rural areas are given below.

Table 2.5

Urban Areas

Year	No. of cases test checked	Cases within stipulated response time (below 5 minutes) (%)	Belated response cases			
			6 – 10 minutes (%)	11 – 20 minutes (%)	21 – 30 minutes (%)	Above 30 minutes (%)
2006	67	8 (12)	27 (40)	24 (36)	5 (7)	3 (4)
2007	75	12 (16)	28 (37)	25 (33)	7 (9)	3 (4)
2008	90	12 (13)	29 (32)	37 (41)	10 (11)	2 (2)
2009	66	18 (27)	19 (29)	18 (27)	4 (6)	7 (11)
2010	48	14 (29)	10 (21)	20 (42)	-	4 (8)
2011	16	2 (13)	5 (31)	4 (25)	4 (25)	1 (6)
Total	362	66 (18)	118 (33)	128 (35)	30 (8)	20 (6)

Rural Areas

Year	No. of cases test checked	Cases within stipulated response time (below 20 minutes) (%)	Belated response cases		
			21– 30 minutes (%)	31 – 60 minutes (%)	Above 60 minutes (%)
2006	66	20 (30)	14 (21)	23 (35)	9 (14)
2007	90	16 (18)	26 (29)	28 (31)	20 (22)
2008	90	18 (20)	21 (23)	36 (40)	15 (17)
2009	90	27 (30)	32 (36)	24 (27)	7 (8)
2010	84	24 (29)	22 (26)	32 (38)	6 (7)
2011	72	32 (44)	18 (25)	19 (26)	3 (4)
Total	492	137 (28)	133 (27)	162 (33)	60 (12)

Source: Records of DFOs

DGFS attributed (November 2012) the high response time to (i) increase in work load of the department (ii) attending to standby duties during VVIP visits, fairs, exhibitions, and (iii) inadequacy of fire stations.

2.5.2.2 Implementation of Fire safety norms

One of the key functions of the Department is to enforce fire safety norms and create awareness among the citizens about fire prevention measures, especially in hazard prone premises, so that the risk of fire is minimised. Audit observations in this regard are given below:

Sensitisation of public about fire safety

DGFS sets monthly targets for DFOs, ADFOs and SFOs to identify fire hazardous premises for conducting awareness programmes. However, in the test checked

¹⁹ *Serious fire incidents*: property loss of ₹10 lakh to ₹25 lakh (or) human loss irrespective of property loss; *Major fire incidents*: property loss of ₹25 lakh and above

districts except in YSR (Kadapa) district and some cases in Hyderabad district, the Department did not furnish evidence of having conducted awareness programmes for public to sensitise them about fire prevention and safety.

Section 8 of the AP Fire Service Act requires augmenting auxiliary services by enrolment of volunteers from among the public. It is envisaged that, in times of emergency *i.e.*, in the immediate aftermath of casualty, accident, etc. these volunteers would attend to firefighting work and contain loss of life and property before the Departmental personnel come in. Audit observed that auxiliary services have not been constituted in any of the seven sampled districts as of November 2012.

Further, the Act provides for rewards to persons who give timely information regarding occurrence of fire and to those who effectively assist fire services in fire fighting and rescue operations. However, none of the DFOs of the sampled districts have identified such persons and awarded any rewards to the public to encourage the people to feel involved in fire safety and prevention activities.

Inspection and issue of licences to hazardous premises

Under Rule 18(2) of AP F&EO and LF Rules, 2006 read with Section 15 of the Act, the owner/resident of a fire risky area should obtain a licence from the authorised officer after payment of a prescribed fee. Further, all hazardous premises are required to be inspected by the Department to ascertain whether required fire safety norms are being followed.

Audit observed the following with regard to inspections and issue of licences to hazardous premises in the seven sampled districts:

- The DFOs did not identify the hazardous premises through any survey or in coordination with other departments such as Medical, Education, Industries and Factories, Revenue, Civil Supplies, etc. for obtaining the details of hazardous premises under their control. In some districts, the hazardous premises were partially identified while in other districts, no effort was made to identify hazard prone establishments, as detailed below:

Hyderabad District	363 educational institutions, 91 hospitals and 69 theatres were identified.
Visakhapatnam District	Shopping malls and departmental stores were not identified.
YSR (Kadapa) District	464 educational institutions, 40 hospitals and 69 theatres were identified.
Chittoor, Krishna, Mahbubnagar and Ranga Reddy Districts	Hazardous premises were not identified.

- The DFOs could inspect only 19,129 (38 *per cent*) hazardous premises out of 50,007 identified in the State. The extent of inspections of the hazardous premises in colleges, schools, hotels, hospitals and nursing homes, industries, showrooms, etc. ranged from 9 to 48 *per cent*. Details are given below.

Table 2.6

Nature of Establishments	Number of hazardous premises	
	Identified	Inspected by DFOs (percentage)
Colleges	11875	2377 (20)
Schools	9716	4629 (48)
Hotels	1674	772 (46)
Hospitals and Nursing homes (below 15 mtrs)	2712	1006 (37)
Small scale industries	5048	1408 (28)
Medium and large scale industries	1887	335 (18)
Pharmaceutical industries	130	22 (17)
Jute mills	69	25 (36)
Commercial showrooms	689	124 (18)
Timber depots/saw mills	2093	784 (37)
Wholesale shops	2286	215 (9)
Function halls	1486	606 (41)

Source: Records of DGFS

- Licence fee was collected from the owners/residents of hazardous premises who came forward voluntarily for grant of licence. The DFOs did not maintain Demand, Collection and Balance (DCB) Registers for collection and renewal of licence fee.

DGFS stated (November 2012) that continuous efforts were being made to inspect the hazardous premises, issue notices for rectification of deficiencies in fire safety measures and also to initiate prosecution against fire safety violators. It was further stated (November 2012) that instructions were issued to the concerned DFOs to identify the hazardous buildings in the districts in coordination with other Departments and to maintain the DCB register.

Issue of No Objection Certificates (NOC) to high-rise buildings

The AP F&EO and LF Rules 2006 stipulate that any person proposing to construct a high-rise building of more than 15 metres height for commercial purpose and 18 metres and above height for residential purpose and buildings of public congregations like cinema halls, which are more than 500 sq. m in plot area and 6 metres above in height, should obtain a No Objection Certificate (NOC) from the Department. The Department has to inspect the site within 60 days from the date of receipt of application and issue provisional NOC with one year validity. The occupancy certificate for the building is to be issued after installation of fire safety equipment and making structural changes suggested by the Department. Watch registers are to be maintained in the Department to facilitate monitoring for ensuring compliance with law.

Audit scrutiny revealed the following:

- The Department did not maintain watch registers relating to NOCs issued, their renewal, bank guarantee and DCB except in Mahbubnagar district. Audit could not therefore, ascertain the number of NOCs issued, renewed and those yet to be renewed.

- DFOs in the test checked districts had no knowledge of the multi-storied buildings that were issued NOCs in their jurisdiction, as those were issued directly by the DGFS.
- DGFS did not maintain any register to watch currency of the Bank Guarantees (BG) obtained from the persons proposing to construct high rise buildings to ensure fire safety installations and fire protection measures. During the period 2007-12, 14 BGs (worth ₹4.28 crore) were time-barred. Though occupancy certificates were yet to be issued to these buildings, BGs were not revalidated as of June 2012.
- Based on the report of Regional Vigilance & Enforcement Officer, Visakhapatnam, DGFS issued instructions in November 2007 to the DFO, Visakhapatnam to take up the inspection of 145 residential multi-storied buildings (MSBs) over a height of 18 metres and above. DFO reported (December 2007) that 125 MSBs had not obtained NOCs and they had not followed fire safety measures as required under National Building Code (NBC). It was further reported that, an amount of ₹44.58 lakh²⁰ towards Fire Precaution Fee was not collected. DGFS did not, however, initiate any action on the report of DFO as of November 2012.

DGFS replied (November 2012) that inspection of all the premises for which provisional NOCs were issued would be undertaken during the current year (2012-13).

Audit noticed the following deficiencies in establishing and operating two multi-storied complexes in Hyderabad city:

- (i) Provisional NOC was issued (November 2005) by DGFS for an MSB/Shopping complex in Hyderabad with multiplex theatres. Subsequently in May 2006, it was cancelled due to non-fulfillment of the prescribed conditions by the builder. However, in June 2007 GHMC²¹ issued Occupancy Certificate (OC) to the builder without considering the fact of cancelling the NOC by the Fire Services Department and the Home Department granted (March 2008) permission to M/s ADLABs Pvt Limited for operation of three screens (2nd, 3rd and 4th) on the 4th floor of the building with a condition that licence in respect of 1st screen would be issued subject to further review. Accordingly the Commissioner of Police and Licensing Authority (CP/LA) issued licence (May 2008) for three screens. However, the DGFS noticed the deficient fire safety arrangements and suggested (June 2011) to the Government to consider withdrawing the OC to the building temporarily. The OC is however, yet to be withdrawn by the Government (June 2012). No action was taken for ensuring compliance with fire safety requirements in the MSB including collection of Fire Precaution Fee and penal interest at 24 *per cent* per annum from the date of construction till such

²⁰ @ ₹10/- per sq. metre of the built up areas under Rule 15(C) of APF&EO and LF Rules, 2006

²¹ Greater Hyderabad Municipal Corporation

NOC is obtained from the Fire Services Department. When pointed out in Audit, the DGFS assured compliance in this regard.

- (ii) Home Department directed ²² (November 2005) DGFS to issue NOC to Hyderabad Central, a multi-storied shopping Mall Complex with 4 multiplex theatres subject to fulfillment of certain conditions by the builder. The Fire Services Department however, issued NOC without incorporating the conditions prescribed by the Government. Government replied that NOC was issued for three screens (1, 2 and 5) only and screens 3 and 4 are not functioning. The reply is not acceptable as the building in question is not a stand-alone cinema theatre and it is an eight floor multi-storied building, with five theaters on top floor. NOC to such huge structures is required to be issued as per the prescribed standards of National Building Code 1990 (NBC). In the instant case, without following the prescribed standards, NOC was issued under the AP Cinemas (Regulation) Rules, 1970 which is not applicable in this case. Relaxation of rules and exemptions from compliance with fire safety norms endangers public safety in a densely populated area like Punjagutta in Hyderabad.

Implementation of High Power Committee recommendations

In pursuance of the recommendations (December 2006) of the High Power Committee²³, Government decided (March 2007) to issue notices to the owners/occupiers of the existing MSBs/complexes (other than those covered under Section 13 of the APFS Act) if they fail to comply with fire safety norms. Accordingly, Government created ²⁴ (February 2009) fire prevention wings in five Municipal Corporations viz., Hyderabad, Visakhapatnam, Vijayawada, Tirupati and Warangal to scrutinise the plans of all non-high rise buildings and issue NOCs.

No action was however, taken to create fire prevention wings in respect of other Municipal Corporations and fire safety norms were not being enforced in the non-high rise buildings within the jurisdiction of the other Municipal Corporations.

DGFS replied (November 2012) that proposals for creation of fire prevention wing in respect of 12 Municipal Corporations²⁵ were submitted (September 2012) to Government and that, approval was awaited with regard to the other recommendations also.

Fire safety installations

During 2007-12 the DGFS issued instructions to all DFOs to inspect and verify the fire safety installations in public places viz., cinema halls, hospitals, function halls, hotels and educational institutions.

²² GO Ms No 239 Home (Gen. A) Dept Government of Andhra Pradesh dated 9 November 2005

²³ under the Chairmanship of Secretary, Municipal Administration and Urban Development with DGFS, Vice-Chairman, Hyderabad Metropolitan Development Authority, Commissioner, Greater Hyderabad Municipal Corporation, representative from Jawaharlal Nehru Technological University, etc. as members

²⁴ GO No. 174 (February 2009) of Municipal Administration and Urban Development

²⁵ Guntur, Kakinada, Rajahmundry, Kurnool, Nellore, Ongole, Kadapa, Eluru, Karimnagar, Nizamabad, Anantapur and Ramagundam

Inspections were conducted (2006-11) by DFOs (Chittoor, Hyderabad, Krishna, Mahabubnagar, Ranga Reddy, Visakhapatnam and YSR (Kadapa) districts) and the deficiencies noticed are as follows:

Table 2.7

Violation of fire safety norms/ precautions	Hospitals	Theatres	Educational Institutions	Hotels, Petrol Bunks, Gas godowns, Factories, Function halls
	Number of units that violated the norm (<i>per cent</i>)			
Number of units inspected by DFOs	911	651	932	681
Fire tender could not be operated at least 3 sides of building freely	857 (94)	464 (71)	928 (100)	681 (100)
Water storage not provided as per NBC norms	820 (90)	651 (100)	932 (100)	681 (100)
Means of escape not provided as per NBC norms	830 (91)	383 (59)	923 (99)	681 (100)
Smoke management and ventilators not provided	911 (100)	404 (62)	918 (99)	681 (100)
Fire fighting systems not provided as per NBC Norms (Extinguisher/ buckets/ hose pipes/sprinklers, etc.)	873 (96)	407 (63)	913 (98)	681 (100)
Emergency battery backup lighting/ auto glow not provided in exits/ corridors/staircase	898 (99)	488 (75)	932 (100)	681 (100)
Trained staff security not provided	899 (99)	651 (100)	932 (100)	669 (98)
Openable windows not in landings	843 (93)	651 (100)	932 (100)	681 (100)
Public address system not provided	911 (100)	651 (100)	932 (100)	681 (100)
NOC Details not available	909 (100)	646 (99)	489 (52)	681 (100)

Source: Records of DGFS and DFOs

It can be seen from the above Table that 93 to 100 *per cent* of hospitals (911), 59 to 100 *per cent* of theatres (651), 52 to 100 *per cent* of educational institutions (932) and almost 100 *per cent* of hotels, petrol bunks, gas godowns, factories and function halls inspected by DFOs, violated specific fire safety norms and did not take any fire precautionary measures.

Rule 15 of AP Fire & Emergency Operations and Levy of Fee Rules require that, with regard to violators of fire safety measures in places of public congregation, DGFS or a person authorised by him should issue instructions to DFOs to initiate penal measures.

The DFOs have not taken any penal measures against the management of the above institutions on the ground that specific directions were awaited in all these cases from the DGFS. DGFS did not offer (November 2012) any specific reply in this regard. In the absence of immediate stringent action/penalties, the purpose of inspections was defeated and public safety is being compromised.

Audit carried out a joint physical verification (November 2012) along with the departmental officers, of some of the important public buildings to see if the Department has taken corrective action pursuant to the inspections carried out during

2006-11. However, it was observed that one and a half years later, no action was taken to ensure that adequate fire safety measures were in place, even in respect of some of the most sensitive places like AP Secretariat, Legislative Assembly, etc. as detailed below:

Government Buildings

AP Secretariat, Hyderabad - Though a major fire incident took (May 2009) place in 'D' Block of AP Secretariat, Government had not ensured adequate fire safety measures in the Secretariat even as of November 2012. Audit noticed that:

- Hydrant systems and smoke detectors in 'D' Block were not in working condition and fire extinguishers had passed their expiry date in February 2011 itself. These were not yet refilled as of November 2012.
- Firefighting equipment and Hydrant systems were not available in B, C and L Blocks and the corridors in these blocks were also blocked with almirahs endangering public safety in case of fire or other exigencies.



Fire incident in 'D' block of AP Secretariat

DGFS replied (November 2012) that Multi Storied Building Inspection Committee (MSBIC)²⁶ made certain recommendations for fire precautionary measures to be adopted in each block in the AP Secretariat and instructions in this regard would be issued to the concerned to ensure fire and life safety.

Ravindra Bharathi, a prestigious National theatre of Arts was constructed by the Government of Andhra Pradesh in Hyderabad to serve the cultural needs of the State. It is a non-high rise building consisting of a main theatre, mini theatre and conference hall with the capacity of 1100, 120 and 200 seats respectively. Audit noticed that:

- NOC was not obtained from the Fire Services Department for this building.
- Hydrant system, smoke detectors and alarm system were not available as of June 2012.
- Fire extinguishers were available only in the main hall and fire safety equipment was not available in mini theatre and conference hall.
- There was no proper egress from 2nd and 3rd floor in case of fire incident.

DGFS stated (November 2012) that the Commissioner, GHMC had been requested to take immediate necessary action to ensure fire and life safety in all non-high rise buildings in the jurisdiction of the GHMC.

²⁶constituted for inspecting fire safety measures provided in the premises of AP Secretariat

Jubilee Hall at AP Legislative Assembly, Hyderabad is a royal palace which is considered one of the architectural masterpieces of Hyderabad.

Audit noticed that:

- NOC was not obtained for this building from Fire Services Department.
- Water storage tank was damaged; therefore water facility would not be available immediately within the vicinity in case of emergency.
- Fire extinguishers and Hydrant system were not available.



Fire incident at Jubilee Hall (Inset: burnt AC plant)

It is pertinent to mention that there was a fire accident on 1 July 2012 in the Jubilee Hall 15 minutes after conclusion of an important meeting which was attended by high dignitaries.

DGFS replied (November 2012) that the MSBIC inspected (July 2012) the Jubilee Hall and made certain recommendations for provision of fire safety measures

in the building as per NBC, 2005 and the Secretary, AP Legislative Assembly was requested to ensure provision of required fire safety measures.

Gagan Vihar, Hyderabad is a 14-storied MSB which accommodates Government Offices having about 2,000 employees. Audit noticed that:

- NOC was not obtained from Fire Services Department.
- Hydrant system, water sump, motor were defunct for the past 20 years.
- Fire extinguishers had passed their expiry date and were not refilled.



Defunct Hydrant system in Gagan Vihar (12 July 2012)

DGFS replied (November 2012) that the Gagan Vihar MSB was inspected (September 2012) by the Department and several deficiencies were noticed in fire safety measures. He further stated that the Vice-Chairman and Commissioner, AP Housing Board was requested to provide fire safety measures and to ensure compliance of required fire precautionary measures.

Hospitals

Audit scrutiny of 9 hospitals²⁷ in the sampled districts revealed the following:

- Five hospitals did not have the space to move fire tender on three sides;
- Fire extinguishers were not available in six hospitals;
- Water source was not available in five hospitals in RangaReddy district.
- Modern equipment like fire alarm system, hydrant, sprinklers and public address system were not available in seven hospitals.
- Emergency fire exit was locked and blocked in Yashoda Hospital, Secunderabad.
- In Nizam's Institute of Medical Sciences, Hyderabad (NIMS), fire extinguishers were yet to be refilled after their date of expiry in April 2011.
- Ramp for evacuating patients during emergency was not constructed in KIMS Hospital, Secunderabad.
- Required number of fire extinguishers were not available and stair case was narrow in Image hospitals.

DGFS stated (November 2012) that the Fire Services Department and GHMC found deficiencies in 296 hospitals and that, the District Medical and Health Officers were requested to issue notices to owners of these hospitals for rectifying the deficiencies within 60 days and to insist on fire clearance before issue of licence/renewal to the hospitals.

Educational Institutions

Audit scrutiny of 7 educational institutions²⁸ in the sampled districts revealed the following:

- Firefighting equipment was not available in six educational institutions.
- Fire tenders could not move on three sides of the Shadan College (Hyderabad) building, consisting of two blocks of 10 and 11 floors where about 5,500 pharmacy/engineering/junior college students were studying. Firefighting equipment was not installed in the 11 storied junior college building and staircase was also small.
- In Annamacharya Institute of Technology & Sciences, Rajampet (YSR (Kadapa) district) which has seven laboratories, fire-fighting equipment was not in accordance with NBC norms.

²⁷Elite Hospital (Tirupati), Ravi Neuro Hospital (Tirupati) in Chittoor district, NIMS, KIMS, Image Hospitals (Hyderabad), Yashoda Hospital (Secunderabad) in Hyderabad district, Nagarjuna Hospital (Vijayawada) in Krishna district and Balaji Hospital (Kompalli), SHK Hospital (Uppal) in Ranga Reddy district

²⁸Sri Chaitanya School (Chittoor), City College (Hyderabad), Gitanjali School (Hyderabad), Shadan Junior and Degree College (Hyderabad), Shadan Engineering and Pharmacy College (Hyderabad), Annamacharya Institute of Technology & Sciences (Rajampet – YSR (Kadapa) district) and Chaitanya Bharathi Institute of Technology (Proddutur)

- City college, Hyderabad, a three storied MSB has capacity to accommodate about 3,000 students, teachers and administrative staff. It has a library with good collection of books. However, only 10 portable fire extinguishers were installed in the entire MSB and Hydrant system, fire alarms, smoke detectors were not available.

DGFS replied (November 2012) that the Department found deficiencies in 3,544 educational institutions located in upper floors in the State and the Principal Secretary, Higher Education and the Commissioner and Director of School Education were requested to issue notices to the Colleges and Schools respectively for provision of required fire and life safety measures. It was further stated that, licensing authorities were directed to insist on obtaining NOC from Fire Services authorities before according permission/renewal to the educational institutions.

Function Halls

Audit scrutiny of 12 function halls²⁹ in the sampled districts revealed the following:

- Fire tenders could not run on three sides of the buildings in eight function halls which would make the rescue operations and fire extinguishing critical during fire accidents.
- Fire equipment was not available in 11 function halls.
- Staircases were not sufficient to move up and down freely in eight halls. The function hall at Preetham Residency, Rayachoti (YSR (Kadapa) district) had an independent staircase which is not interconnected with staircases of 1st and 2nd floors; therefore 3rd floor has no means of escape in case of fire/emergency.

DGFS replied (November 2012) that proposals were submitted (October 2012) to the Government for conducting joint inspection by the Fire Services and Factories & Industries Departments to ensure provision of fire and life safety measures in all hazardous premises.

Theatres

Audit scrutiny of 19 theatres³⁰ in the sampled districts revealed the following:

- Seven theatres had no provision to move the vehicle on three sides of the theatres
- Eleven theatres were not equipped with adequate firefighting equipment such as Hydrants, fire alarm and sprinklers etc.
- Six theatres were not equipped with fire extinguishers/ buckets (sand/water).

Though equipped with firefighting equipment such as Hydrant System, necessary hose pipes/nozzles were not available at the Hose Box in M/s Prasad Multiplex theatre at Hyderabad. Emergency exits were locked and not in 'ready to use' mode in an emergency situation.

²⁹ Chittoor (3), Hyderabad (4), Krishna (1), Ranga Reddy (2) and YSR (Kadapa) (2)

³⁰ Chittoor (9), Hyderabad (4), Mahbubnagar (1), Ranga Reddy (3) and YSR (Kadapa) (2)

DGFS stated (November 2012) that the Department found deficiencies in 2,158 cinema theatres in the State and those were treated as unsafe. He also stated that Government instructions were awaited regarding fire and life safety measures required to be provided in the existing theatres. He further stated that the Commissioner of Police/Joint Collector (licensing authorities) were requested to insist on NOC from Fire Service authorities and to ensure fire safety in cinema theatres while renewing the licences.

2.5.3 Fire Outposts

There were 19 Fire Outposts³¹ (FOPs) working on contract basis/outsourcing in the State to attend to firefighting activities in emergencies. Five of these are in the test checked districts³². While the two outposts in Visakhapatnam district are functioning properly, in respect of Krishna District, the relevant records were not produced to Audit. Scrutiny of the functioning of the two FOPs in Mahbubnagar district revealed the following:

- There was a delay of four to five years in completion³³ of three FOPs³⁴ despite depositing funds with APSPHC³⁵, way back in March - September 2005.
- Even though the conditions of the agreement stipulate that the service provider has to commence activities within 100 days (May 2009) from the date of concluding the agreement (January 2009), the DFO/RFO had neither ensured the commencement of service by the service provider in time nor forfeited the security deposit of ₹1 lakh. The services commenced with a delay of one year and seven months (Shadnagar - February 2010) and two years (Amrabad - August 2010). The services were not commenced even as of June 2012 at Kalwakurthy.
- The FOPs at Shadnagar and Amrabad were operating with untrained fire personnel. Out of 32 fire personnel in the two FOPs, only 18 were trained. As per the agreement, one leading fireman has to be sent on deputation for 6 months to each FOP to give training in performing firefighting duties. However, no LFM was sent to FOP, Amrabad.
- Details such as number of fire calls/rescue calls attended by the FOP Shadnagar and Amrabad were not included in the monthly reports submitted to the DGFS.

DGFS assured (November 2012) that a detailed review would be undertaken to ensure that fire outposts function effectively.

³¹ Guntur (1), Karimnagar (3) Khammam (1), Krishna (1), Mahbubnagar (2), Medak (3), Nalgonda (1), Nizamabad (2), Srikakulam (2) Visakhapatnam (2) and Warangal (1)

³² Mahbubnagar (2), Krishna (1), Visakhapatnam (2)

³³ in June 2008 (Kalwakurthy FOP), April 2009 (Amrabad FOP) and June 2009 (Shamshabad FOP)

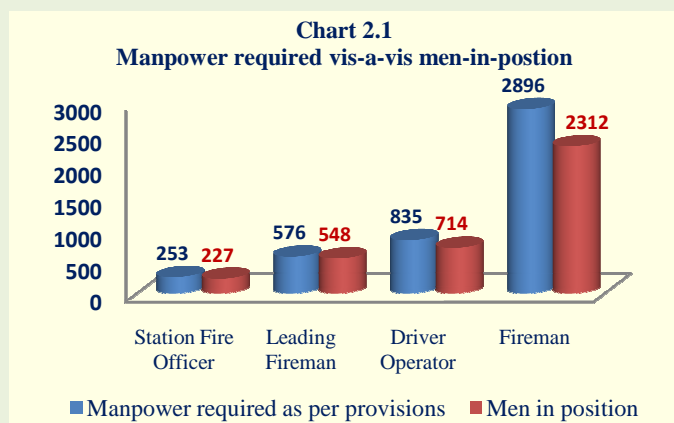
³⁴ Kalwakurthy, Amrabad and Shadnagar

³⁵ AP State Police Housing Corporation

2.6 Human Resource Management

2.6.1 Shortfall of manpower

Rule 5 of APF&EO and LF Rules 2006 stipulates that a fire station with single unit should have a minimum manpower consisting of one Station Fire Officer (SFO), two Leading Firemen (LFM), three Driver Operators (DO) and ten Firemen (FM). Similarly, Fire Station with double unit should have one SFO, 4 LFM, 5 DO and 20 FM. Fire station with multiple units should have one SFO, six LFM, ten DO and 20 FM. There were 220 single units, 31 double units and 2 multi unit fire stations in the State.



Source: Records of DGFS

The Department was beset with vacancies in key posts such as fireman (20 per cent) and driver operator (15 per cent) as detailed in Chart-2.1, which affected its operational efficiency adversely. The posts of DFOs, Vizianagaram and Nalgonda were vacant since May 2011 and June 2012 respectively.

As can be seen from the chart, the vacancies ranged from 5 per cent in the cadre of Leading Fireman to about 20 per cent in Fireman category.

DGFS accepted (November 2012) the audit observation.

2.6.2 Riding strength

As per Para 536(1) of AP Fire Service Manual, the riding strength of Fire Tender Units should be one Leading Fireman, One Driver Operator and three Firemen along with Station Fire Officer concerned.

Audit scrutiny of fire reports of 293 major/serious fire accidents in the seven sampled districts revealed that firefighting operations were carried out without the full complement of Staff required to quell the fire. Out of 293 test checked cases, in 70 cases, there were only one fireman and in 133 cases, two firemen accompanied as against three required. In four cases, no fireman accompanied and only Driver-cum-Operator and leading Firemen had to douse the Fire.

DGFS accepted (November 2012) the audit observation.

2.6.3 Training of Fire Service Staff

2.6.3.1 Lack of Action Plans

The State Training School (STS) imparts training to in-service personnel and direct-recruit trainees of the cadre of DFO, SFO, FM and DOs as per the Annual Action plan approved by the DGFS. As per SFAC recommendations, lower ranked fire fighting

staff should be trained continuously to prepare them for any eventuality and ensure that they are ever ready.

The STS did not prepare any action plan for imparting training during the period 2007-12. Personnel trained during the period 2007-12 (upto December 2012) are shown below.

Table 2.8

Year	Number of courses	DFO		SFO		LFM		DO		FM		Total	
		D	O	D	O	D	O	D	O	D	O	D	O
2007-08	11	0	-	56	8	106	-	135	5	121	61	418	74
2008-09	11	0	-	18	-	0	-	256	5	77	109	351	114
2009-10	9	0	-	0	-	0	-	-	140	212	101	212	241
2010-11	8	9	-	235	-	0	-	-	-	74	7	318	7
2011-12	5	0	-	145	-	0	-	13	-	349	9	507	9
Total	44	9	-	454	8	106	-	404	150	833	287	1806	445

D: Department personnel; O: Personnel from other organizations

Source: Records of State Training School

Audit observed that, during the period 2007-12, training was imparted to 9 DFOs (out of 15), 454 SFOs, 106 LFM (out of 548), 404 DO (out of 714), 833 FM (out of 2,312) in 44 courses in all, in the State.

DGFS did not offer specific remarks with regard to the action plan for imparting training to the in-service personnel and direct recruit trainees.

2.6.3.2 Lack of training in firefighting for Home Guards

Rule 33 of APF&EO and LF, Rules 2006 provides for training the fire station staff to attend to fire call and avoid damage of property and casualty. Audit scrutiny revealed the following:

- 811 Home Guards were drawn from the Home Department and were deputed in the vacant posts of Firemen and Driver operators during the period 2007-12. None of them was however, trained in firefighting at the STS. Though the DGFS stated (March 2012) that the Home Guards were imparted practical training in their allotted fire stations at the time of their joining, the DFOs in the sampled districts confirmed that no training was imparted to Home Guards on fire fighting.
- 97 Home Guards who were appointed as firemen (77) and Driver Operators (20) during 2010-11 in the Model Fire Station at Gachibowli (Ranga Reddy district), were also not trained in firefighting.

DGFS admitted (November 2012) that no specific training was imparted to Home Guards.

2.6.4 Commercial complex and swimming pool kept idle

A commercial shopping complex and a swimming pool were constructed in June 2009 at a cost of ₹1.19 crore in the premises of the State Training School to cater to the needs of trainees, by letting out to retired persons. Audit observed that neither shopping complex nor the swimming pool was put to use as of June 2012, thereby defeating the objective of setting these up.

2.7 Internal Controls and Monitoring

2.7.1 Lack of expenditure control mechanism

AP Budget Manual stipulates that the CCO should ensure that expenditure under each unit of appropriation is kept within the appropriation and progress of expenditure should be constantly watched.

The CCO however, did not maintain an Expenditure Control Register and there was no mechanism to watch timely receipt of Monthly Expenditure Statements from the DFOs.

2.7.2 Non-reconciliation of Receipts and Expenditure

As per the provisions of AP Budget Manual, every Drawing Officer and CCO should reconcile the monthly departmental figures of receipts and expenditure with the figures booked in the Treasury and Office of the Principal Accountant General (PAG) (A&E) respectively, in order to detect misclassifications, misappropriations, fraudulent drawal, etc.

The Department was in receipt of money collected (₹53.83 crore during the period 2007-12) on account of non-refundable fire precaution fee, fee for issue/renewal of licence, user charges, etc. However, none of the sampled DDOs reconciled the departmental receipts with the treasury figures. Considering that individuals directly remit the money into treasury, the possibility of leakage of revenue cannot be ruled out in the absence of regular reconciliation of figures.

Similarly, the CCO had neither consolidated the expenditure figures of the DDOs nor reconciled the departmental expenditure with the figures booked by the Office of the PAG (A&E) during the period 2007-12. There were discrepancies between the expenditure figures reported by the DGFS and those booked by the Office of the PAG (A&E) in all the years during 2007-12 ranging from rupees one crore to 14 crore.

DGFS replied (November 2012) that suitable instructions were issued to all the DDOs to reconcile the receipt figures regularly.

2.7.3 Departmental Inspections

Periodical inspections are important in assessing the performance of the department, identifying and rectifying the defects if any, attend to grievances of the departmental staff, and improving firefighting preparedness.

According to the Government instructions³⁶, the Head of the Department is required to inspect the District Offices and other subordinate offices periodically and furnish inspection reports. Further, DGFS instructed (March 2003) the RFOs to conduct inspection of every fire station once in two years so as to cover all the fire stations in the State over a period. Audit observed that, neither departmental inspections nor RFO inspections were conducted in any of the seven sampled districts during the period 2007-12.

DGFS replied (November 2012) that necessary instructions have been issued to all the Regional/District Fire Officers in August 2012 for conducting inspection of the Fire Stations in their jurisdiction.

2.7.4 Internal Audit

Internal Audit examines and evaluates the level of compliance with the departmental rules and procedures and provides reasonable assurance to the management on the adequacy and functioning of internal controls. As per the orders³⁷ of the Government, it is the responsibility of the Head of the Accounts branch of the Department to conduct Internal Audit of the Regional Offices, District Offices, Unit Offices, etc. at least once in a year and furnish the report.

Audit scrutiny revealed that Internal audit of the district offices (DFOs) (except Visakhapatnam district) was not conducted during the period 2007-12 in the sampled districts.

DGFS assured (November 2012) that action would be taken to conduct Internal Audit of the district offices.

2.8 Conclusion

As brought out in the foregoing paragraphs, the Department has not complied with the norms of SFAC with regard to infrastructure and was ill equipped to handle the fire related exigencies in the State. Lack of comprehensive functional data resulted in the Department not being able to identify/analyse the hazard prone areas and take necessary preventive measures with regard to fire safety aspects.

No new fire stations have come up during the period 2007-12 despite the specific recommendation earlier by Audit and the Sub-Committee constituted by the State Government. The shortfall in this regard stood at 95 per cent. Infrastructure facilities in the existing fire stations were inadequate and 20 per cent of the fire stations in the sampled districts were in a dilapidated condition. Housing requirements of staff were not met and an outdated communication system adversely affected the preparedness of the Department in dealing with emergencies. There was a huge gap between the requirement and availability of equipment like

³⁶ GO Ms No. 247 GAD dated 8 February 1962 and Memo Circular No. 42050/AR.111/97-7, GAD dated 26 July 1997

³⁷ GOMs No.34, dated 23 January 1989 and GO Rt. No. 1416, Finance & Planning Department dated 1 July 1997

fire tenders, rescue vans, etc. and the Department did not utilise the equipment already procured such as Very High Frequency radio sets, etc.

Awareness programmes were not conducted in the sampled districts (except YSR (Kadapa) district and some cases in Hyderabad district) to sensitise the public about fire safety and prevention. Auxiliary services have not been constituted in any of the seven sampled districts. Hazard prone premises were only partially identified to enforce fire safety code/norms and action was not initiated against the defaulters for violation of fire safety norms and non-implementation of precautionary measures. There was considerable shortfall in key posts such as fireman and driver operator, which impacted the efficiency of firefighting operations. Training and skill development programmes were not given adequate thrust and budgetary allocations did not reflect the requirement of the Department. Besides, non-release of funds from Calamity Relief Fund as prescribed by GoI also hampered the modernisation process in the Department. Expenditure controls were weak and departmental inspections were not carried out at regular intervals and internal audit of the district offices (except Visakhapatnam district) was not conducted during the entire audit review period of 2007-12.

2.9 Recommendations

- Government should take appropriate steps to formulate a long term perspective plan and annual action plans to ensure that the functioning of the Department is streamlined and modernised to deliver the envisaged services to public.
- The Department should chalk out a strategy to survey the hazard prone areas that need specific fire safety measures and an action plan to cover the other areas. Fire preventive inspections should be carried out at prescribed intervals and prompt action should be taken to address the deviations and violations.
- Recommendations/norms of SFAC should be complied with scrupulously with regard to setting up fire stations, response time, infrastructure, equipment, etc.
- Vacancies in all the key areas should be filled and skills of fire service personnel should be upgraded with appropriate trainings at regular intervals.
- Government should allocate adequate funds to meet the requirements of the Fire Services Department. Funds should also be released from Calamity Relief Fund as prescribed by GoI to augment the search and rescue operations and equip the Department with modern gadgets required for effective firefighting services.

Government accepted the audit findings and recommendations, and assured (November 2012) that, action would be taken to explore the possibilities of enhancing budgetary allocation to the Fire Services Department in the next financial year to meet its long pending needs.

Chapter-3

Performance Audit of Scholarship schemes for SC, ST, BC and Minority students

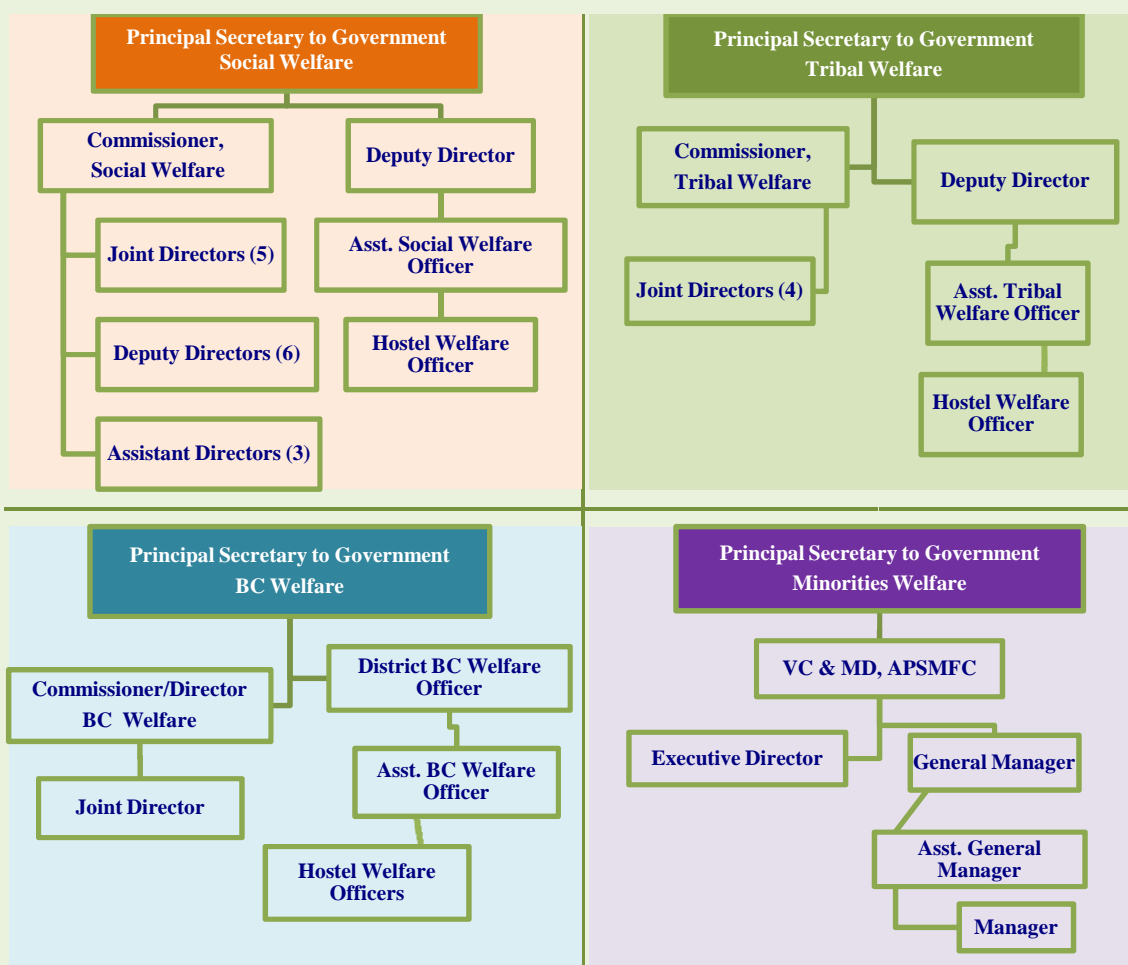
**Social, Tribal, Backward Classes and
Minorities Welfare Departments**

3.1 Introduction

Scholarship schemes represent an important social welfare measure initiated by the Central and State Governments to increase the enrolment and ensure retention of Scheduled Caste (SC), Scheduled Tribe (ST), Backward Classes (BC) and Minority community students in educational institutions. Government of Andhra Pradesh has been implementing these schemes through the Departments of Social Welfare, Tribal Welfare, Backward Classes Welfare and Minorities Welfare. The benefits of these schemes are provided to pre-matric as well as post-matric students based on the parameters specified by the Government from time to time. Approximately 25 lakh beneficiaries are covered each year under post-matric scholarship schemes. Rupees 9,369 crore were spent during the four year period 2008-12 on these schemes.

3.1.1 Organisational Set-up

Principal Secretary of the concerned Welfare departments exercises the overall control over implementation of educational and other welfare schemes relating to SCs, STs, BCs and Minorities in the State. The organogram for implementation of various scholarship schemes is as follows.



3.2 Audit Framework

3.2.1 Audit objectives

Performance Audit of implementation of scholarship schemes was undertaken to assess whether,

- the process of planning was robust and comprehensive;
- the overall financial management including releases and utilisation of funds was efficient and in line with the stated objectives;
- implementation of the scheme was effective and ensured transparency in processing of applications and timely disbursement of scholarships to eligible students; and
- internal controls and monitoring system at various levels were adequate and functioned as envisaged.

3.2.2 Audit criteria

Audit findings were benchmarked against the criteria sourced from the following:

- Scheme guidelines, and relevant Government orders issued from time to time;
- Andhra Pradesh Financial Code;
- Departmental manuals and functional manuals; and
- Budgetary allocations.

3.2.3 Scope and Methodology of Audit

Pre-matric scholarships are sanctioned and disbursed manually and the process is currently being computerised. As regards post-matric scholarships, until 2007-08 these were sanctioned and disbursed manually. Thereafter, the entire process was automated. Therefore, Performance Audit of implementation of scholarship schemes during the period 2008-09 to 2011-12 taken up, covered the manual transactions relating to pre-matric, and computerised transactions relating to post-matric scholarships (PMS).

Field audit was carried out during August 2011 to May 2012 and involved a test-check of the records of the concerned administrative Departments at the Secretariat level and Commissionerates, analysis of PMS data in the 'Social Benefit Management System' (for 2008-09) and 'ePASS system' (for 2009-12) as well as 60 colleges chosen on a sample basis. Six districts¹ were selected from the three geographical regions of the State viz., Coastal Andhra, Rayalaseema and Telangana, on the basis of population and literacy levels. Ten colleges have been selected for detailed scrutiny in each district. Beneficiary survey was carried out in the sampled districts, as well as online, through a structured questionnaire. The break-up of number of colleges selected for test-check in each of the sampled districts is indicated in Map-3.1.

¹Chittoor, Hyderabad, Khammam, Ranga Reddy, SPS Nellore and Visakhapatnam

The map illustrates the spatial distribution of four crop models (SW, TW, BC, MW) across the districts of Andhra Pradesh. The districts are color-coded into three regions: Coastal Region (orange), Telangana Region (light blue), and Rayalaseema Region (green). Each district is labeled with a box containing the model names and their respective values in parentheses. For example, in the Coastal Region, districts like SPS Nellore and West Godavari show values of (2) for SW, TW, and BC, and (3) for MW. In the Telangana Region, districts like Warangal and Nalgonda show values of (2) for SW, TW, and BC, and (3) for MW. In the Rayalaseema Region, districts like Chittoor and SPS Nellore show values of (2) for SW, TW, and BC, and (3) for MW.

District	SW	TW	BC	MW
Adilabad				
Karimnagar				
Vijayawada	2	2	3	3
Warangal	2	2	3	3
Khammam	2	2	3	3
East Godavari	2	2	3	3
Visakhapatnam	2	2	3	3
West Godavari	2	2	3	3
Krishna				
Guntur	2	2	3	3
Kurum				
Prakasam				
Anantapur	2	2	3	3
YSR (Apur)	2	2	3	3
SPS Nellore	2	2	3	3
Chittoor	2	2	3	3

Legend

- Coastal Region (orange)
- Telangana Region (light blue)
- Rayalaseema Region (green)

Audit Findings

3.3 Planning

3.3.1 Identification of beneficiaries

While the scholarship schemes have been existing for several decades, in July 2008, the State Government decided to implement the schemes on saturation basis². This change in policy would require the Government to identify the eligible students before sanctioning the scholarship amount.

State Government has been obtaining certificate from the beneficiary students with regard to the income level of their parents to consider their eligibility for receiving scholarship. A standard format has been prescribed by the Government to elicit this information. However, Audit noticed that the departments are not ensuring compliance with this format. Further, there is no mechanism with the Government to derive assurance about the other details of the students like proof of address, etc. While there is a column in the ePASS system relating to the ration card number, since it is not a mandatory field, a number of students have not filled the number in this column. Audit compared the data in the ePASS system relating to the ration card number with the Civil Supplies database, which revealed that there were numerous cases where ration card details given in the scholarship database do not exist in the Civil Supplies database, as detailed below.

Table 3.1

Year	No of students applied	No. of students who gave ration card details	No. of ration cards not available in civil supplies database
2008-09	1540550	Nil	Nil
2009-10	2456261	3	Nil
2010-11	2446265	1618782	86918
2011-12	2528563	2147685	128970

²Saturation basis implied that all the students who are eligible for sanction of scholarship are sanctioned. In case the student is not sanctioned during the current year, he is sanctioned scholarship on priority basis in the subsequent year

Audit is therefore, not able to derive assurance that scholarship was sanctioned and reimbursed to all (only) the eligible students.

Government in its reply stated (February 2013) that, initially it was made mandatory to link the details of ration card to the data in ePASS, it was subsequently withdrawn as several students organisations appealed against the non-availability of ration cards with them. It was further stated during the Exit Conference that, instead of ration card number which cannot indicate the income levels of the family correctly, income certificate from Mee Seva would be relied upon, and that, in future, Aadhar Card would be the single identity for all the schemes.

The contention of the Government is not acceptable as the Civil Supplies database captures the details relating to caste, address, family members, family photograph, annual income, status of children's studies, land holding, iris, etc. Therefore, it would be a foolproof identity of the eligibility of students with regard to the caste, income level as well as address. Considering that five and six *per cent* of ration card details provided by the students during 2010-11 and 2011-12 respectively, did not exist in the Civil Supplies database, the Government needs to institute a proper procedure to identify the targeted beneficiaries/ensure that the current procedure is complied with scrupulously. This is further reinforced by the fact of inability of the nodal banks in crediting the scholarship amounts to the student's accounts in some cases due to absence of the requisite details, as discussed in paragraph 3.4.2.4 and not carrying out due diligence while verifying the applications of students for scholarship by the Verification Officers as discussed in paragraph 3.6.5.1.

3.4 Financial Management

3.4.1 Funding pattern

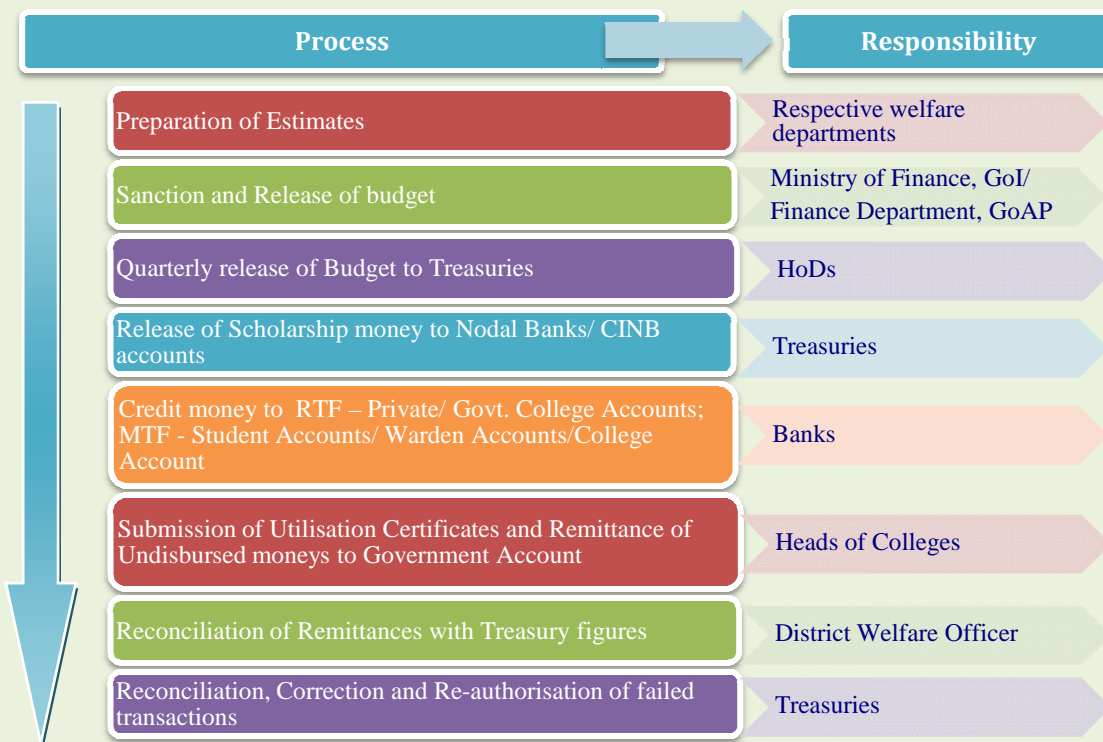
Funding pattern for implementation of various scholarship schemes is given below.

Name of the Scheme	Social Welfare	Tribal Welfare	BC Welfare	Minorities Welfare
Pre-matric Scholarship				
(i) Up gradation of merit	100 <i>per cent</i> by GoI	100 <i>per cent</i> by GoI	Not applicable	Not applicable
(ii) Scholarship for children whose parents are engaged in unclean occupations	100 <i>per cent</i> of State expenditure over and above its committed liability ³ by GoI	Not applicable	Not applicable	Not applicable
(iii) Best Available Schools (TW)/Bright Boys Scheme (SW)	Being State Plan Schemes, to be borne fully by the State Government	Being State Plan Schemes, to be borne fully by the State Government	Not applicable	Not applicable
(iv) Pre-matric Scholarship (CSS)	Not applicable	Not applicable	Committed liability to be borne in full by State. 50:50 ratio over and above the committed liability by GoI and State Government.	Funded by GoI and State Government in the ratio of 75:25
(v) Pre-matric Scholarship (State)	Not applicable	Not applicable	Not applicable	Fully funded by State Government
Post-matric scholarship				
Post-matric scholarships (MTF and RTF)	100 <i>per cent</i> by GoI in excess of the committed liability to be borne by State Government.	100 <i>per cent</i> by GoI in excess of the committed liability to be borne by State Government.	100 <i>per cent</i> by GoI in excess of the committed liability to be borne by State Government.	a) 100 <i>per cent</i> funded by GoI b) 100 <i>per cent</i> funded by the State

Source: GoI scholarship guidelines and relevant GOs issued by the State Government

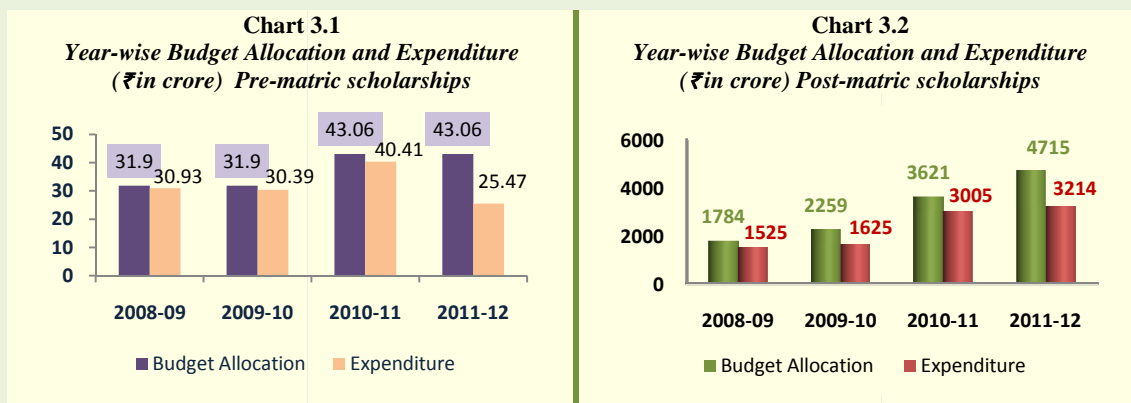
³ Committed liability is the total expenditure incurred by the States in the terminal year of the X Five Year Plan (2006-07) under this CSS

The processes involved in sanction and release of PMS amounts, and the authorities responsible in this regard, are given below.



3.4.2 Budget and Expenditure

During the four year period 2008-12, the total amount disbursed in the State on scholarships was ₹9,508 crore (pre-matric: ₹139 crore, PMS: ₹9,369 crore). Budget allocation vis-à-vis expenditure on pre and post-matric scholarship schemes and RTF for the years 2008-09 to 2011-12 overall (Chart 3.1 and 3.2) and in respect of all the four Departments (Chart 3.3 and 3.4) is given below.



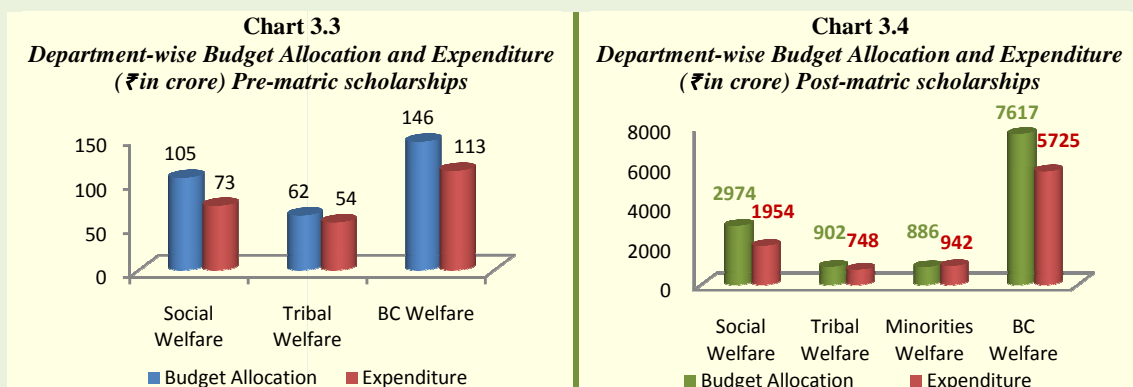
Source: Appropriation Accounts of Government of Andhra Pradesh for the relevant years

Note: Budget and expenditure in respect of pre-matric scholarships include only SC and ST related funds. Funds allocated and expended in respect of minorities is included in PMS and the year-wise break up was not available in respect of BCs

As can be seen from the above Charts, huge funds were lying unutilised with regard to PMS in all the four welfare departments at the end of every year during the last four years. The year-wise details are given in *Appendix 3.1*. As for pre-matric scholarships,

expenditure by and large matched budgetary allocation during 2008-10, while there was a huge gap during 2011-12.

About 24 *per cent* of the allocated funds remained unutilised during the last four years with regard to PMS. The department-wise status of utilisation of funds with regard to both pre and post-matric scholarship schemes is given below.



Source: Appropriation Accounts of Government of Andhra Pradesh for the relevant years

As seen above, allocated funds for both pre and post-matric scholarships were not utilised to the full extent in any of the last four years under review. The shortfall in utilisation vis-à-vis allocation was upto 24 *per cent* in PMS. The excess amount shown to have been utilised by the Minorities Welfare Department was on account of utilisation of funds allocated much earlier, which were not spent during the concerned years. In fact, there has been enormous blocking up of funds meant for scholarship schemes by the AP State Minorities Finance Corporation as brought out in the next paragraph.

In reply, the departments stated (February 2013) that, even though BROs were issued, in some cases the bills were not honoured in the treasury due to financial restrictions imposed by Government.

Audit findings relating to management of finances of PMS are discussed below:

3.4.2.1 Funds lying unutilised with APSMFC, APSCMFC and UAAP

Government releases funds to the Andhra Pradesh State Minority Finance Corporation Limited (APSMFC), Andhra Pradesh State Christian (Minority) Finance Corporation (APSCMFC) and Urdu Academy of Andhra Pradesh (UAAP). All the three organisations in turn release funds to the district level authority headed by Executive Director, APSMFC for disbursement of scholarship through Online Scholarship Management System (OSMS), the software exclusively managed for sanction and disbursement of scholarship to the students of minority communities (Muslims and Christians).

None of these financial corporations were submitting proposals to the Government regarding their budgetary requirements. Therefore, budget was allocated and funds were released by Government without any correlation between the requirement and the capacity of these entities to absorb the funds. Consequently, as of March 2012, ₹99.60 crore pertaining to various scholarship schemes funded by GoI and State

Government had accumulated with these Corporations (APSMFC: ₹80.70 crore, APSCMFC: ₹10.44 crore, UAAP: ₹8.46 crore). Further, funds amounting to ₹45.51 crore (out of ₹99.60 crore) were held in fixed deposits by APSMFC instead of utilising for the purpose for which these were sanctioned.

Government, while confirming the Audit observation stated that the amounts were lying with the banks, as these were to be paid to the beneficiaries by APSMFC, only after verification of the genuineness of the claims, which is a time consuming process. APSMFC stated (January 2013) that the issue regarding misappropriation of scholarship funds kept in Fixed deposits was pending with the CB CID.

Considering the huge quantum of funds blocked with these Corporations, especially the APSMFC, apart from negating the objective of providing scholarship within the prescribed time to eligible students of minority communities, and the fact that accounts of APSMFC are in arrears, the scope for fraud and misappropriation of these funds cannot be ruled out. Government needs to closely monitor this issue for necessary remedial action.

3.4.2.2 Diversion of PMS funds

In Minorities Welfare Department, all pre and post-matric scholarships and RTF funds are being routed through APSMFC for disbursement through Executive Director at the district level. Administrative expenses are to be met from the managerial subsidy released by the Government for this specific purpose.

Audit scrutiny however, revealed that the PMS funds of ₹17.47 crore were diverted for other purposes like advertisement, administrative and other contingencies during the period 2008-12 in violation of the guidelines. In fact, an amount of ₹3.90 crore was released by the Government towards managerial subsidy during 2008-09 to 2011-12 and therefore, utilisation of scholarship amount for this purpose was irregular.

Government admitted that the Corporation has been utilising the scholarship funds for administrative expenses (@ 1 per cent for pre-matric, 2 per cent for post-matric and 2 per cent of the fee reimbursement).

3.4.2.3 Non-release of GoI funds

GoI has been implementing the centrally sponsored scheme (CSS) of post-matric scholarship (PMS) to OBC students for their educational development at post-matriculation stages since 1998-99. Under the scheme, the GoI provides 100 per cent Central assistance to State. The total expenditure incurred by the State in the terminal year of the 10th Five Year Plan, i.e., 2006-07 under this CSS would be the committed liability of the State for each year of the 11th Five Year Plan, and is to be funded by the State Government from its own budget each year. The status of CSS component of PMS as of March 2012 is given below.

Table 3.2

(₹ in crore)

Year	Amount released by GoI	BROs issued by Finance Department	Expenditure incurred	Amount retained by the State Government
2008-09	16.77	9.00	8.34	7.77(46%)
2009-10	20.35	16.49	3.35	3.86(19%)
2010-11	16.93	13.89	13.12	3.04(18%)
2011-12	35.45	0.00	0.00	35.45(100%)
Total	89.50	39.38	24.81	50.12

Source: Directorate of BC Welfare

As can be seen from the above table, State Government has not released the GoI funds in full in any of the years under review. In fact, during 2011-12, State Government has not released even a penny of the Central releases of ₹35.45 crore.

The BC Welfare Department failed to utilise even the funds released by the State Government, with only 64 per cent of ₹39.38 crore being utilised. Further, the amounts released by GoI were merged with the State Government funds despite clear instructions to continue the existing State Plan scheme, if any, as a separate entity. As against the GoI release of ₹89.50 crore under the CSS during 2008-12, BROs and administrative approvals were not issued to the extent of ₹50.12 crore. However, *the Director, BC Welfare/State Government submitted UCs to GoI for the entire amount of ₹89.50 crore while the actual utilisation of funds was only ₹25.30 crore.*

Government did not offer specific remarks in this regard. Considering the seriousness, the matter needs to be reviewed/investigated by the Government.

3.4.2.4 Locking up of huge funds with Nodal Banks/in CINB accounts

Government introduced (July 2008) payment of post-matric scholarship amount to the students through five nodal banks viz., State Bank of India (SBI), State Bank of Hyderabad (SBH), Andhra Bank (AB), Syndicate Bank (SB) and Indian Bank (IB). As per Government orders of July 2008, the nodal banks were to furnish the drawal particulars and the details of inoperative accounts of students college-wise, every quarter, to the District Welfare Officer (DWO). The DWO should advise the banks to release the maintenance charges to the students only if the latter are actually pursuing studies in the concerned colleges.

Audit scrutiny revealed that the above requirement was not complied with by the nodal banks. It was noticed that monitoring mechanism as envisaged was not working as the nodal banks were not furnishing college-wise, student-wise drawal particulars of operative and inoperative bank accounts every quarter to the DWOs as prescribed. Further, during the review period, no information was received from the nodal banks in respect of amounts credited to the bank accounts of students/Principals. Scrutiny revealed that, as of April 2012 an amount of ₹176.83 crore pertaining to the four year

period 2008-12 was held by the nodal banks/in CINB⁴ accounts without utilisation, which crippled the implementation of the scheme as discussed below:

- Scrutiny of available information (furnished only by BC Welfare department⁵), revealed that **₹20.32 crore⁶** pertaining to 2008-09 and 2009-10 was lying with **the nodal banks as of April 2012**, since it could not be credited to the students'/ colleges bank accounts due to incorrect information relating to banks accounts, non-operative bank accounts, etc.

Government in its reply (February 2013) stated that it is pursuing with the nodal banks for recovering the undisbursed amounts and that, as of January 2013, ₹6.46 crore was still available with the nodal banks.

- Government introduced disbursement of scholarship through Corporate Internet Banking (CINB) system with effect from 2010-11 and dispensed with payment through nodal banks. Under the CINB system, bank accounts (CINB accounts) were opened in favour of Director of Treasuries and Accounts (DTA) at District headquarters/Revenue Division headquarters with SBI and SBH. District Treasury, after admitting the bills presented by the DWOs of the three Welfare Departments (SW, TW and BCW), transfers the funds to CINB accounts, wherefrom, the amounts are transferred to the bank accounts of the colleges and students automatically.

It was noticed that, **₹156.51 crore⁷ was lying in CINB accounts** as of March 2012 without utilisation, as several transactions failed for various reasons such as mismatch between Account number and IFSC⁸ code; duplicate account numbers, software/server related problems at bank end, etc.

The control mechanism instituted to ensure that such failed transactions are analysed, reconciled and retransmitted under proper authorisation was, clearly, not operative. In all, **₹176.83 crore of scholarship funds were thus held by these banks**. Further, an amount of ₹45.51 crore was held in fixed deposits by APSMFC as discussed in paragraph 3.4.2.1 in respect of Minorities Welfare Department.

Government attributed the idling of huge funds in the Nodal Banks/CINB accounts to the defects of the eZpay cards and the lack of cooperation of the banks. It was also stated that action was being taken for remittance of the remaining amounts into Government account.

3.4.2.5 Unwarranted sanction of tuition fee to Government colleges

As per Government orders, Government educational institutions were to remit back the tuition fee component to the Government account and retain the special fee, examination fee and other fee in Non-government account to meet the miscellaneous

⁴Corporate internet banking

⁵Similar information was not furnished by Social, Tribal and Minorities Welfare Departments

⁶SW: ₹4.59 crore; TW: ₹2.80 crore; BC Welfare: ₹12.89 crore and EBC: ₹0.04 crore

⁷PD Accounts (₹56.71 crore) and in CINB accounts (₹99.80 crore)

⁸Indian Financial System Code

expenditure incurred on students. Thus, as soon as tuition fee is credited into government colleges' accounts, they have to remit back the same through a challan to Government Account. ***Government colleges were however, not complying with these orders and the resultant money remained unremitted in the Principals' accounts.*** The process of crediting money into Government educational institutes and these in turn crediting it back to Government account unnecessarily locks up public funds.

It was noticed that the total amount of tuition fee reimbursed by Government to Government educational institutions from 2008 to 2012 was ₹88.30 crore. The Departments in their reply stated that Higher Education Department had been addressed to issue specific guidelines to Government colleges with regard to remitting of tuition fee and special fee into Government account.

3.4.2.6 Embezzlement of scholarship funds

Government decided in December 2010 to issue eZpay cards of State Bank of India (SBI) to all those students, who did not have a bank account with ATM facility. A total number of 30,059 eZpay/ATM cards were issued (2010-11) by SBI to District Backward Classes Welfare Officer, Hyderabad for onward distribution to SC, ST and BC students.

Audit scrutiny revealed that 4,156 cards (including ATM cards issued prior to November 2010) were stolen during November 2010 to December 2011 in four divisions of District BC Welfare Officer, Hyderabad and an amount of ₹17.25 lakh (90 *per cent* of the total amount of ₹19.12 lakh⁹ credited into these accounts) was fraudulently withdrawn from 471 bank accounts. The aforesaid embezzlement was facilitated due to the following reasons:

- The eZpay/ATM cards and passwords of such cards were issued by the bank in a single cover;
- Non-distribution of cards and not ensuring that cards were held in safe custody; and
- Delay (about 13 months) in reporting the incident initially by the officer concerned (i.e., ABCWO) and delay (1 month) in taking necessary action by the Director of BC Welfare to get the amounts released in the cards blocked by the bank authorities.

The Commissioner of Social Welfare stated (July 2012) that cards could not be distributed to the students due to issue of two or three eZpay cards to the same student and due to non-availability of the students to whom the cards were issued. Government stated (February 2013) that the issue was currently under investigation by the Vigilance & Enforcement Department and CID.

⁹ ABCWO, Charminar (90 accounts/₹2.91 lakh), ABCWO, Golconda (209/₹8.31 lakh), ABCWO, Musheerabad (86/₹2.44 lakh) and ABCWO, Secunderabad (86/₹3.59 lakh)

3.4.2.7 Non-maintenance of 'Register of Remittances/Challans' and non-reconciliation of receipts with Treasury

As per the extant orders, educational institutions are required to remit the undisbursed/unadjusted amounts of MTF/RTF under Post-matric scholarship scheme within 10 days into Government account and submit a copy of the challan to the DWOs of the concerned welfare departments. All such challans are to be recorded in 'Register of Remittances/Challans' and reconciled with treasury figures every month.

Government instructions were not complied with by any of the test checked educational institutions/DWOs.

During test-check of records in the sampled districts, Audit observed the following:

- The Principals of the colleges remitted un-disbursed scholarship amount of ₹2.54 crore with delays ranging from 2 to 26 months.
- DWOs did not maintain any record (college-wise) either in manual or in electronic form for the remittances made by the Principals of the educational institutions and hence were not in a position to know the actual expenditure figures for that particular year in respect of scholarship.
- DWOs did not reconcile the figures of remittances/challans made by the Principals with those of Treasury.

There was also no provision in the ePASS website to feed the remittance (challan) particulars.

Government stated (February 2013) that instructions have been issued to all JDs/DDs directing them to maintain these Registers and to submit Treasury reconciliation statements every month. It was also assured that provision would be made in ePASS website to enable the feeding of remittance particulars.

3.4.2.8 Utilisation Certificates

As per the Government orders, the Principals should submit Utilisation Certificate (UC) to the district Officers within 15 days of receipt of the funds. This requirement was not complied with by the educational institutions, and in turn by the district authorities, to the respective Commissionerates.

In the sampled districts, it was observed that an amount of ₹1,606 crore was released, against which, UCs to the extent of ₹1,122 crore¹⁰ (70 per cent) were still pending from various authorities i.e., educational institutions, DWOs, etc. as detailed below. Further, no record was maintained to watch the receipt of UCs and there was no provision in the ePASS application also to record the receipt of UCs.

¹⁰ 2008-09: ₹54 crore; 2009-10: ₹154 crore; 2010-11: ₹270 crore and 2011-12: ₹644 crore

Table 3.3

(₹ in crore)

Department	Amount released	UCs received for	Pending UCs
BC Welfare	948	50	898
Tribal Welfare	167	11	156
Minorities Welfare	491	423	68
Total	1606	484	1122

Source: Records of DWOs

In addition to the above, it was observed that UCs for an amount of ₹29.97 crore were pending submission from the Social Welfare Department to Government with regard to Best Available Schools (BAS) Scheme under pre-matric scholarships. Further, UCs were pending for ₹15.80 crore (out of ₹25.81 crore) from Tribal Welfare Department relating to the same scheme.

Government stated (February 2013) that a service has since been provided in ePASS for UCs to be generated and submitted by the respective colleges and educational institutions for the year 2013-14 and that, with regard to earlier years, instructions had been issued to Officers concerned to obtain UCs from the respective colleges and educational institutions

3.5 Implementation of schemes

3.5.1 Pre-matric scholarship schemes

Government of India (GoI) has been implementing the centrally sponsored pre-matric scholarship scheme since 1998-99 to promote the educational development of OBC students at pre-matriculation stage. Under the scheme, students staying in hostels are eligible for payment of ₹200 per month for Classes III to VIII and ₹250 per month for Classes IX and X for a period of 10 months in a year. GoI provides 50 per cent central assistance to States over and above the 'committed liability'¹¹ of the State for this scheme.

Pre-matric scholarship scheme was extended to the Day Scholar OBC students with effect from 2009-10 onwards. As per the guidelines, the students whose parental income from all sources does not exceed ₹44,500 per annum and are studying in recognised schools, are eligible for payment of ₹25 per month for Classes I to V, ₹40 per month for Classes VI to VIII and ₹50 per month for Classes IX and X. An *ad-hoc* grant of ₹500 per student per annum is also to be given.

Audit scrutiny revealed that GoI has released ₹16.93 crore during the period 2008-10 as its share for implementation of the scheme. As against this, as of February 2013, an amount of ₹4.79 crore was yet to be revalidated/spent. State Government however, did

¹¹ Committed Liability' means the total expenditure incurred by the State in the terminal year of the Five-year Plan. For example, Committed Liability in 2011-12 is the total expenditure incurred by the State in 2006-07, i.e. the terminal year of the 10th Five-year Plan under the CSS of Pre-matric scholarship to OBC students

not provide its matching share including the committed liability during the period. As a result, GoI did not release any funds during 2010-12.

3.5.2 Merit Upgradation Scheme

The scheme of merit upgradation awards to SC and ST students provides for 100 *per cent* Central assistance to State for arranging remedial and special coaching for SC and ST students studying in classes IX to XII. While remedial coaching aims at removing deficiencies in school subjects, special coaching is provided to prepare the students for competitive examinations for entry into professional courses like engineering and medical.

Each year, 296 SC students (for four classes at 74 Awards per class) should be covered under the scheme throughout the State. Students showing excellent performance in previous examinations are to be selected for this coaching. Coaching is for a period of four years commencing at class IX level and continues till a student completes class XII with a view to making sufficient time available for coaching as well as meaningful interaction between these children and others. A package grant of ₹15,000 per student per year is to be given towards boarding, lodging, books and stationery (₹8,000) and towards Honorarium to faculty and other incidental charges (₹7,000). Audit observations in this regard are tabulated below.

Table 3.4

(₹ in lakh)

Year	No. of beneficiaries identified	Funds released by GoI	GoI funds released by State	Funds released by Commr/SW out of Col. 4	Expenditure	Comments
1	2	3	4	5	6	7
2008-09	296	44.40	44.40	44.40	44.40	-
2009-10	-	-	-	-	-	Due to non-release of funds, the scheme was not implemented
2010-11	592	88.80	88.80	88.80	-	Funds released were diverted to other scheme (BAS)
Total	888	133.20	133.20	133.20	44.40	

Source: Records of Commissionerate, Social Welfare

As against the grant of ₹1.33 crore received towards Central assistance, the State Government submitted Utilisation Certificates (UCs) only for ₹44.40 lakh to GoI. UCs for the balance amount of ₹88.80 lakh were yet to be submitted to GoI as of March 2012.

Government sought to justify the non-provision of requisite funds and unauthorised diversion of CSS funds to State scheme stating that the objectives of the schemes were same. The contention of the Government is not acceptable, since the discretion given to the State Government is for utilisation of GoI funds for CSS and not for State schemes, for which budget is to be provided specifically by the State Government.

3.5.3 Pre-matric Scholarship for children of those engaged in unclean occupations (SW)

The objective of this centrally sponsored scheme is to provide financial assistance to parents who are traditionally engaged in unclean occupations like scavenging, sweeping, flaying and tanning to enable their children to pursue education upto matriculation level. The assistance includes payment of scholarship every month and annual *ad hoc* grant to the students. There is no income ceiling for sanction of scholarship under this scheme. The hostel boarders of classes III to class X are sanctioned scholarship at ₹700 per month and the day scholars of class I to class X at ₹110 per month. Further, an *ad hoc* grant of ₹750 per annum per student for day scholar and ₹1,000 per student per annum for hostellers are provided for all classes. GoI has liberalised this scheme by removing the restrictions on the number of children eligible for scholarships and income ceiling. Details of GoI releases for this scheme are given below.

Table 3.5

(₹ in crore)

Year	No. of beneficiaries identified	Amount released by GoI	Release of GoI funds by State	Amounts retained by Commr. SW	Expenditure
2008-09	8000	Nil	Nil	Nil	Nil
2009-10	14438	21.72	11.13	Nil	0.71
2010-11	13183	8.80	10.59	7.58	0.10
2011-12	16603	Nil	8.80	0.00	1.65
Total		30.52	30.52	7.58	2.46

Source: Records of Commissionerate, Social Welfare

Audit scrutiny of implementation of this scheme revealed the following:

- Of the ₹22.94 crore released, an amount of ₹9.67 crore was diverted towards payment of rent of hostel buildings (SW) and BAS Scheme under the orders of the Commissioner and only an amount of ₹2.46 crore was utilised on implementation of this scheme.
- Details of expenditure incurred out of the remaining amount of ₹10.80 crore were not furnished to Audit by the district authorities, to whom amounts were released for implementation of the scheme.

Thus, non-release of the amounts released by GoI coupled with unauthorised diversion of scheme funds towards payment of rent of hostel buildings and BAS scheme adversely affected the implementation of the Pre-matric Scholarship Scheme for children of those engaged in unclean occupations.

Government stated (February 2013) that the component of rent was being reflected in the proposals for financial assistance sent to GoI every year. However, specific orders of GoI permitting such diversion were not made available to Audit. It was also stated that UCs for the amounts already spent were being obtained from the district officials. It is pertinent to note that the scheme is specifically intended for the benefit of parents

who are traditionally engaged in unclean occupations like scavenging, sweeping, flaying and tanning to enable their children to pursue education upto matriculation level and not for general category of students. Hence the contention of the Government is not correct.

3.5.4 Diversion of pre-matric scholarship scheme funds - CSS (BCW)

Pre-matric Scholarship guidelines issued by GoI clearly stipulate that the funds released in respect of scholarship should not be diverted for any other purpose. It was also made clear that the State Government should not use the funds provided under central assistance to supplement any State scheme and that, the CSS should be implemented strictly as per the approved norms, while the existing State scheme should continue only as a separate entity.

Contrary to these guidelines, the Director, BC Welfare permitted (July 2008 and February 2009) the DBCWOs of 18 districts to utilise pre-matric scheme funds of ₹1.69 crore towards payment of cosmetic charges of hostel boarders during 2008-09. The expenditure on payment of cosmetic charges was to be met by the State Government from its regular budget and the diversion resulted in deprival of scholarship to eligible students to that extent.

Government sought to justify the diversion by stating that the budget released by GoI had been used for the benefit of the OBC students who are from BPL families. But, this was contrary to the guidelines issued by GoI, which stipulated that the funds released in respect of scholarship should not be diverted for any other purpose.

3.6 Post-Matric Scholarships

3.6.1 Overview of implementation process

Two types of payments are admissible under PMS – Reimbursement of Tuition Fee (RTF) and Maintenance Fee (MTF). RTF is paid directly to the bank accounts of the colleges/Principals and MTF is paid into the bank accounts of the Wardens (if the student lives in a college/department managed hostel) or a student (if he/she lives in a separate/self managed hostel). While the rates of MTF are standardised, RTF varies depending on the fee structure of the college concerned.

Approximately, 25 lakh students receive the benefit of scholarship every year. Pre-matric scholarship is paid as per the slabs specified by Government and are sanctioned and disbursed manually. As mentioned in paragraph 3.2.3, the process is currently being computerised. PMS were sanctioned and disbursed manually until 2007-08 based on the guidelines issued by Government¹² in July 2002. In view of the delays encountered in sanction and release of scholarship amount, Government introduced computerised system for the purpose in July 2008. The chronology of

¹² GO Ms No. 90 Social Welfare (Edn. 2) Department, dated 30 July 2002

changes in the mode of capturing eligibility of the beneficiaries and disbursement of PMS amounts during the period 2008-12 is given below:

System	Period	Advantages envisaged	Problems
Social Benefit Management System (SBMS) (Vide GO Ms No. 143 Social Welfare (EDN.2) Department, dated 15 July 2008)	2008-09	<ul style="list-style-type: none"> • Simplify sanction process • Timely sanction and disbursement so that students can withdraw money on 1st of every month • Enhance transparency and accountability in sanction and disbursement by placing the entire information in public domain 	<ul style="list-style-type: none"> • Inadequate Internal controls • Incomplete data capture • Limitations in report generation • Lack of master table • Generated dummy bank account numbers • Generated incorrect budget figures
ePASS (online) (Vide GO Ms No. 66 Social Welfare (SW.EDN.2) Department, dated 8 September 2010)	2009-10 onwards	<ul style="list-style-type: none"> • To overcome perceived problems of SBMS 	<ul style="list-style-type: none"> • Inadequate validation controls • Incomplete data capture

Audit findings relating to transaction processing and payment of amounts to the students during the period 2008-12 involving both the systems – SBMS and ePASS are brought out below.

3.6.2 Inadmissible payments under SBMS

In addition to systemic issues tabulated above, audit scrutiny of transactions in the SBMS on a test-check basis, brought out inadmissible payments, as detailed below:

- Reimbursement of fee to 2007-08 batch B.Ed students (1484 students) was done at 2008-09 fee rates at ₹13,200 per student, instead of at 2007-08 rates of ₹3,675 per student. This resulted in an excess payment of **₹33.49 lakh**.
- Similarly, fee (RTF) in excess of eligibility was released by District BC welfare Officers (DBCWOs) for different courses for the year 2008-09, resulting in an excess payment of **₹85.51 lakh**.

Government while confirming (February 2013) the excess payments, stated that the excess sanction was not intentional and that, action was initiated to recover the excess amounts paid and as of February 2013, ₹92.38 lakh was recovered.

3.6.3 Development of ePASS system

Social Welfare Department could not produce the records/documentation relating to feasibility study, system requirement specification, user requirement specification and the agreements made with the service provider with regard to ePASS system. Further, although some of the earlier problems with SBMS were addressed by the current application, there were still several grey areas which remained unaddressed, as discussed in the subsequent paragraphs.

3.6.3.1 Inadequate facilities at 'Centre for Good Governance' to host ePASS Data

Centre for Good Governance (CGG) was established for research, provision of professional advice and conducting change management programmes in Government departments. The infrastructure developed at CGG consequent to its creation does not offer Data center Services (that require core infrastructure development, physical security/protection systems, atmospheric conditioning, facilities for storage of large scale distributed production data/retrieval/maintenance and backup, etc.) to Government departments/bodies. Despite the absence of adequate infrastructure and CGG's stated inability (March 2011) to handle the increasing load of the ePASS application, the department entrusted (November 2009) the tasks of data storage, retrieval, backup and maintenance of ePASS system to CGG.

Though Government stated that CGG is a fully equipped data centre, CGG itself expressed its inability to handle the increasing load of ePASS application.

3.6.3.2 Inadequate Application controls in ePASS

Audit analysis of the relevant data/tables of ePASS system relating to processing of applications of students/colleges, sanction and disbursement of scholarship amounts to the beneficiaries revealed the following:

Invalid entries/Duplicates

- One e-mail address was being used by 56,582 out of 24.46 lakh and 53,818 out of 24.89 lakh students, during the years 2010-11 and 2011-12 respectively.
- A single mobile number was listed for 1,961 students from 25 different institutes.

Government stated that from the later part of 2011-12 onwards, the ePASS system does not allow multiple entries of the same email ID/mobile number. This contention is incorrect, as data analysis revealed invalid/duplicate entries even during 2011-12.

Non-capture of Admission Category (Convenor/Management/Spot Admission quota)

Admission category has not been captured in respect of Common Entrance Test (CET) students in all cases in the year 2009-10 (4.70 lakh students), 5570 out of 5.04 lakh students in 2010-11 and 365 out of 4.09 lakh students in 2011-12.

Government while accepting the Audit observation stated that the lack of validation control was due to technical error.

Grant of scholarship to students with higher than eligible family income

The application logic failed to restrict grant of scholarships to students whose family income is more than one lakh which resulted in payment of scholarship of ₹90 lakh to 576 ineligible students during 2008-11.

Government attributed the lapse to failure of District officers (who were entrusted with the edit options for correction of the income) to exercise the option given.

Sanctions granted beyond course duration

Sanctions were also given for payment of scholarship without considering the duration of the course, which was one of the essential parameters to be considered while sanctioning scholarship. This resulted in excess disbursement of ₹11.98 lakh to 73 MBBS/BDS students beyond the course period (upto 5 years as against 4 and 1/2 years) in the sampled districts.

Government stated that the fee structure for the internship period was embedded in the ePASS system as communicated by the NTR University of Health Sciences. This, however, goes contrary to the instructions¹³ issued by the Health, Medical and Family Welfare Department, which clearly stipulate collection of fees for the course period only.

Sanction of PMS to students whose details are not available in the application table

The application table maintains complete details of the students along with their application ID and students' details cannot be verified if some details are missing in the application table. It was observed that 649 students have been sanctioned PMS during 2008-12 even though their data or application ID is not available.

Government stated that this is not technically possible as these applications relate to students of AP studying in other States and students of Best Available Schools. The reply of the Government is not acceptable, as the student details were to be available in the application table.

Credit of MTF to College Bank Accounts

As per the guidelines for reimbursement of fee to colleges and payment of scholarship to students, disbursement of RTF to colleges and maintenance charges (MTF) to students is to be done through on line banking. All colleges and beneficiary students should have a bank account and furnish it at the time of registration along with a photocopy of the first page of bank account. Disbursement of RTF is to be made in two instalments to the college concerned and disbursement of MTF is to be made in four instalments to the bank accounts of students/wardens. Any change in the bank account number can be done only by the authorised representative of the college or by the student concerned as the case may be.

Contrary to these guidelines, it was observed that the students' bank account details were populated with the institution bank details in 1,21,806 cases during the period 2009-12.

Further, it was also observed that the MTF sanctioned to the students who are not part of college attached hostel or department attached hostel, was credited to college bank accounts to an extent of ₹4.30 crore.

¹³ Memo No. 14528/E1/2002-2, dated 3 October 2002

Government stated that the data was verified with ePASS data and verification details revealed that no SMH/Day Scholar student was sanctioned MTF under CAH/DAH category. Audit, however, observed that in 9 cases the MTF was sanctioned to college/hostel accounts and in 2 cases the amount was also released to college/hostel account.

3.6.3.3 Irregular reimbursement of PMS

Audit scrutiny revealed several cases of irregular reimbursements in the sampled districts as detailed below:

Scholarship to Ineligible GATE students

Government orders¹⁴ stipulated that students who secured a rank in GATE¹⁵ were eligible only for one form of assistance which cannot be combined with any other assistance. Contrary to this, scholarship was sanctioned during 2010-11 under PMS to 137 GATE students involving an irregular payment of **₹76.82 lakh**¹⁶.

Government stated (February 2013) that instructions were issued to recover the sanctioned amounts from the ineligible students and the same was in progress.

Scholarship to ineligible Spot Admission students

As per the Government orders¹⁷ of February 2011, unfilled seats under the Convener quota surrendered/made available after the completion of the counselling process should be treated as Spot Admissions and RTF/MTF is not payable in these cases. Contrary to these provisions, **₹56.49 lakh** was paid as PMS to 152 students¹⁸ during 2010-11.

Government stated (February 2013) that there were no sanctions contrary to its orders. The reply of the Government is not acceptable as the amounts pointed out by Audit pertain to sanctions in respect of fresh cases of 2010-11 and not renewals of 2010-11 and were derived as a result of the analysis of data obtained from AP State Council of Higher Education (APSCHE) with reference to the sanctions contained in ePASS.

Non-updation of Revised fee structure

RTF was disbursed (2009-11) in excess of eligibility due to non-updation of the revised fee structure in the ePASS database in respect of 1,806 students involving an amount of **₹82.82 lakh**¹⁹.

Government assured that these cases would be examined and corrective action taken.

¹⁴ Memo No.1611/SW.Edn.2/2011-7 dated 16 August 2011 issued by the Social Welfare (Edn2) Department

¹⁵ Graduate Aptitude Test in Engineering

¹⁶ Chittoor: ₹3.11 lakh; Hyderabad: ₹5.57 lakh; Khammam: ₹3.99 lakh; Ranga Reddy: ₹39.53 lakh; SPS Nellore: ₹1.30 lakh and Visakhapatnam: ₹23.32 lakh

¹⁷ Memo no.1611/SW.Edn.2/2011-2 dated 3 February 2011 of Social Welfare (EDN.2) Department

¹⁸ Chittoor: ₹10.97 lakh (30); Khammam: ₹3.86 lakh (10); Ranga Reddy: ₹16.10 lakh (43); SPS Nellore: ₹1.45 lakh(4) and Visakhapatnam: ₹24.11 lakh (65)

¹⁹ Chittoor: ₹22.27 lakh; Hyderabad: ₹22.88 lakh; Khammam: ₹2.95 lakh; Ranga Reddy: ₹28.22 lakh; SPS Nellore: ₹0.17 lakh and Visakhapatnam: ₹6.33 lakh

Irregular sanction of Special fee

Special fee was irregularly sanctioned to ineligible students (who are pursuing Arts courses) of AP Tribal Welfare Residential Junior colleges to a tune of **₹43.95 lakh** even though they were not eligible for 'Special fee'.

Tribal Welfare Department did not furnish any specific reply on this issue.

Government did not notify any special fee for M. Pharm course for the year 2009-10. However, an amount of **₹15.57 lakh** was sanctioned as special fee to 541 M. Pharm students in the State during the year 2009-10.

Government stated (February 2013) that steps were being taken to recover the amount from the colleges concerned.

Sanction of higher rates of MTF due to misclassification

For day scholars of Women's College (Osmania University), the rate of scholarship applicable to students managed hostels was paid instead of the rate payable for day scholars, which led to an excess payment of scholarship to the extent of **₹27.15 lakh** in respect of 2,946 students during 2008-11.

Government stated (February 2013) that, from the year 2011-12, the category of SMH was discontinued for SC and ST students and there were only two recognised categories of hostel types among SC/ST students, i.e., College Attached Hostel and Day Scholar. The contention of the Government is not acceptable, as Audit found that scholarships were sanctioned to Student Managed Hostel in 2011-12 also.

Government issued instructions (August 2010) to all the Commissioners/District Collectors/DWOs to verify all the claims admitted and make necessary recoveries where excess amounts have been sanctioned or to clear correct claim by suitably attending to the errors. However, as of March 2012, no recoveries were effected, as the concerned departments have not initiated any steps for analysing the ePASS data for effecting recoveries.

3.6.3.4 Bogus claims

ePASS system allowed an applicant to file multiple applications by selecting different options in some of the fields (Pass type/State/Board) of his application form which resulted in multiple sanctions/scholarship releases to the same applicant. The number of such duplicate applications (applications with matching ssc id, ssc pass year and date of birth) ranged from 2 to 66 applications for individual colleges. The above loophole resulted in a total 19,375 irregular/bogus scholarship claims in the four year period of 2008-12 involving disbursement of **₹20.60 crore**. This deficiency points towards a loophole in the application and reflects on the failure of Principal, Verification officer and District Welfare Officer.

Government, while accepting (February 2013) the audit observation, stated that action was being taken to recover the amount from the concerned students and colleges.

3.6.3.5 Delay in sanction of PMS

As per Government policy, scholarship is sanctioned on ‘saturation basis’. Audit however noticed that, 3 to 19 *per cent* students were not sanctioned MTF and RTF in the same academic year during 2009-11. Details in this regard for 2008-09 were not available in ePASS system, while the break-up between the number of applications received and the number of students sanctioned were not available during 2011-12 in ePASS system.

Table 3.6

Year	Number of students			Total amount sanctioned (₹ in crore)	Amount pending disbursement (₹ in crore)	Percentage of students not sanctioned MTF/ RTF in the same year
	Applied for MTF and RTF	Sanctioned MTF and RTF	Pending sanction			
2009-10	2267874	1626569	641305	2839.93	88.01	3%
2010-11	2204616	764978	1439638	2905.98	542.09	19%

Source: ePASS data

Due to non-release of RTF by the Government, college managements were collecting the fee during the year coercively from the students. This was confirmed in field audit of colleges as well as in the beneficiary survey, wherein nearly 9 *per cent* of the students surveyed stated that they were yet to receive the tuition fees paid by them upfront to the college/institute.

Government, while accepting the audit observation with regard to coercive collection of fees from students by some colleges, attributed the delay in sanction of scholarship to phenomenal increase in demand for scholarship resulting in its inability to meet the requirement in the same year, necessitating carrying forward of dues to subsequent financial year.

3.6.3.6 Incorrect Fee Structure programmed in ePASS system

As per Government orders of September 2010, the Project Monitoring Unit (PMU) should update the fee and course masters, monitor the fee structure, and address technical issues in the ePass system for all the Welfare Departments.

This was not done by the PMU as was evident from the number of cases where the fee structure programmed in ePASS system was at variance with the approved fee structure. Fee structure authorised by three Universities was test checked in audit with reference to the fee structure in the ePASS application and the rates at which scholarship was actually credited. This comparison revealed variations in 107 out of 624 courses, resulting in a total excess payment of **₹67 lakh** as detailed below.

Table 3.7

(₹ in lakh)

Name of the University	Year	Tuition fee (No. of Students)	Special fee (No. of Students)	Total
Sri Venkateswara	2009-10	1.40 (185)	0.79 (93)	2.19
Kakatiya	2010-11	0.84 (64)	0.18 (50)	1.02
Osmania	2011-12	45.58 (3408)	18.40 (920)	63.98
Total		47.82 (3657)	19.37 (1063)	67.19

Source: Data from Universities and ePASS

It is evident that lack of supervision and monitoring of the fee structure by the PMU resulted in excess disbursement of tuition and special fee with consequent unwarranted gain to the educational institutions. Similar excess payments of tuition and special fee cannot be ruled out in the case of other Universities also.

Government did not offer specific reply in this regard.

3.6.3.7 Sanction of scholarship to students of ineligible age

As per the instructions (November 2011) of the Social Welfare Department, the maximum age prescribed for receiving PMS is detailed below.

Table 3.8

Level of study	EBC/Minorities/Disabled	SC/ST & BC
Intermediate	20 years	24 years
Graduate	25 years	29 years
Post Graduate and above	30 years	34 years

Source: ePASS system

Government instructions in this regard deny grant of scholarship to students of age group 0 to 14 or above 34 years. Analysis of data in ePASS revealed that scholarships were sanctioned and released (during 2011-12) to the extent of ₹1.44 crore to over/under age students as detailed below.

Table 3.9

(₹ in lakh)

Age group (Years)	Number of students	RTF		MTF		Total	
		Sanctioned	Released	Sanctioned	Released	Sanctioned	Released
0 to 14	1165	62.01	27.34	18.58	12.52	80.59	39.86
35 to 112	1458	173.83	72.59	42.38	31.93	216.21	104.52
Total	2623	235.84	99.93	60.96	44.45	296.80	144.38

Source: ePASS system

Government stated (February 2013) that the age restriction for scholarships was implemented from the year 2011-12 for fresh students and that the restriction would not apply to renewal students who were already registered under the scheme and are seeking renewal of the scholarship. Such renewal students beyond the age restriction

were sanctioned scholarships in 2011-12. The contention of the Government is not correct, as the said Memorandum does not distinguish between fresh and renewal cases and merely stipulates the maximum eligible age as on 01 July 2011. Further analysis of ePASS revealed that the age restriction had not been applied in fresh cases also.

3.6.3.8 Excess fee credited

ePASS system calculates RTF for each beneficiary student on the basis of fee structure prescribed for the concerned course/college by the respective affiliating Universities. An analysis of fee (RTF) sanctioned during 2008-12 revealed that excess tuition fee to the extent of ₹33.65 crore (2.23 lakh cases) was sanctioned by the Government to the colleges on account of mis-calculation by the application.

Government replied that classification of colleges was modified in the ePASS system, based on the information provided by the college and recoveries are to be effected where excess sanctions have been accorded. On verification, Audit noticed that original sanctions are not being revised, when the college classification was modified, and consequently excess release had taken place.

While it is true that the classification of colleges has been corrected in the ePASS system, considering that the database has not been updated dynamically, the sanction details have not been revised. In view of this, the reply is not acceptable.

3.6.4 Release of RTF and MTF more than sanctioned

It was observed that RTF and MTF was released more than the amounts sanctioned in several cases as detailed below.

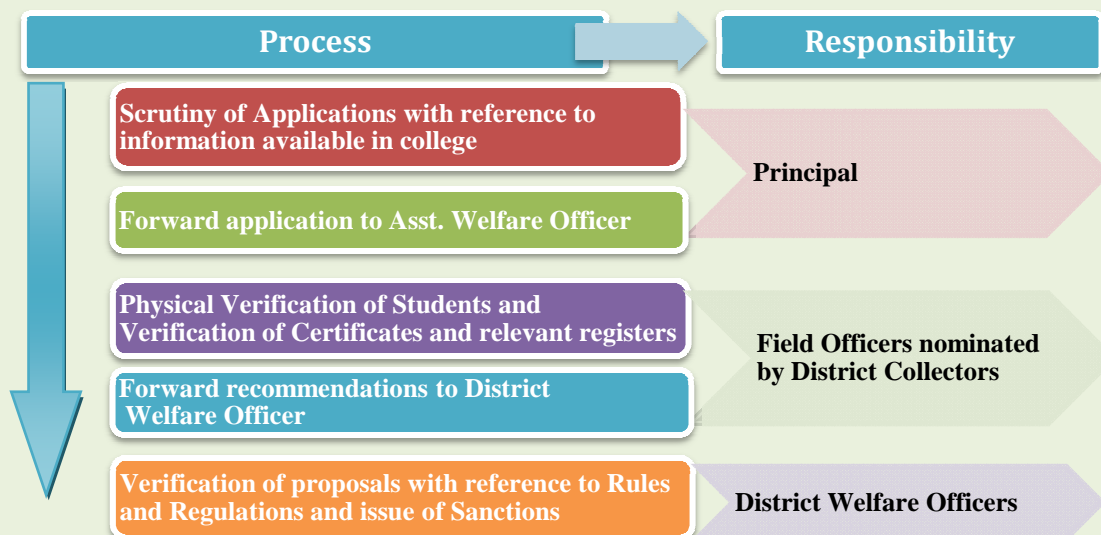
Table 3.10

Year	Type of Scholarship	No. of students	Actual amount sanctioned	Amount released	Excess amount of scholarship released
			(₹ in lakh)		
2008-09	RTF	35572	423.08	584.53	161.45
	MTF	48	0.72	1.33	0.61
2009-10	RTF	33964	2229.08	3067.62	838.54
	MTF	4133	119.92	175.39	55.47
2010-11	RTF	79	5.77	8.68	2.91
	MTF	41	(-) 0.42	0.00	0.00
2011-12	RTF	-----No excess payment-----			
	MTF	82	(-) 0.91	1.32	2.23
Total					1061.21

Government stated in its written reply that there were no cases of releases more than the sanction. However, in the Exit Conference, Government assured to examine the issues raised by Audit and take corrective action.

3.6.5 Verification of eligibility and sanction of scholarship

The process prescribed by Government for ascertaining the eligibility of the students for payment of PMS and the authorities responsible for such verification are depicted below.



3.6.5.1 Absence of due diligence in scrutiny of PMS applications by Verification Officers

As per the instructions issued by Government from time to time, it is the duty of the Verification Officers (VOs) identified by the District Collector to undertake physical and documentary verification of scholarship applications, so as to ensure that genuine students were granted scholarships with minimum delay.

Audit scrutiny revealed that due diligence was not exercised in verification of scholarship applications as detailed in *Appendix 3.2*.

Government stated (February 2013) that comprehensive instructions have been issued to VOs to strictly observe the rules laid down for verification.

3.6.5.2 Irregular payment to students admitted under Management Quota

As per Government orders of September 2010, students admitted under management quota or through spot admissions, are not eligible for PMS scheme. If they have been granted the same earlier, steps were to be taken to recover any amounts paid to them. These instructions were not complied with by the Welfare Departments.

Table 3.11 (₹ in lakh)

Department	No. of students	2009-10		Total
		RTF	MTF	
Social Welfare	102	50.88	11.00	61.88
Tribal Welfare	126	71.66	14.94	86.60
BC Welfare	523	231.55	35.38	266.93
EBC	472	201.38	0.78	202.16
Total	1223	555.47	62.10	617.57

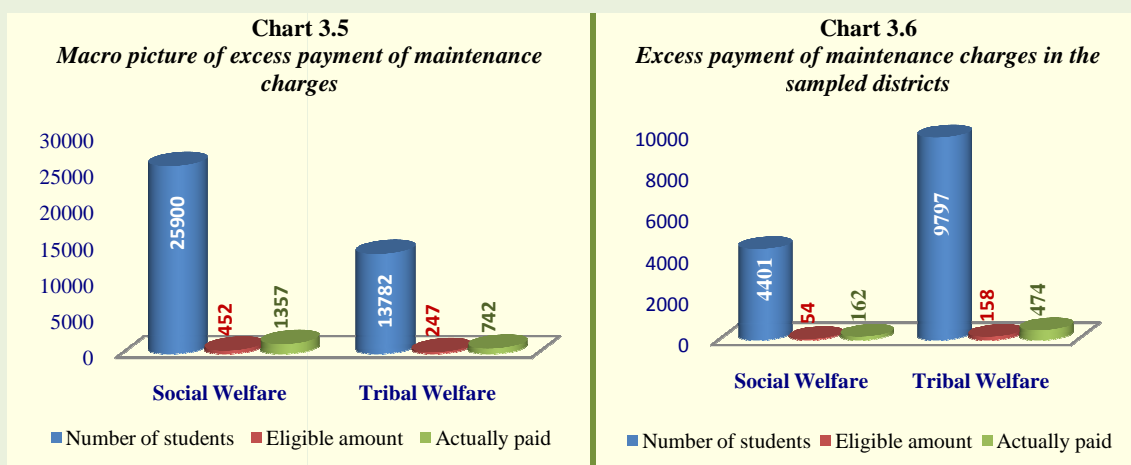
Source: Audit correlated the data furnished by APSCHE with that of ePASS application

Scrutiny of records of the DWOs of the departments in the sampled districts revealed that, scholarship was sanctioned to students admitted under Management Quota in Engineering/MBA/MCA/B.Ed courses for the year 2009-10. The details of students admitted under Management quota and amount involved are given in Table-3.11. It was however observed that the irregular payments had not been recovered as of September 2012.

Government while accepting (February 2013) the irregular sanction of scholarship to students admitted under Management quota, attributed it to lack of automatic CET validation in ePASS till 2011-12. It was also stated that instructions had been issued to District Officers to recover the same from the concerned colleges and students.

3.6.5.3 Sanction of full maintenance charges contrary to Government instructions

GoI guidelines (2003) on PMS stipulate payment of 1/3rd of hostellers' rate (maintenance charges) to the students of SC, ST communities who avail of free boarding and/or lodging. These guidelines were however, not complied with by the State Government. Analysis of e-PASS system data revealed that the Departments had paid **₹13.99 crore** in excess of the eligibility to the APSWRJC and APTWRJC during the period 2008-10.



When the excess payment was pointed out by Audit, the Commissioners of Tribal and Social welfare instructed (February 2011) the DWOs to stop the payments from the year 2010-11 onwards in respect of the inmates of the APSWRJC and APTWRJC.

Government stated that the filing of applications in ePASS by the inmates of APSWRJC and APTWRJC was restricted.

3.6.5.4 Irregular release of scholarship to TTD colleges

MTF amounting to ₹8.78 crore was released to eight colleges (for 21,665 students) in Chittoor district functioning under the administrative control of Tirumala Tirupati Devasthanam (TTD) which have attached hostels (where free boarding is provided by TTD) as against ₹2.93 crore admissible **and the amount was lying in the wardens' accounts as of February 2012.**

Government while accepting the Audit observation stated (February 2013) that certain modifications would be made in ePASS in this regard for adopting the guidelines in respect of TTD College hostel students.

3.6.5.5 Short sanction of scholarship to Minority community students

State Government enhanced (December 2006) the rates of scholarship of students belonging to Minority community at par with BC students with effect from 2008-09 onwards. The enhanced rates of scholarships were not implemented by the Minorities Welfare Department, depriving scholarship to the extent of ₹2.70 crore (3,37,689 students) during the period 2008-11 (2008-09: ₹98.08 lakh/1,22,604 students, 2009-10: ₹84.36 lakh/1,05,454 students, 2010-11: ₹87.71 lakh/1,09,631 students) to the minority category students.

Government did not offer specific remarks with regard to non-implementation of its orders of December 2006.

3.6.5.6 Non-conducting of physical verification

- Government orders²⁰ stipulated that physical verification of all eligible candidates is required to be conducted twice a year, i.e., first verification within one month of date of reopening of the college and second verification within one month from the last date of closing of the admissions. Contrary to these instructions, physical verification was done by the field officers only once, i.e., after reopening of the college and the second verification was not conducted during any of the years 2008-09 to 2010-11. Government contended (February 2013) that physical verification was being conducted in accordance with the orders issued. However, test-check in the sampled districts did not confirm this contention.
- Tribal Welfare Department, Khammam, Ranga Reddy, Visakhapatnam and SPS Nellore districts sanctioned an amount of ₹9.10 lakh to students studying outside the State of Andhra Pradesh for the years 2009-10 and 2010-11. The sanctions were made without conducting either physical or any other verification of the students. Government accepted the audit findings and promised compliance with relevant Government orders.
- Consequent to instructions of Commissioner of Social Welfare, Government has dispensed with the physical verification of Intermediate college students by the departmental verification officers from December 2011 onwards on the ground that the normal rolls of Intermediate students were already being computerised by the Board of Intermediate Education (BIE) after due verification. However, various duties assigned to verification officers including verification of caste and income certificate would not be performed by the BIE and it would be difficult to rule out crediting scholarship money either to ineligible, bogus or drop-out students. One such instance was noticed in Sri Chaitanya Junior Kalasala (Code No.15231), Kukatpally, Ranga Reddy district wherein 100 Intermediate College

²⁰GO Ms No. 143 Social Welfare (Edn.2) Department, dated 15 July 2008

students (first and second years) were sanctioned scholarship even though they were neither admitted nor studying in the college. Hence the decision to dispense with physical verification of students by the departmental officer was not in order.

Though Government replied that there were no such cases, in the Exit conference, it admitted that such cases occurred as was found during their inspection.

3.6.5.7 Sanction of scholarship without ensuring attendance

As per Government instructions²¹ (July 2008), Heads of the educational institutions were to submit the list of students whose attendance has fallen short of 75 *per cent* at the end of each quarter to the respective District Officers of Welfare Departments. The District Officers should make sure that the scholarship for such students in the subsequent quarter is withheld. For this purpose, the attendance of the students in college was to be verified periodically by District Officers and Field Officers (VOs) concerned.

The above requirement was not being complied with. None of the DWOs in the sampled districts had maintained the record of students whose attendance has fallen short of the prescribed minimum or a monthly list of students who have discontinued studies. Therefore, there is every possibility that the District Welfare Officers may have sanctioned PMS and RTF to students, even if they discontinued their studies or were irregular in attendance.

Government stated (February 2013) that the responsibility of certifying and confirming the attendance rests with the Principal of the educational institution concerned. The reply does not take into account the instructions issued by the Government in February 2008 which also stipulated periodic verification of attendance by the District and field officers.

3.6.5.8 Pendency in Verification

Audit analysis of the applications received in the ePASS system revealed a huge pendency in verification of applications as of April 2012, as detailed below.

Table 3.12

Year	Total applications	Applications pending verification at college level	Applications pending transmission from college to VO	Applications pending verification at VO level	Applications pending sanction by DWO
2008-09	1540550	Nil	Nil	261331	34971
2009-10	2456261	17	4688	3960	5611
2010-11	2446265	77802	3580	32723	9208
2011-12	2528563	188364	37483	65301	408574

In view of such huge pendency at various levels, eligible students were denied PMS.

Government while admitting the pendency in verification, stated that all the eligible students are sanctioned scholarship and there is no denial of scholarship to any eligible student. While it is true that scholarship is given on a saturation basis, Audit

²¹ Vide point 9.17 of GO Ms No.143 Social Welfare (Edn.2) Department, dated 15 July 2008

contention is that, huge pendency in verification of applications resulted in denial of timely sanction/release of scholarship to students. Tribal Welfare department assured that necessary instructions would be issued to Deputy Directors (TW) and DTWOs in this regard.

3.6.5.9 Denial of MTF to students

- An analysis of ePASS data pertaining to the 3 year period 2008-11 on the status of bank accounts of students revealed that 2,79,790 (7 per cent) out of 37,57,514 bank accounts were not being credited maintenance fee (MTF) due to a mismatch between bank account number and IFSC code (32,580 cases), invalid bank accounts (1,74,890 cases) and unconfirmed accounts (72,320 cases).
- As per the Government instructions (February 2011), the eZpay cards would become active for crediting MTF money only after the students confirm their possession of the card on the ePASS system. This was however not ensured. As of October 2012, 156374 students (27 per cent of a total of 5,71,482 students) could not get their maintenance fee credited in their eZPay Cards due to non-confirmation.
- Audit noticed that the Welfare Departments had not despatched 16,843²² (4.43 per cent) ATM Cards to students out of a total of 3,79,894 fresh cards received by them. Due to non-despatch of ATM Cards not only were 16,843 eligible students denied scholarship, the possibility of mis-utilisation of cards cannot be ruled out.

Tribal Welfare department stated that strict instructions are being issued to Deputy Directors (TW) and DTWOs for release of MTF without any delay. SW, BCW and Minorities Welfare departments did not offer specific remarks in this regard.

3.6.5.10 Huge variations in fee structure between various Universities

Audit analysis of tuition fee structure revealed huge variations for the same course offered by different colleges of different Universities. The amounts as approved by the different Universities are being entered in the ePASS system and students are being sanctioned the amounts, resulting in payment of different rates for the same course. For instance, the course fee sanctioned by State Government for M.Sc (Zoology) in Rayalaseema University (₹20,000) is more than 33 times the fees for the same course in Kakatiya University (₹600). Details are given in *Appendix 3.3* considering *B. Com* degree as an example.

Government, while accepting the audit observation, stated that, the issue of achieving a unified fee structure for all courses irrespective of Universities, has been brought to the notice of Cabinet Sub-Committee and Chairman, APSCH²³, and a final decision would be taken in due course.

²² 16,406 cards as of 15 January 2013

²³ Andhra Pradesh State Council of Higher Education

3.7 Monitoring and Evaluation

3.7.1 Monitoring by Task Force

As per the guidelines²⁴, there should be a Task Force with 14 members with effect from the financial year 2008-09 to oversee the implementation of the schemes and to monitor the new system. Government did not specify either the terms of reference of the task force or the periodicity of its meetings. There was no evidence that the task force conducted any review meetings in the districts as of March 2012 or interacted with the district officials/college managements with regard to implementation of the scheme.

Government while confirming the audit observation regarding non-conducting of Task force meetings, stated that, Principal Secretary, Social Welfare was conducting regular review meetings with the members of the Task force.

3.7.2 Absence of Internal Audit

Government orders stipulated that it was the responsibility of the Accounts Branch of the Departments to conduct Internal Audit of the Regional offices, District offices, Unit offices, etc. periodically (at least once in a year) and furnish report. However, except in Tribal Welfare department, internal audit was not carried out in any of the sampled districts/educational institutions. Although SW Department stated that internal audit was conducted in 13 districts during 2010-12, no records in support of this were made available during the audit of the District Welfare Officers in the concerned districts.

3.7.3 Absence of 'Social Audit' (BCW)

The Chief Minister decided (January 2008) to carry out social audit to ensure accountability and transparency in implementation of PMS in collaboration with Centre for Good Governance. However, no such audit had been conducted as of March 2012. Government assured compliance in this regard.

3.7.4 Non-maintenance of 'Record of blacklisted and debarred students'

In the sampled districts, none of the DWOs maintained a register of blacklisted and debarred students. Hence the possibility of payments to ineligible students cannot be ruled out. Government assured compliance in this regard.

3.7.5 Impact/Effectiveness of the Schemes

Government stated (February 2013) that the work of evaluation of the scheme was entrusted to the Indian Institute of Economics, Hyderabad to study all aspects of the scheme. The said evaluation was stated to have been done and the report submitted (April 2012). The report had, however, not been made available to Audit.

²⁴ GO Ms No. 143 Social Welfare (Edn.2) Department, dated 15 July 2008

Audit carried out an impact assessment of the scholarship schemes through a structured questionnaire issued to the DWOs in the sample districts as well as the beneficiary students across the State. Our findings are tabulated below:

Completion of course	The department stated that all the scholarship holders completed their courses. However, no information/data was made available to Audit regarding completion of the course by the students who received scholarship.
Success rate	No assessment was made by the departments on the success rate of the beneficiary students vis-à-vis general candidates to ascertain the areas of failure and take necessary corrective measures.
Increase in enrolment	The departments did not have information regarding enrolment of SC, ST, BC, EBC and Minority community students in specified courses during 2008-12 to assess whether there has been an increase/decrease in enrolment.
Retention of students	No information was available with the departments regarding the extent of dropouts and also whether the schemes have had a positive impact on the retention of SC, ST, BC, EBC and Minority community students.

3.7.5.1 Beneficiary Survey

Audit teams visited the selected colleges in the sampled districts and conducted a beneficiary survey. Beneficiary survey was also carried out through a structured questionnaire administered online. The response received from 3,061 beneficiary students (both online and in sampled colleges) revealed the following:

- 2,009 students (66 *per cent*) stated that scholarship was received with delays ranging from one year to three years.
- 1,053 students (34 *per cent*) stated that they were facing problems in submitting the application.
- 1,884 students (62 *per cent*) stated that the present quantum of scholarship was insufficient to meet their educational requirements.
- 834 students (27 *per cent*) stated that other expenditure, viz., study material, books and Laptops should also be covered as part of grant in aid by Government.
- 651 students (21 *per cent*) stated that they faced problems in obtaining sanction of scholarship.
- 280 students (9 *per cent*) stated that they were forced to pay RTF in advance to the college.
- 460 students (15 *per cent*) have not received their full scholarship.
- 171 students (6 *per cent*) stated that the District Welfare Officers have not resolved their scholarship related problems.

- 325 students (11 per cent) stated that their eZpay cards were retained by the College management.

The above results of beneficiary survey are in consonance with the audit findings as discussed in the foregoing paragraphs.

3.8 Conclusion

Government spent ₹9,369 crore on post-matric scholarship schemes during the last four years. While over 25 lakh students have been benefitting from the scheme annually, there were enormous delays in disbursing the scholarship amount on time, often resulting in the colleges/institutes coercing the students to pay the fees upfront. The ePASS system developed and maintained by CGG for capturing and processing all the transactions relating to sanction and disbursement of scholarships has brought in a lot of positive changes in implementation of the schemes. However, there were also numerous errors in ePASS system relating to e-mail IDs, bank account numbers, mobile numbers, application IDs, etc. which form the basis for enabling the eligible students to receive the scholarship amount. Since the entire data relating to sanction and disbursement of scholarship amounts is dependent on the ePASS system, it is vital that application controls of the system are adequate and facilitate entry of only valid and authorised data. While the nodal department (SW) has been taking initiative in ensuring that the data in the ePASS system is current and transparent, however, as brought out in the foregoing paragraphs, the application controls are inadequate, especially, validation checks, which facilitated entry of junk and invalid data as well as duplicate data for thousands of applications, which could facilitate fraudulent drawal of scholarship. Further, laxity in verification resulted in sanction of scholarships at higher rates in some cases, increase in chances of fraud/embezzlement of Government money as colleges were claiming scholarship for ineligible students; denial of scholarship to eligible students due to huge pendency in verification, etc.

Colleges/universities/institutes were the channel through which scholarship was disbursed and with no direct interface between the beneficiary students and the Government and no reporting back from the nodal banks about the details of disbursement, there is no mechanism for the Government to assess the impact of its initiatives in this regard. With each university/institute charging fees at will without any basis and the Government releasing scholarship amount based on such fees rather than stepping in and streamlining the fee reimbursement system, the burden on the State Government finances would increase manifold. Fund management relating to the schemes was marked by several lacunae, including idling of scarce funds and mis-utilisation of funds by the implementing agencies, non-utilisation of allocated funds and issuing UCs without actual utilisation.

3.9 Recommendations

- Government should take immediate steps to carry out a survey of all eligible students/colleges, and update the database with valid details, including mail IDs and bank accounts. The income certificate in the form prescribed by the Government should be insisted upon from the beneficiaries.
- Government should ensure allocation and release of adequate funds in a timely manner within the respective academic year, so that scholarships benefit the students in time.
- Government should put in place a proper mechanism to ensure refund of undisbursed scholarship funds available with various agencies (banks, corporations and district officials).
- Validation controls should be strengthened in the ePASS system to ensure that only eligible students get scholarship at the prescribed rates. Common Entrance Tests (CET) data may be linked with ePASS data/SSC Board data to avoid irregular sanction of PMS to management/spot admission quota students.
- In respect of minority welfare, Online Scholarship Management System (OSMS) should be brought into the ambit of ePASS, to ensure effective control. Also, payment of scholarship to minority community students needs to be brought under “treasury control” to avoid diversions and delays.
- There is an urgent need for the Government to assess the quality of education and infrastructure facilities provided by these institutes and rationalise/standardise the fee structure. Until that happens, Government should at least reimburse a fixed amount to the universities/institutes for various courses, rather than reimburse the cost quoted by these institutes.
- Government should dispense with releasing RTF to Government educational institutions since this is remitted back in any case.
- Fee structure uploaded in the ePASS system should be verified by an authorised official of the concerned departments to ensure accuracy of scholarship amount released.

Government agreed with almost all the audit findings brought out in the report. However, it felt that the system of disbursement of scholarships has come a long way since the days when the applications were processed manually and sanctions were accorded and amounts released manually and a lot of streamlining had taken place in this regard in recent years, especially after 2010-11. Government also accepted the recommendations in the Exit Conference and assured that appropriate steps would be taken to strengthen the system further.

Chapter-4

Performance Audit of Implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

**Municipal Administration and
Urban Development Department**

4.1 Introduction

4.1.1 Objectives of JNNURM

JNNURM was launched in December 2005 by Government of India (GoI) with a mission period of seven years (2005-12) to encourage reforms and fast track planned development of identified cities, with focus on efficiency in urban infrastructure and service delivery mechanisms, community participation and accountability of Urban Local Bodies (ULBs)/parastatal agencies towards citizens.

4.1.2 Sub-missions and components

The two main sub-missions of JNNURM are as follows:

- Urban Infrastructure and Governance (UIG), administered by the Ministry of Urban Development, which covers infrastructure projects relating to water supply and sanitation, sewerage, solid waste management, road network, urban transport and redevelopment of old city areas; and
- Basic Services to the Urban Poor (BSUP), administered by the Ministry of Housing and Urban Poverty Alleviation (GoI), which covers integrated development of slums through projects for providing shelter, basic services and other related civic amenities with a view to providing utilities to the urban poor.

JNNURM has the following two additional components for projects in small and medium towns (i.e., non-mission cities):

- Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), administered by the Ministry of Urban Development (GoI), which covers improvement in urban infrastructure projects relating to water supply, sewerage, solid waste management and roads, etc., in towns and cities in a planned manner.
- Integrated Housing and Slum Development Programme (IHSDP), administered by the Ministry of Housing and Urban Poverty Alleviation (GoI), which covers slum development with a healthy and enabling urban environment by providing adequate shelter and basic infrastructure facilities to the slum dwellers.

Based on Census 2001, 65 cities/Urban Agglomerations (UAs) were identified as 'mission cities' under JNNURM under three different categories. These included Hyderabad (Category A), Visakhapatnam and Vijayawada (Category B) and Tirupati¹ (Category C) in Andhra Pradesh. Other cities (termed as 'non-mission cities') are not eligible for coverage under the two main sub-missions of JNNURM (UIG and BSUP), but are eligible for finance under the two smaller components of JNNURM viz., UIDSSMT and IHSDP.

¹Notified as a JNNURM 'mission-city' in 2009

4.1.3 Mission Strategy

JNNURM envisaged the following strategy to achieve its objectives:

- Preparing a **City Development Plan (CDP)** indicating policies, programmes and strategies, financing plans and also facilitating identification of projects;
- Preparing **Detailed Project Reports (DPRs)** for undertaking projects in the identified spheres, which would ensure and demonstrate optimisation of the life cycle costs over the planned horizon of the project;
- **Releasing funds** (by the Central and State Governments) as grants-in-aid to the State Level Nodal Agency (SLNA), which would, in turn, disburse funds to the ULB/parastatal agency as soft loan or grant-cum-loan or grant; the SLNA/ULB would also **leverage additional resources** from other sources; and
- **Incorporating private sector efficiencies** in development, management, implementation and financing of projects through Public Private Partnership (PPP) arrangements.

4.1.4 Reforms Agenda

Since JNNURM was envisaged as a national level reform linked investment initiative, the State Governments and the ULBs (including parastatal agencies) were required to execute a tripartite Memorandum of Agreement (MoA) with the GoI regarding the reforms agenda, indicating specific milestones for each item of reform, as a necessary condition for accessing GoI assistance. Another mandatory condition for accessing GoI assistance is having elected bodies for all the cities.

4.1.5 Funding Pattern

Funding pattern for various categories of projects is broadly as follows:

Table 4.1

(In percentage)

Category	UIG			BSUP		UIDSSMT			IHSDP	
	Grant		ULB or Parastatal Share/Loan from FIs	Grant - Central Share	State/ULB/ Parastatal share, including Beneficiary Contribution	Grant		Nodal/ Implementing agency/Loan from FIs	Grant - Central Share	State /ULB/ Parastatal Share including Beneficiary Contribution
	Centre	State				Centre	State			
Category – A Mission cities	35	15	50	50	50	80	10	10	80	20
Category – B Mission cities	50	20	30							
Category-C and other cities	80	10	10	80	20					

Source: JNNURM guidelines

4.1.6 Organisational setup

JNNURM functions under the overall guidance of a National Steering Group (NSG) at the central level, which sets policies for implementation, monitors, reviews progress and suggests corrective action wherever necessary. The NSG is supported by

a Technical Advisory Group (TAG), whose task is to appraise proposals, and a Central Sanctioning and Monitoring Committee (CSMC), which is responsible for further appraising and sanctioning proposals. DPRs are scrutinised by the technical wings of the GoI Ministries/specialised technical agencies, before submitting proposals for sanction by the CSMC.

At the State Level, the programme is co-ordinated by a State Level Steering Committee (SLSC), headed by the Chief Minister/Minister of Urban Development/Minister of Housing, which reviews and prioritises proposals for seeking inclusion under JNNURM and assistance from the GoI. The SLSC is supported by a host of agencies, as summarised below:

Agency	Function(s)	Remarks
State Level Nodal Agency (SLNA)	Appraisal of projects submitted by ULB/parastatal agencies and obtaining sanction of SLSC; management of grants received from the Central and State Governments, and release of funds to ULBs/parastatal agencies; management of revolving fund for O&M; monitoring implementation of reforms (as indicated in the MoA); and monitoring physical and financial progress of sanctioned projects.	Andhra Pradesh Urban Finance & Infrastructure Development Corporation (APUFIDC) has been designated by the Government as the SLNA in February 2006.
Programme Management Unit (PMU)	Assist the SLNA in discharging its responsibilities, by providing requisite technical and managerial support, with a focus on programme management and monitoring.	PMU for Andhra Pradesh was sanctioned in June 2008.
Project Implementation Unit (PIU)	Operations unit, which supplements and enhances the existing skill mix of the ULBs, with a focus on enhancing the pace and quality of implementation of JNNURM.	10 PIUs – for three mission cities ² and seven non-mission cities ³ were sanctioned in June 2008.

Source: JNNURM guidelines

4.2 Audit Framework

4.2.1 Audit objectives

The objectives of Performance Audit of JNNURM were to assess whether:

- Reform agenda was implemented effectively;
- Individual projects were planned properly and executed economically and efficiently and achieved their intended objectives;
- There was a comprehensive and reliable assessment and identification of the requirements for infrastructural development of cities;
- Financial control was exercised adequately; and
- Mechanism for monitoring and evaluation was adequate and effective.

²Hyderabad, Visakhapatnam and Vijayawada

³Vizianagaram, Rajahmundry, Guntur, Anantapur, Ranga Reddy, Karimnagar and Warangal

4.2.2 Audit criteria

Audit findings were benchmarked against the criteria sourced from the following:

- Mission Guidelines, instructions, circulars, orders and toolkits issued by the GoI from time to time;
- Tripartite Memorandum of Agreement signed between the GoI, State Government and the ULBs;
- Detailed Project Reports (DPRs) of selected projects; and
- Andhra Pradesh Financial code and instructions issued by the State Government from time to time.

4.2.3 Audit Scope and Methodology

Audit was carried out between April 2011 and June 2012 and covered the implementation of projects during the entire mission period of JNNURM (2005-12). Out of the 251 projects costing ₹11,907 crore approved for the State under JNNURM, 74 projects (*Appendix 4.1*) with approved cost of ₹6,352 crore (53 per cent) falling under the four Mission cities⁴ and 38 Non-Mission cities⁵ were selected for detailed audit scrutiny. The component wise details are given below.

Table 4.2

Components	Sewerage	Storm water drains	Water Supply	Infrastructure facilities/ Housing	Others	Total	Approved cost (₹ in crore)
UIG	8	8	10	0	1	27	3759.77
BSUP	0	0	0	4	0	4	1063.67
UIDSSMT	8	9	25	0	0	42	1473.39
IHSDP	0	0	0	1	0	1	55.36
Total	16	17	35	5	1	74	6352.19

The Performance Audit commenced with an Entry Conference with the Managing Director, APUFIDC (SLNA for Andhra Pradesh) in April 2011. Field audit involved scrutiny of records of APUFIDC, concerned ULBs and the implementing agencies⁶ for the projects. Photographic evidence was obtained to substantiate audit findings where necessary. Survey of 1528 beneficiaries in respect of 20 projects was also conducted as part of audit. Audit findings were discussed with the Government in an Exit Conference in January 2013 and the responses of the Government/Department, including their written replies, were incorporated in the report at appropriate places.

⁴ Hyderabad, Visakhapatnam, Vijayawada and Tirupati

⁵ Anakapalli, Anantapur, Bapatla, Bhongir, Chirala, Dharmavaram, Dhone, Eluru, Kadapa, Kadiri, Kamareddy, Kandukur, Karimnagar, Kurnool, Mahbubnagar, Mancherial, Markapur, Medak, Miryalaguda, Nagari, Nalgonda, Nandyal, Narasaraopet, Narayanpet, Nizamabad, Ongole, Pithapuram, Proddutur, Rajampet, Rayadurg, Ramachandrapuram, Sangareddy, Siddipet, Suryapet, Tanuku, Wanaparthy, Warangal and Yemmiganur

⁶ Hyderabad Metro Water Supply and Sewerage Board, Public Health Engineering Division of MA&UD Department

Audit Findings

4.3 Implementation of Reforms

4.3.1 Tripartite MoAs

Tripartite MoAs were executed with three of the mission cities (Hyderabad, Visakhapatnam and Vijayawada) in March 2006, while in respect of the fourth mission city (Tirupati⁷), it was executed in 2009.

4.3.2 State Level Mandatory Reforms

4.3.2.1 Background

The mandatory reforms at the State level under JNNURM covered the following:

- Implementation of the decentralisation measures envisaged in the 74th Constitutional Amendment Act (CAA);
- Repeal of Urban Land Ceiling and Regulation Act;
- Repeal of Rent Control Laws, balancing the interests of landlords and tenants;
- Rationalisation of stamp duty, to bring it down to not more than 5 per cent;
- Enactment of a Public Disclosure Law, so as to ensure preparation of medium term fiscal plan of ULBs and parastatal agencies and release of quarterly performance information to all stakeholders;
- Enactment of the Community Participation Law to institutionalise citizens' participation and introduction of the concept of Area Sabha in urban areas; and
- Assigning or 'associating' elected ULBs with the city planning function – over a period of seven years, transferring all special agencies delivering civic services in urban areas to ULBs, and creating accountability platforms for all urban civic service providers in transition.

Audit scrutiny revealed the following position in respect of the actual implementation of mandatory State level reforms in Andhra Pradesh:

4.3.2.2 Decentralisation measures

These involved transfer of 18 functions listed under the XII Schedule of the Constitution to ULBs. While 17 have been transferred by State Government to the ULBs, fire services were not transferred, as it catered to the needs of both rural and urban areas. However, the actual transfer of responsibility for these functions to the ULBs differed in respect of several functions, notably urban/town planning, as indicated below:

- In respect of the four mission cities (Hyderabad, Visakhapatnam, Vijayawada and Tirupati), where the Urban Development Authorities were set up, the Master Plan (Layouts and Development Plan) under Town Planning rests with the Urban Development Authorities and not with the ULBs.

⁷Tirupati was added as a mission city only in 2009

- In August 2007, amendment to the Andhra Pradesh Urban Areas Development Act and the Hyderabad Metropolitan Water Supply and Sewerage Act were passed, associating elected ULBs with the functioning of UDAs and HMWSSB. However, in the six⁸ test checked water supply and sewerage projects with HMWSSB, there was no evidence of the ULB's active involvement in preparation of Master plan and its implementation.

Audit findings in respect of other functions listed under the XII Schedule, formally transferred to the ULBs are summarised below:

Function	Status
Planning for economic and social development	This involved constituting District Planning Committees (DPCs) in all the districts, and the constitution of a Metropolitan Planning Committee (MPC) for Hyderabad. DPCs had been constituted in all the districts (except for Hyderabad). As regards the MPC for Hyderabad Metropolitan Area, Rules for formation of the MPC (in pursuance of the Act for constitution of MPC passed in December 2007) were issued only in January 2009. Further, the MPC for Hyderabad Metropolitan Area was yet to be constituted as of June 2012.
Roads and bridges	In the cities where UDAs are functioning, this function is being discharged by the UDAs as well as ULBs.
Water supply for domestic, industrial and commercial purposes	In respect of Hyderabad UA, this function is vested with HMWSSB and not GHMC.
Urban forestry	In the cities where UDAs were functioning, this function is being discharged by both UDAs and ULBs.

4.3.2.3 Other State level mandatory reforms

The Urban Land (Ceiling and Regulation) Repeal Act, 1999 came into force with effect from 27 March 2008. As regards reforms in rent control, as against the timeline of 2007-08 stipulated in the tripartite MoA⁹, the Andhra Pradesh Rent Control Bill, 2011 was passed by the State Legislature in December 2011. However, assent of the President of India is awaited as of December 2012. As regards rationalisation of stamp duty, the State Government issued orders in July 2010, reducing the existing rates of stamp duty from 7 per cent to 5 per cent effective from 1 August 2010.

⁸ 1. Rehabilitation and strengthening of sewerage system in old city area on south of Musi (Zone-I), 2. Rehabilitation and strengthening of sewerage system in old city area on south of Musi (Zone-II), 3. Implementation of sewerage master plan in Serilingampally municipality, 4. Comprehensive Water Supply Distribution Network and Implementation of Sewerage Master Plan for identified priority zones of Rajendranagar Municipal Circle of GHMC, 5. Krishna Drinking Water Supply Project - Phase II, and 6. Refurbishment of existing feeder system including distribution network for 10 zones in Old Municipal Corporation of Hyderabad

⁹ Between the GoI, State Government and ULBs with regard to the reforms agenda

Enactment of Public Disclosure Law

An amendment was made in April 2008 to the Hyderabad Municipal Corporation Act, to facilitate disclosure of information to the public at various intervals. Rules made in compliance to the amendment stipulate disclosure of 24 key items of information to the public through websites, notice boards and news papers, public announcements, etc. However, orders for implementation of the amended Act were issued only in December 2009 i.e., after the lapse of 20 months.

Audit scrutiny of the websites of the four Mission cities indicated that the requisite information on issues like disclosure of Council resolutions, collection of taxes, defaulters' list, financial statements, list of welfare programmes under implementation, etc., was available on these sites. However, information relating to identification of beneficiaries under different subsidy programmes and welfare programmes, list of plan and non-plan grants received from the Government, and annual accounts (specified in the April 2008 amendment) were not available on the ULB websites. ULB-wise details of non-provision of the stipulated information are indicated in *Appendix 4.2*. State Government replied (December 2012) that necessary instructions were issued to all the ULBs to disclose all the information as per Public Disclosure Law.

Enactment of Community Participation Law

An amendment was made in April 2008 to the Hyderabad Municipal Corporation Act, providing for constitution of Ward Committees (consisting of members of the Council representing the Ward, nominated members representing civil society, and representatives of the Area Sabhas (if existing), Ward Sabha (consisting of all electors in the ward) were to be constituted for each ward in the Municipalities, whose population is less than one lakh) and Area Sabhas (consisting of representatives of civil society nominated by the Council from each area) where population is between 1,000 and 2,000.

Although Legislative amendments were passed in April 2008, Rules for the Ward Committees were framed only in February 2010.

- In GHMC (Hyderabad), Ward Committees and Area Sabhas have been constituted.
- In Visakhapatnam (GVMC), although Ward Committees were constituted, Area Sabhas were yet to be constituted¹⁰.
- In the other ULBs in the State, these Committees/Sabhas were yet to be constituted as of June 2012.

Government stated (December 2012) that Ward Committees/Area Sabhas could not be constituted in other ULBs, due to absence of elected bodies, since elections were not held. Reply is not acceptable, since elected bodies were functioning in these ULBs at the time of issue of Rules (February 2010) and there was a delay of 22 months in framing the Rules.

¹⁰ It was noticed from the Resolution dated 20 January 2012, that representatives were nominated for Area Sabhas, however, there was no documentary evidence that the Area Sabhas were constituted

4.3.3 ULB Level Mandatory Reforms

The ULB level mandatory reforms and the status of their implementation in the Mission cities are given below:

Reform	Status of implementation
E-Governance set up	The modules for major service delivery items relating to registration of births and deaths, payment of property tax and other service taxes have been developed, facilitating public to access through outsourced agencies like e-Seva centres.
Shift to Accrual based Double Entry Accounting	<p>The ULBs of four mission cities generally indicated to audit that accounts were being prepared on accrual based double entry system and that, the units as well as the SLNA had reported successful achievement of this reform to GoI. However, Audit scrutiny revealed that only GHMC had actually prepared accounts on accrual based double entry system. As seen from the latest accounts of the other test checked ULBs (GVMC, VMC and TMC), accrual based double entry system was not being followed. The reporting of successful achievement of this reform by the ULBs and the SLNA to GoI, was thus, incorrect.</p> <p>In response, Government stated that the day-to-day transactions were being computerised in the new system.</p>
Preparation of GIS database by the ULB	<p>The ULBs committed to implement this reform within the first four years of the mission period. However, none of the test checked ULBs has so far succeeded in achieving this reform. Preparation of the GIS survey/database was still under progress in Hyderabad, Visakhapatnam and Vijayawada, while in the case of Tirupati, work has not been initiated.</p> <p>Government stated (December 2012) that preparation of GIS was completed in GVMC and confirmed that it was in progress in GHMC, VMC and TMC.</p>
Property Tax (85 per cent coverage and 90 per cent collection efficiency)	<p>All the ULBs reported that they had achieved coverage of property tax of more than 80 per cent (<i>GHMC 85 per cent; GVMC 90 per cent; VMC 89 per cent; TMC 100 per cent</i>). However, in the absence of a GIS database, correctness of the information could not be ensured.</p> <p>Regarding property tax collections, except VMC (97 per cent), the other three ULBs could not succeed in collection efficiency of more than 90 per cent as per the Demand Collection Balance (DCB) Register.</p>
100 per cent cost recovery (Water Supply and Solid Waste)	<p>Out of four mission cities, only GVMC had achieved the 100 per cent cost recovery towards water supply.</p> <p>As regards cost recovery towards solid waste, none of the ULBs had achieved this reform.</p>
Internal Earmarking of funds for Basic Services to Urban Poor	Audit noticed that all the mission cities had earmarked stipulated percentage (40 per cent) of funds in the budget towards services for urban poor.

4.3.4 Optional Reforms

Audit noted that the State Government had initiated action with regard to all the optional reforms relating to revision of building by-laws, earmarking 20 - 25 *per cent* developed land in all housing projects for economically weaker sections/lower income groups, simplification of legal and procedural framework for conversion of agricultural land for non-agricultural purposes, encouragement to PPPs, etc.

4.4 Planning and Preparatory Work

Planning under JNNURM involved the following:

- (i) Formulation of a ***City Development Plan (CDP)*** indicating policies, programmes and strategies, financing plans and ensuring that these remain living documents with updates as necessary.

Audit scrutiny revealed that CDPs have been prepared by the ULBs of all the four mission cities in the State and were approved by GoI.

- (ii) ***Preparation of DPRs*** for projects in the identified categories to optimise the life cycle costs of the projects.

DPRs were prepared in respect of all the projects taken up under JNNURM. However, while MoUD developed toolkits for preparation of DPRs, Audit observed that these were not followed with regard to several aspects like clear and unencumbered title to land, assessment of utilities to shift, list of clearances and agencies from which those clearances are to be obtained, details of surveys and investigations to be carried out, schedule for adhering to above activities including tendering, identifying source of water, etc.

- (iii) Creation of a ***Programme Management Unit (PMU)*** to provide requisite technical and managerial support to SLNA.

Audit scrutiny revealed that PMU was sanctioned in June 2008 by GoI, and constituted in November 2008, by which time, the CDPs of all four mission cities were approved by GoI. Government stated during the Exit Conference (January 2013) that many of the projects included in JNNURM have been conceived long back and the DPRs were prepared much earlier and therefore these were forwarded to GoI without waiting for setting up the PMU. One of the PMU's focus areas was programme management and monitoring. However, the PMES (Program Monitoring and Evaluation System) of the PMU was not fully functional as of June 2012 as admitted by SLNA. Detailed and comprehensive information on a project-wise basis was not available through the PMES on the SLNA's website.

- (iv) ***Project Implementation Units (PIUs)*** were to be created as operation units to supplement and enhance the skill mix of the ULBs.

While the JNNURM website of GoI indicated that 10 PIUs for three mission cities¹¹ and seven non-mission cities¹² have been sanctioned in June 2008, audit scrutiny of the test checked cities revealed that PIUs have not been set up in Vijayawada. Government replied (December 2012) that activities earmarked for PIUs were performed by the engineers and other staff of the ULBs concerned. The reply is not acceptable as it does not address the intended objectives of setting up the PIU, since several projects were delayed due to non-acquisition of land, non-receipt of permission from Railway authorities, etc., which could have been addressed had there been an effective PIU in place.

4.5 Financial Management

4.5.1 Fund release and expenditure

The details of funds released and expenditure incurred on 251 approved JNNURM projects as of March 2012 as per the records/information provided by SLNA are given below.

Table 4.3

(₹ in crore)

Component	No. of Projects	Approved Project Cost	Releases	Expenditure
UIG	54	5238	1971*	3451
BSUP	36	3012	1422*	2273
UIDSSMT	84	2460	2272	2194
IHSDP	77	1197	613	678
Total	251	11907	6278	8596

*This includes GoI and State Government share but excludes ULB share

Audit could not verify the reliability of the above reported expenditure, in the absence of separate project accounts.

4.5.2 Diversion of funds

Scrutiny of records revealed cases of diversion of funds for non-JNNURM purposes and funds expended on items not permissible as per the programme guidelines, as detailed below:

- HMWSSB diverted (December 2008 – June 2009) ₹78.38 crore for making payment of bills under Godavari Drinking Water Supply Scheme Phase-I, which was not a part of JNNURM. Similarly, ₹2.86 crore were met from JNNURM funds towards charges for manning, operation and maintenance of pumping plants and substations at Kodandapur, Nasarlapally and Godakondla relating to Phase-I. State Government assured (December 2012) that the diverted funds would be recouped.
- Similarly, the Commissioner, TMC diverted ₹4.63 crore to Urban Poor Housing/Indiramma Housing Infrastructure, based on the directions of State Government

¹¹Hyderabad, Vijayawada and Visakhapatnam

¹²Anantapur, Guntur, Karimnagar, Rajahmundry, Ranga Reddy, Vizianagaram and Warangal

and ₹7.72 crore was paid on escalated items of steel and cement. In response, the Commissioner, TMC (December 2012) stated that the State Government would be requested to provide additional funds for the amounts diverted.

4.5.3 Other Financial Deviations

- Central Excise Duty (CED) exemption amounting to ₹10.17 crore was irregularly reimbursed to contractors in four projects¹³. In respect of two¹⁴ projects in GVMC, Government agreed (December 2012) to recover the excess payment. As regards the project relating to augmentation of water supply to Gajuwaka, it was stated (December 2012) that payment was made as per orders in vogue, which is not acceptable, in view of the fact that exemption certificate was issued by the Collector from payment of excise duty. With regard to the project relating to '*Warangal water supply scheme*', it was stated (December 2012) that CED component was not included in the rates for finished item of MS pipes while preparing the IBM. The reply is not acceptable, in view of the fact that the rates for MS pipes as per IBM included all taxes and duties.
- It was noticed from the records that excess amount of ₹21 lakh was paid in respect of the project '*Kurnool water supply scheme*' due to reduction in CED from 16.48 per cent to 14.42 per cent. Government informed (December 2012) that the recovery would be effected from the subsequent work bills.
- Non/short recovery of Service Tax and Value Added Tax (VAT) amounting to ₹1.42 crore was noticed in the work bills relating to two projects¹⁵. Government stated (December 2012) that action would be taken to recover the dues.
- Seignorage charges of ₹1.27 crore and National Academy for Construction (NAC) charges of ₹35.54 lakh recovered from the work bills of contractors in two sewerage projects and one water supply project of VMC (November 2006 - March 2012) were not remitted to the Government/NAC. Government stated (December 2012) that the amount would be remitted after receipt of non-plan grant. This is not acceptable, in view of the fact that recoveries were already effected and remittance to Government account should not be linked to receipt of funds from Government.
- Seignorage charges of ₹53.79 lakh were loaded in the work estimates for earth excavation for total quantity (2,68,690.60 cum) in the project '*Augmentation of drinking water supply to Gajuwaka area*' but were not recovered from the work

¹³ Warangal water supply (₹5.51 crore), Augmentation of drinking water supply to 32 peripheral areas of GVMC (₹3.38 crore); Replacement of existing Thatipudi pipeline from Thatipudi reservoir to town service reservoir and pumping units (₹1.04 crore) and Augmentation of water supply to Gajuwaka (₹24.24 lakh)

¹⁴ Augmentation of drinking water supply to 32 peripheral areas of GVMC; Replacement of existing Thatipudi pipeline from Thatipudi reservoir to town service reservoir and pumping units

¹⁵ Improvement of storm water drains for Zone VIII of Greater Visakhapatnam city (₹1.29 crore) and Replacement of existing Thatipudi pipeline from Thatipudi reservoir to town service reservoir and pumping units (₹12.79 lakh)

bills of the contractor at the time of payment, resulted in excess payment to the contractor. Government stated (December 2012) that recovery would be effected.

- In two water supply projects¹⁶, the works awarded to the original contractors were terminated due to non-adherence to the milestones and left over works were awarded to new contractors. This resulted in an additional expenditure (₹1.78 crore), required to be recovered from the original contractors. Government stated (December 2012) that ₹76.53 lakh was recovered by encashing the Bank guarantee towards EMD and for the remaining amount, action would be initiated for recovery under RR Act.
- In '*Krishna drinking water supply project (Phase-II)*', excess payment of ₹1.37 crore was made to the contractors due to inclusion of loading charges in carting/excavation rates. Government informed (December 2012) that action would be taken to recover the excess payments.
- Similarly, in the project, '*Improvement of storm water drains for Zone VIII of Greater Visakhapatnam city (Gangulhedda and Yerrigadda branch canals)*', (i) excess payment on supply of quarry rubbish with excess rates in Package-II amounting to ₹4.81 lakh; (ii) non-recovery of seignorage charges at revised rates resulting in excess payment of ₹4.08 lakh; and (iii) excess payment of ₹41.08 lakh due to loading of conveyance charges in stacking were noticed. Government agreed (December 2012) to recover the excess payments.
- The Department, while calculating price adjustment on DI pipes for the payments relating to '*Kadiri water supply improvement scheme*', had adopted the rate of pig iron ₹15,250 per MT (communicated in November 2008) instead of ₹20,000 per MT as per SSR 2007-08, which resulted in excess payment of ₹3.09 crore made to the contractor. Government stated (December 2012) that the pipes and fittings used in the water supply schemes are manufactured as per I.S. No 8329 and 1536 for Ductile Iron (DI) and Cast Iron (CI) respectively. Since the raw material cost for these pipes was not included in the SSR 2007-08 and the rate of ₹15,250 per MT was adopted based on the offer made by M/s Kudremukh Iron Ore Ltd., Bangalore which is a Government of India Undertaking and the same was communicated by the Engineer-in-Chief (PH) Hyderabad in November 2008. Reply is not acceptable in view of the fact that the SSR rates for both DI and CI pipes for 2008-09 are the same and the rates indicated in M/s Kudremukh Iron Ore Ltd.'s letter did not indicate whether the rates were applicable for DI or CI pipes.

4.5.4 Non-recovery/non-adjustment of pending advances

According to the provisions of Andhra Pradesh Finance Code (Volume I), all the advances paid to the officials for various purposes should be recovered within one month from the date of actual drawal by the official concerned.

¹⁶Kandukur and Markapur

Scrutiny of the records of Andhra Pradesh State Housing Corporation Limited (APSHCL) pertaining to BSUP project of Vijayawada revealed that advances of ₹3.83 crore was given to the officials/agencies during January 2009 to May 2011 for carrying out departmental works, of which, only ₹3.09 crore was adjusted, leaving an amount of ₹74 lakh unrecovered/unadjusted. The recoveries furnished (December 2012) by the Government in their response were not specific to the cases pointed out in Audit.

4.5.5 Management of Revolving Fund

JNNURM envisaged creation of a Revolving Fund, which would graduate to a State Urban Infrastructure Fund at the end of the Mission period.

- In respect of UIG/UIDSSMT, the SLNA was to sanction grant-cum-loan to the ULBs/parastatal agencies in such a manner that 25 *per cent* of the Central and State grant put together was to be recovered and ploughed into a Revolving Fund to leverage market funds for financing further investment in infrastructure projects;
- In respect of BSUP, whenever the SLNA released funds to the implementing agencies as soft loan or grant-cum-loan, it was to ensure that at least 10 *per cent* of the funds released (Central & State funds) were recovered and ploughed into a Revolving Fund to be utilised for meeting O&M expenses of assets created under BSUP.

Government created (July 2006) a Revolving Fund with regard to UIG/UIDSSMT related projects, and recovered ₹6.37 crore (out of ₹64.90 crore) as interest on loans released to ULBs and deposited in the fund. The remaining amount of ₹58.53 crore was yet to be recovered as of March 2012. Government stated (December 2012) that notices were issued to the ULBs concerned to remit the interest amount.

In respect of BSUP/IHSDP projects, Revolving Fund has not been created at all, since Government relieved the ULBs of the loan burden, by converting loans to grants in September 2009. In the absence of a Revolving Fund for O&M of BSUP/IHSDP assets, neither the SLNA nor the ULBs formulated any long term plans to ensure viable and effective O&M of infrastructure created by them. State Government replied (December 2012) that civic infrastructure would be maintained by the ULBs concerned from their internal sources.

4.6 Tendering

As per Andhra Pradesh Public Works Department code ('D' code), tenders should be invited for works valuing above ₹20,000. JNNURM guidelines and State Government orders (2003) prescribe the procedures to be followed for tendering and award of works, which *inter alia* include that all the works costing more than ₹2 crore are to be referred to the Commissioner of Tenders (CoT) along with technical and price bid evaluation for consideration; negotiations are not permitted to be conducted at any

level; ceiling for tender premium to be limited to 5 *per cent* of the estimated cost and even after two calls, if tender premium quoted is more than 5 *per cent*, matter should be referred to Government for fresh call or may constitute a Committee to award the work on nomination to a reputed contractor from the list to be maintained by the department on the basis of performance of contractors.

Audit scrutiny of major tenders and contracts revealed the following:

4.6.1 Krishna drinking water supply project (Phase-II)

The Krishna drinking water supply project envisages tapping 16.5 TMC¹⁷ of raw water from the Krishna River (equivalent to 270 Mgd¹⁸) for augmenting the existing water supply to the Hyderabad Metropolitan area. The project was taken up in three phases of 90 Mgd each; the first phase for drawing 90 Mgd was executed during 2002-2005 and commissioned in April 2005.

Despite repeated requests from audit, and direction from Government during the Exit Conference (January 2013) to make the relevant tender files of this scheme available, HMWSSB did not furnish the tender files for these works for audit scrutiny. With the limited extracts made available, (Tender committee minutes, assessment of offers, letter of acceptance and forwarding slips of agreements) Audit believes that the possibility of cartel formation between the three successful groupings cannot be ruled out. The one bidder (Essar Construction Ltd.), who could perhaps have enhanced competitiveness in the bidding process, was technically disqualified, and its financial bids for all four works were, thus, not opened.

4.6.2 Splitting up of works

As per the toolkit for preparation of DPR, the projects are to be executed through limited number of packages. However, 6 projects¹⁹ (2 Sewerage, 1 Water supply and 3 Housing) with an approved cost of ₹939.61 crore were split into multiple packages/works ranging from 15 - 200 works, without any recorded reasons and without the approval of Government. This is irregular and is fraught with the risk of applying differential rates for same type of work. Government justified splitting the works (December 2012) and attributed it to poor response to initial tenders. The reply is not acceptable since these projects were plagued by lack of funds and non-acquisition of requisite land, and awarding contracts by splitting works would not serve the envisaged purpose.

¹⁷ TMC: Thousand million cubic feet

¹⁸ Mgd: Million gallons per day

¹⁹ Providing Under Ground Drainage (UGD) to unserved areas in VMC ₹56.56 crore; Providing sewerage facility to northern part of Vijayawada city ₹178.15 crore; Providing water supply facilities in unserved areas of Vijayawada city ₹35.48 crore; Integrated Housing and Infrastructure Development Scheme, Hyderabad (49,000 houses) ₹490 crore, Construction of 4,550 Houses and Provision of Infrastructure Facilities in Hyderabad ₹124.06 crore and Construction of 4,087 houses and Provision of Infrastructure at Tirupati (IHSDP) ₹55.36 crore

4.6.3 Award of works

4.6.3.1 Acceptance of single tenders

The Implementing Agencies awarded 13 works under five projects²⁰ relating to Sewerage, Storm water drains and Water supply, amounting to ₹18.44 crore to single tenderers in the first call itself, which included one work ***‘Providing sewerage collection network in Kanakadurga colony’*** at an estimated contract value of ₹4.02 crore, which was entrusted with a premium (9.97 *per cent*) exceeding the ceiling of 5 *per cent*. Another work ***Construction of 20 Mld STP at Jakkampudi*** at an estimated contract value of ₹12.95 crore was awarded to single tenderer in the fourth call with premium of 6.10 *per cent* exceeding the prescribed ceiling of 5 *per cent*. Similarly, 8 works²¹ relating to Storm water drain in Hyderabad amounting to ₹1.48 crore were entrusted to single tenderer in the second call.

In respect of two Sewerage projects of Vijayawada, Government attributed (December 2012) non-response to initial tenders invited on EPC. The eight Storm water drain project works in Hyderabad were stated to have been awarded due to non-response to the first call, and therefore, the period of completion was modified and tenders were recalled and allotted to single responsive tenderer. The Water supply project at Vijayawada was stated to have been awarded on single tender basis considering the fact that the tender was below 5 *per cent* and the need to complete the work within the mission period. Reply is not acceptable in view of the following:

- (i) Government approval was not obtained for any of the above projects before awarding the works and in respect of two works entrusted with premium exceeding the prescribed ceiling, the fact should have been referred to Government as per orders *ibid*.
- (ii) There is no specific order/provision for accepting single tenders in the first call itself within the ceiling of 5 *per cent* and award of work in such cases is fraught with the risk of accepting rates without competitive tension.

4.6.3.2 Award of work on nomination basis

In spite of specific orders for awarding the work on tender basis, the department awarded (March 2006 to December 2008) 45 works valuing ₹72.58 crore relating to construction of 23,239 houses²² ***on nomination basis*** to different agencies, on the grounds that there was no response to the tender. Due to non-production of records of entrustment, audit could not derive assurance relating to the robustness and

²⁰ Providing Under Ground Drainage (UGD) to unserved areas in VMC, 5 works (₹11.24 crore); Providing sewerage facility to northern part of Vijayawada city, 1 work (₹4.10 crore); Balkapur Nala 1 work (₹17.98 lakh); Kukatpally & Begumpet Nala 1 work (₹14.69 lakh); and Providing water supply facilities in unserved areas of Vijayawada city, 5 works (₹2.77 crore)

²¹ Yellareddyguda Nala ₹13.13 lakh; Banjarahills Nala ₹11.03 lakh; Punjagutta Nala ₹21.63 lakh; Yousufguda Nala ₹18.62 lakh; Kalasiguda Nala ₹13.65 lakh; Nagamaiahgunta Nala ₹10.82 lakh; Murkinala (P8, P9 and P10) ₹32.04 lakh; Murikinala (P11 & P12) ₹27.52 lakh

²² 13,793 houses were entrusted to 31 contractors in 45 packages and information in respect of balance 9,446 houses was not made available

transparency of the entrustment process, as also whether qualified contractors were engaged for the packages. It was seen that in one case, the construction of 96 houses in six packages at a cost of ₹96 lakh was awarded (2006-07) to Block Presidents, who were not qualified for such works.

4.6.3.3 Award of work with price negotiation

The Commissioner, TMC awarded (2008-09) the construction of 4056 houses amounting to ₹72.83 crore to 14 contractors on the basis of single bids after calling for local tenders, on the grounds that there were no responses to earlier tenders (September, October and December 2007). Considering the points raised by the contractors during three meetings held (16 October 2007, 23 October 2007 and 10 December 2007) in the presence of Honourable MLA, Tirupati and Municipal Commissioner, the financial and technical specifications were relaxed and the cost of dwelling unit was increased from ₹1 lakh to ₹1.58 lakh and finally to ₹2.04 lakh against ₹80,000 stipulated in JNNURM guidelines. Further, as against the approved carpet area of 25 sq.mts for each dwelling unit as per guidelines, the carpet area included in the revised estimates and constructed was 14.74 sq.mts with built up area of 20.96 sq.mts. Action of the Commissioner in awarding the works was irregular in view of the fact that awarding of works based on negotiations is not permissible as per Government Orders (2003) and change in specifications is against the JNNURM guidelines.

4.7 Execution of projects

As of March 2012, 251²³ projects were approved by GoI for implementation under JNNURM in Andhra Pradesh, as summarised below.

Table 4.4

(₹ in crore)

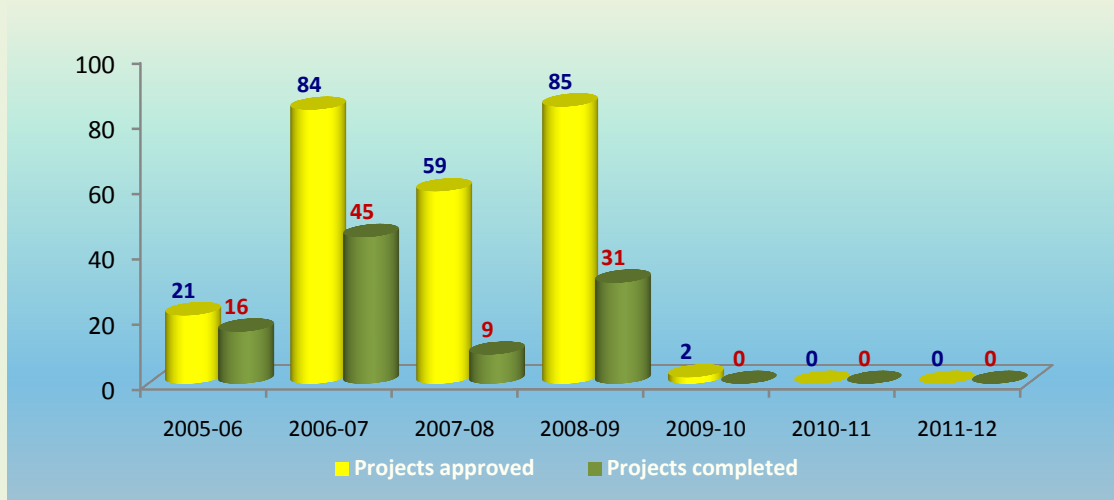
Component	No. of Projects	Sewerage	Storm water drains	Water supply	Infrastructure facilities/Housing	Others	Project cost	Share of		
								GoI	State	ULB/Beneficiaries
UIG	54	11	12	16	0	15	5238	2200	817	2221
BSUP	36	0	0	0	36	0	3012	1496	601	914
UIDSSMT	84	8	9	62	0	5	2460	1968	246	246
IHSDP	77	0	0	0	77	0	1197	764	155	278
Total	251	19	21	78	113	20	11907	6428	1819	3659

Source: State Level Nodal Agency

The year-wise break up of projects approved and completed as reported (December 2012) by the State Government is depicted in the bar chart given below.

²³ As per State Government reply in December 2012, total number of projects was 253. However, there were slight variations in component wise number of projects and project cost, which are yet to be clarified by the SLNA

Chart 4.1

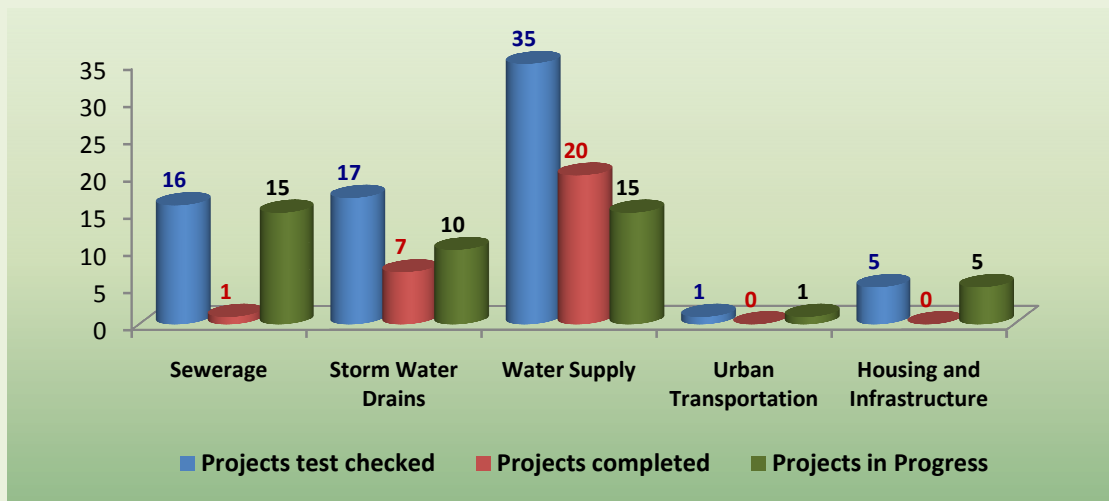


As can be seen from the above chart, out of 251 projects sanctioned, only 101 projects (40 *per cent*) were completed and out of those completed, only 9 projects were completed within the targeted date. The SLNA could not provide the due date of completion in respect of all the projects. Therefore, audit is not able to vouch whether the remaining 92 projects were completed within the scheduled date.

4.7.1 Status of sampled projects

With regard to 74 projects selected for detailed scrutiny in audit, the sector wise status as of end of June 2012 is given in the chart below.

Chart 4.2



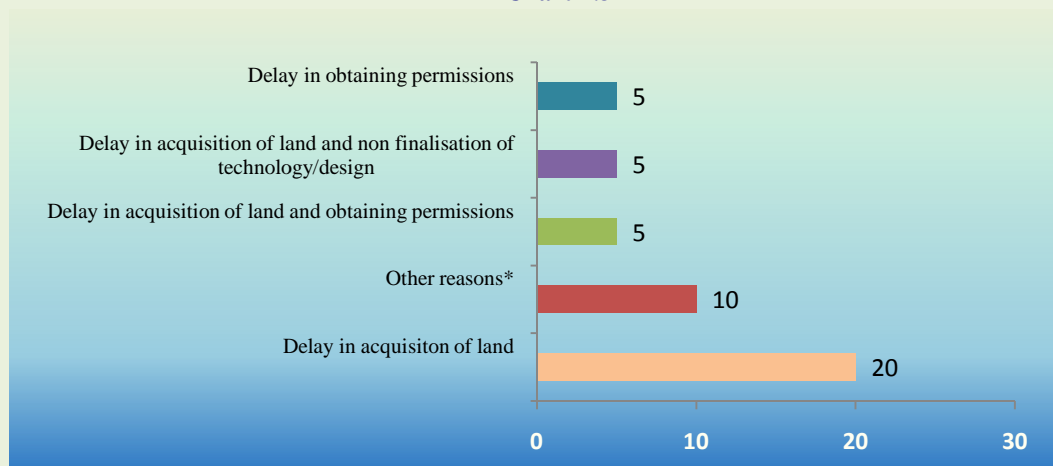
As can be seen from above, out of the total 74 projects of different categories selected in audit for detailed scrutiny, 28 projects (38 *per cent*) were completed and 46 projects were in progress as of June 2012. Government in its reply stated that five²⁴ more projects were completed as of December 2012.

²⁴ State Government reported completion of five more projects (4 water supply and 1 storm water drain) in December 2012

4.7.2 Delay in execution of projects

Audit analysis of the incomplete projects revealed that the main reasons for their non-completion are as under.

Chart 4.3



* Other reasons include court cases, non-identification of water source, paucity of funds, etc.

Government, while accepting the above facts, stated (December 2012) that the implementation constraints and other procedural and technical issues arising in the course of implementation led to delays in completion, and that, these have been addressed in detailed guidelines issued in February 2012.

4.7.3 Sewerage

Out of 19 sewerage projects taken up in the State at an approved cost of ₹1,825 crore, 16 projects (84 *per cent*) sanctioned during 2005-09 at a cost of ₹1,781 crore were test checked in audit. The expenditure incurred on these projects as of March 2012 was ₹1,090 crore. However, only one out of these 16 projects was commissioned as of June 2012.

Significant observations on three major sampled projects in the mission cities and consolidated observations on the remaining 12 sampled projects of both mission as well as non-mission cities are given below:

Mission cities

4.7.3.1 Rehabilitation and strengthening of sewerage system in Old City area South of Musi in Zone I²⁵

This project, implemented by HMWSSB, was divided into three packages and awarded between December 2007 and February 2010 at an agreement value of ₹161.73 crore with a stipulation for completion in 24 months i.e., Package-I: December 2009, Package-II: February 2012 and Package-III: January 2010 from the dates of agreement. However, the project remained incomplete²⁶ as of June 2012.

²⁵ Catchments S1 to S6, S12 and S14

²⁶ Percentage of completion in terms of physical as well as financial terms are Package-I 123 *per cent* and 85 *per cent*, Package-II 65 *per cent* and 47 *per cent* and Package-III 111 *per cent* and 83 *per cent*

Tendering for the second package went in for eight rounds of tender calls (between June 2007 and February 2009) without any responses. HMWSSB should have ascertained the reasons for lack of response after the first or second round of tender calls, and then revised the DPR and designs, after appropriate consultations with the relevant stakeholders. However, it continued to repeat calls for tenders until the ninth round of tendering (May 2009) and the package was awarded on a single financial bid to APR-Ramky in February 2010 after almost a year of call for tenders. After award of the package, work was stopped in November 2010 and the alignment of the Main Sewer Line was altered.

It is pertinent to note that the alignment proposed in the DPR had serious implications from a heritage perspective, considering its proximity to various buildings in the Charminar area. However, this aspect was not duly considered at the DPR stage; possibly, field survey was not carried out properly with the stakeholders (GHMC²⁷, HMDA²⁸, Heritage Committee, Police, etc.) and issue was sorted out only after award of work.

Government, while agreeing with the audit observation, stated (December 2012) that implementation constraints would be examined and further action would be taken.

4.7.3.2 Implementation of Sewerage Master Plan in Serilingampally Municipality

This project involved two distinct components:

- Laying of sewerage distribution network, costing ₹106.93 crore, to be completed by February 2011; however, the project was not completed as of June 2012.
- Construction of six Sewerage Treatment Plants (STPs) for treating the sewage generated from the above areas and letting the treated effluents into the nearby lakes/water bodies.

The packages for both the components were awarded separately. As a result, even though the sewerage distribution works were in progress, no benefit is likely to result to the residents of Serilingampally Municipality, as land was yet to be acquired for the STPs as of June 2012. Further, due to lack of clear identification of the location of STPs, the termination points for the sewerage main lines also remained unclear.

Government, while accepting the comment, stated during the Exit Conference (January 2013) that it would ensure synchronisation in execution in all the future projects.

4.7.3.3 Providing Underground Drainage (UGD) to unserved areas in Vijayawada Municipal Corporation (VMC)

This project was sanctioned (August 2006) at a cost of ₹56.56 crore, for providing collection network, construction of sump-cum-pump houses and erection of pump sets, laying of pumping mains and construction of STP. VMC subdivided the project

²⁷ Greater Hyderabad Municipal Corporation

²⁸ Hyderabad Metro Development Authority

into 132 works and awarded (2006-2010) them to as many as 52 contractors. Out of 132 works initiated, 128 were completed as of June 2012. As regards the four incomplete works, two major works viz., (i) construction of 20 Mld STP at Jakkampudi with Up flow Anaerobic Sludge Blanket (UASB) technology entrusted (June 2009) at ₹13.75 crore and targeted for completion in 15 months, was stopped in April 2011 without any reasons on record after expending ₹9.86 crore, and (ii) construction of two Pumping mains was held up since December 2010 due to non-receipt of permission from Railway authorities for crossing the railway lines (near Jakkampudi), after expending ₹5.42 crore. Due to non-completion of these major works, the total expenditure of ₹66.22 crore (including the expenditure on completed components) incurred as of June 2012 remained unfruitful.

Government did not offer specific remarks in this regard.

4.7.3.4 Other projects

Audit observations relating to the 12 incomplete sewerage projects of mission cities and non-mission cities are summarised below.

Sl. No.	Project	Audit observations	Expenditure as of June 2012 (₹ in crore)
1	Rehabilitation and strengthening of sewerage system in Old City area South of Musi in Zone II (Catchments S7 to S11, S13 and S15).	Project was sanctioned (2007-08) for ₹251.25 crore. Implementation constraints like laying of sewer lines in narrow, congested and densely populated old city area; frequent bandhs, festivals, etc., adversely affected project completion. Even after granting EoAT for 15 months, the project was not completed. Government confirmed (December 2012) the reasons stated by Audit.	138.70
2	Providing Sewerage System to Central Part of Visakhapatnam City	Project was sanctioned (2006-07) for ₹244.44 crore. The main reasons for non-completion were non-acquisition of land, permissions to be received from NHAI and Railways, and shifting of locations of STPs. Out of four packages, only one package was completed. GVMC revised the DPR at an estimated cost of ₹264.01 crore (with additional cost to be borne by the State Government and GVMC, and targeted to be completed by March 2013). Delay in execution of the project resulted in flow of untreated sewerage into the open drain causing environmental hazards. Government, while accepting the comment stated (December 2012) that the revised DPR was forwarded to GoI and the additional cost would be borne by GVMC.	189.11

Sl. No.	Project	Audit observations	Expenditure as of June 2012 (₹ in crore)
3	Providing Sewerage System in old city area of Visakhapatnam	<p>The project was completed in October 2009 but against the 13,000 households targeted, underground drainage was provided only to 10,339 households. Delay in completion was attributed to high cost of alignments and space constraints. Further, arrangements were made for sale of 3.6 Mld out of the 12 Mld of treated water generated from STPs set up under the scheme.</p> <p>Government stated (December 2012) that user charges were being collected from April 2012, without indicating reasons for non-collection from the date of approval of the proposal for collection of user charges by the Council (July 2008 and August 2011). It also stated that tenders were under process for selling the balance quantity of treated sewage water.</p>	35.95
4	Providing sewerage facility to northern part of Vijayawada city	<p>Project was sanctioned (2008-09) for ₹178.15 crore, but was yet to be completed, due to delay in awarding works and other implementation constraints like non-availability of sand. Government, while attributing non-response to initial tenders stated (December 2012) that the work would be completed by June 2013.</p>	60.55
5	Miryalaguda Sewerage scheme	<p>Project was sanctioned (2006-07) for ₹34.93 crore. Construction of two STPs remained incomplete, due to non-acquisition of land and non-approval of drawings and designs of STP. Government stated that 80 <i>per cent</i> of work was completed and in spite of constant persuasion with revenue authorities, land could not be acquired.</p>	29.70
6	Narasaraopet Sewerage scheme	<p>Project was sanctioned (2006-07) for ₹26.41 crore and is yet to be completed, due to delay in acquisition of land and non-finalisation of STP technology. Government confirmed the facts.</p>	23.36
7	Nagari Sewerage (ETP) scheme	<p>Project was sanctioned (2008-09) for ₹9.83 crore, but remained incomplete due to non-finalisation of site for construction of Effluent Treatment Plant (ETP). Government stated (December 2012) due to protest from villagers, alternative land was identified, which necessitated extension of time to contractor.</p>	11.18

Sl. No.	Project	Audit observations	Expenditure as of June 2012 (₹ in crore)
8	Kadapa Sewerage Scheme	Project was sanctioned (2006-07) for ₹49.15 crore. Out of two STPs with 20 Mld capacity, construction of STP at one place was yet to commence due to non-acquisition of land, as also confirmed (December 2012) by the State Government.	63.32
9	Nizamabad Sewerage Scheme	Project was sanctioned (2006-07) for ₹81.06 crore. Three STPs initiated for construction remained incomplete, due to paucity of funds and delay in land acquisition for construction of STPs; this necessitated revision of estimates. Government, while confirming the fact, stated (December 2012) that the revenue authorities could not conduct survey for acquisition of land for construction of STPs, as the land owners were resisting for the survey due to non-payment of compensation in full.	55.53
10	Nalgonda Sewerage Scheme	Project was sanctioned (2006-07) for ₹46.88 crore. Work was not completed due to not completing the work of STPs, due to non-acquisition of land and delay in finalisation of technology for construction of STP. Government stated (December 2012) that out of two STPs, the construction of one STP was not taken up due to non-acquisition of required land and other STP was also not taken up due to non-acquisition of land, which, further, necessitated delay in finalisation of technology for construction of STP and revision of estimates.	41.16
11	Yemmiganur Sewerage Scheme	Project was sanctioned (2008-09) for ₹39.83 crore and is yet to be completed, due to delay/non-acquisition of land for construction of STP and septic tanks.	27.89
12	Karimnagar Sewerage Scheme	Project was sanctioned (2006-07) for ₹62.37 crore and even after according extension of time, it remained incomplete, due to non-obtaining permission from Roads and Buildings Department for laying of pipe lines, revision of designs and other implementation constraints expressed by the contractor.	44.91

4.7.4 Storm Water Drains (SWDs)

Out of 21 Storm water drain projects taken up at an approved cost of ₹676 crore, 17 projects (81 *per cent*) at an approved cost of ₹542 crore were selected for detailed scrutiny. Of these, only seven were completed as of June 2012. Out of eight test checked projects in the mission cities, only two projects were completed as of June 2012 and out of nine test checked projects in non-mission cities, only five projects were completed as of June 2012. Significant observations on six projects are detailed below, followed by summarised observations on four projects.

4.7.4.1 *Re-modelling/Improvement of Storm water drains in five projects of GHMC - Murkinala (P8,P9,P10), Murkinala (P11,P12), Kukatpally and Begumpet Nala; Balkapur channel, and Improvement of Storm water drains of Zones I and II of erstwhile Municipal Corporation of Hyderabad (MCH)*

Initially, the Irrigation & CAD Department took up (2005-2010) four projects²⁹ by dividing them into small packages. Later, GHMC took over the execution of four left over SWD works along with other improvement works of SWDs of Zones I and II of erstwhile MCH (18 works). None of the projects was completed as of June 2012, due to the delay in land acquisition. It was, however, noticed that the requisition for land acquisition was not mentioned in any of the records relating to these works. Even though an expenditure of ₹40.89 crore was incurred (as of June 2012) on these works, these could not be completed in all respects.

Government replied (December 2012) that action was being taken to clear the encroachments and the work was under progress where site is free of encroachment. It was, further, stated that implementation constraints and other procedural and technical issues arising in the course of implementation, which led to delays in completion, had been addressed in detailed guidelines issued in February 2012.

4.7.4.2 *Improvement of storm water drains for Zone VIII of Greater Visakhapatnam city (Gangulhedda and Yerrigadda branch canals)*

This project, estimated at ₹72.27 crore, was taken up to relieve the serviced area from traffic hold-ups and flooding of low level area by improvement of the canals of length 16.39 km. The work was divided into three packages and entrusted (October - December 2009) for completion by June 2011. However, audit scrutiny revealed that the hurdles such as encroachments, shifting of electrical poles and cables etc., were not considered at the time of DPR. Therefore, none of the works were completed as of June 2012. The encroachment at chainage 750 to 770 by JNNURM apartment was also a hurdle to the work as confirmed by IRMA report. Government stated (December 2012) that the works would be completed by December 2012, as the special teams were

²⁹ Remodelling of SWD - Murkinala (P8, P9, P10), Murkinala (P11, P12), Kukatpally and Begumpet Nala; and Balkapur channel

being formed along with the town planning wing to clear the encroachments, but no report of completion was submitted as of January 2013.

4.7.4.3 Other projects

Sl. No.	Project	Audit Observation	Expenditure as of June 2012 (₹ in crore)
1.	Suryapeta SWD scheme	Project was sanctioned (2008-09) for ₹24.64 crore. The work remained incomplete due to non-acquisition of required land for construction of sullage treatment plant. Government replied (December 2012) that the land acquisition by the revenue authorities is in process, and the site had not been handed over till date.	9.73
2.	Ankapalli SWD scheme	Project was sanctioned (2006-07) for ₹22.22 crore. The work remained incomplete for want of permission from Railways, Road & Buildings and Irrigation & CAD Departments. Government, while accepting the delay, indicated (December 2012) that steps had been taken to obtain the required permissions.	13.80
3.	Miryalaguda SWD scheme	Project was sanctioned (2008-09) for ₹34.35 crore, but was delayed due to implementation constraints like flow of water from NS canal during August to March hampering the execution, and heavy rains. However, the fact of flow of water from NS canal is a known factor, and this reason should not have been entertained. As per the information furnished (December 2012) by SLNA, the project was completed.	10.99
4.	Nalgonda SWD scheme	Project was sanctioned (2008-09) for ₹35.86 crore. The project remained incomplete. Delays were attributed to inclusion of additional cross sections in the scope of work, land acquisition delays and other implementation constraints like heavy rains.	23.03

4.7.5 Water Supply

Out of 78 Water supply projects taken up in the State with the approved cost of ₹3,642 crore, 35 projects sanctioned during 2005-09 with an estimated cost of ₹2,457 crore were taken up for detailed scrutiny in audit. Only 11 projects out of the 35 sampled projects were commissioned as of June 2012. Significant observations on the projects are detailed below.

4.7.5.1 Krishna drinking water supply project (Phase-II)

Government submitted the DPR for Krishna drinking water supply project (Phase-II) at an estimated cost of ₹830 crore in February 2006 indicating the initiation of project with an expenditure of ₹223.50 crore. GoI sanctioned the project in November 2007 for ₹606.50 crore with the scheduled date of completion as **November 2007** itself. Incidentally it was also noticed the main components of the project works were completed and the scheme was commissioned partially during April 2007 i.e., well before the date of approval of DPR by GoI, and on completion of other miscellaneous items and associated works of ring mains, the scheme was commissioned during November 2008. In the light of partial completion of the project before approval of the project by GoI and in the absence of documentation, the correctness of the expenditure reported by State Government to GoI while preparation of DPR could not be verified in audit.

Government, without furnishing supporting details and documents, stated (December 2012) that the project was commenced (May 2005 – January 2006) with a view to augment water supply to the city immediately due to precarious water supply situation prevailed at that time (2005-06).

4.7.5.2 Refurbishment of existing feeder system including distribution network for 10 zones in Old Municipal Corporation of Hyderabad

This project was sanctioned (July 2008) at an estimated cost of ₹232.22 crore for providing inlet and outlet mains to the proposed additional storage water reservoirs (14 Nos) for distribution of water in the 10 zones of North and South of Musi river. The construction of storage water reservoirs was sanctioned as two separate JNNURM projects.

Though the construction of 12 out of 14 reservoirs were completed as of December 2011, works related to inlet, outlet and distribution network (the sampled project) remained incomplete³⁰ as of June 2012, even though the works were entrusted between February 2009 and March 2011, with a stipulation for completion in six/nine months. According to HMWSSB, the delay in progress was due to grant of permissions for road cutting by the concerned authorities in spells, which adversely affected the completion of works in each zone. Government, while attributing the delay to non-obtaining of permissions from the concerned departments and also to elections, festivals and bandhs etc., stated (December 2012) that discussions with all stakeholders would be held to devise a mechanism to prevent occurrence of such avoidable delays in further schemes as well as in completion of ongoing schemes.

4.7.5.3 Augmentation of drinking water supply to 32 peripheral areas of GVMC

This project, sanctioned (February 2008) for ₹240.74 crore, was divided into two packages and entrusted to two different contractors in October 2008/January 2009,

³⁰ Out of 15 packages, only three packages were completed

one for the water treatment plants, pump houses, water tanks/reservoirs and associated infrastructure, and the other for laying distribution pipelines with a stipulation for completion in 24 months. Audit findings are summarised below:

- 43 out of 53 water tanks/reservoirs (ELSR/GLSR³¹) were completed; work was in progress in respect of nine reservoirs and was yet to commence as of June 2012 in respect of one reservoir. The main reason for non-completion was non-acquisition of land from various authorities - Railways, NHAI, Visakhapatnam Steel Plant, Revenue authorities, etc.
- The site for the proposed Water Treatment Plant (WTP) of 85 Mld³² at Attavaripalem was relocated to Aganampudi due to non-alienation of the requisite land by the Visakhapatnam Steel Plant; consequently, the construction of the WTP was at an initial stage.
- Although the laying of distribution lines was 90 *per cent* complete, construction of water tanks/reservoirs and water treatment plants was way behind schedule (October 2010). Thus, the targeted beneficiaries in the peripheral areas of Visakhapatnam could not be benefited and were dependent on bore wells and irregular supply of water through tankers.

Government, while accepting the delay, stated (December 2012) that land was acquired and work was under progress.

4.7.5.4 Comprehensive water supply system in old city of GVMC area

The project was sanctioned (March 2009) at a cost of ₹47.93 crore for providing 24x7 water supply covering 6 blocks of the old city serving a population of 1.25 lakh. Even though there was clear indication in the DPR about availability of land for construction of all the components of the projects such as GLSR, ELSR, and sump-cum-pump house etc. GVMC was not in possession of the sites demarcated for the purpose. Thus, approval for DPR was sought from GoI, based on incorrect facts. Due to delays in handing over the sites by the Endowment Department, VPT, etc., for construction of sump-cum-pump house of 575KL, 1050KL ELSR and 6000KL GLSR, the works scheduled to be completed by December 2011, remained incomplete as of June 2012. Progress was also affected due to delayed payments to the contractor and diversion of ₹8.19 crore to other projects. Audit scrutiny further revealed that although none of the proposed GLSRs/ELSRs and laying of pipe lines was completed, GVMC paid for purchase of 12,000 water meters which were lying idle since April 2010.

Government, while accepting the delay, stated (December 2012) that all the issues were resolved and the work was under progress.

³¹ELSR: Elevated Level Storage Reservoir; GLSR: Ground Level Storage Reservoir

³²Mld: Million litres per day

4.7.5.5 Refurbishment of comprehensive water supply in North Eastern Zone of Central Area of GVMC

The objective of taking up this project (sanctioned for ₹190.18 crore in March 2009) was to ensure per capita supply of 150 lpcd to cover the present population of 4.60 lakh as well as projected population of 5.38 lakh by 2023 AD, by utilising the entire 118.84 Mld of water available for distribution from Town Service Reservoir, which is fed from various sources such as Raiwada, YLMC, Narva and Thatipudi. The work was entrusted in December 2009 and was slated to be completed by December 2012. The audit findings are given below:

- A consolidated DPR was prepared for refurbishment of distribution system of comprehensive water supply in central area for an estimated cost of ₹425.89 crore; but GoI approved the segment of North East sector alone at a cost of ₹190.18 crore. However, the revised DPR prepared for North East Sector was not furnished to audit and IRMA, and in the absence of DPR, the authenticity of works taken up under the project could not be verified.
- Execution of project was delayed due to change of site for construction of Reservoir from MVP Colony to Resavanipalem and further soil analysis, for which revised designs were to be prepared afresh for approval. Government stated (December 2012) that the reservoir location was shifted on the request of public representatives. The fact, however, remained that project was delayed due to improper survey of location before initiation of the project.
- IRMA reported (February 2012) that the contractor had failed to achieve the milestones fixed by the GVMC as per the agreement. The financial progress achieved was only 49 *per cent* as against the stipulated 80 *per cent* to end of January 2012. Similarly, there was 55 *per cent* shortfall in procurement of pipes and 45 *per cent* shortfall in respect of civil works. Government stated (December 2012) that the shortfall in the progress was due to various reasons like site problems, labour problem and critical working conditions including delay in making payments, which affected the progress of work.
- Funds amounting to ₹33 crore released for the project were diverted to meet the expenditure for other project works within the JNNURM scheme which also adversely contributed to the slow progress of the works.

4.7.5.6 Augmentation of drinking water supply to Gajuwaka area of GVMC

The project was sanctioned in April 2007 for ₹39.76 crore to bridge the gap between demand and supply of drinking water to Gajuwaka Municipality. The only protected water supply was from the scheme constructed by Visakhapatnam Steel Plant (VSP) in 1995 with an installed capacity of 2 Mgd³³ (7.57 Mld) and as per the agreement with the Gajuwaka Municipality, VSP was supplying 0.80 Mgd (3 Mld) of water. The project was entrusted between June 2007 and November 2009 and was reported

³³ One US Gallon is equal to 3.785 litre

(December 2012) as completed by SLNA. The project could not be completed within the stipulated period on the grounds of delay in acquisition of required land for construction of WTP, ELSR and permission from Railway authorities for laying pipe lines.

Scrutiny of records revealed that the DPR envisaged that the ultimate demand for water in the year 2038 in the Gajuwaka area will be around 120 Mld, whereas the project was prepared to meet the requirement of 57.50 Mld capacity only. The project therefore would be sufficient only to meet the current demand, which is contrary to the JNNURM guidelines. In reply, Government stated (December 2012) that WTPs were designed for prospective demand of 15 years as per guidelines of CPHEEO. Reply is not acceptable in view of the fact that as per the DPR, projected prospective demand for 15 years was 79.42 Mld as against which only 57.50 Mld was taken up for execution.

4.7.5.7 Providing water supply distribution system to Gajuwaka area of GVMC (Phase 2)

This project was sanctioned at an estimated cost of ₹46 crore in January 2008, to provide distribution network for Gajuwaka, as the existing distribution system covered only about 50 *per cent* of the project area. Though the project was scheduled to be completed by December 2009, the same remained incomplete as of March 2012. The delay was attributed to non-receipt of clearances for laying pipelines from the Road and Buildings Department, Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL), Andhra Pradesh Industrial Infrastructure Corporation (APIIC), VSP and Gangavaram Port. The project was reported (December 2012) as completed by SLNA.

Further, even though the responsibility for providing household connections and fixing of water meters rests with the contractor, GVMC had provided connections and fixed meters (300) in respect of certain areas in Yerrigedda colony by collecting the cost of meters from the households. This aspect needs to be looked into while making final payment towards this purpose. Government replied (December 2012) that GVMC and the nodal agency were asked to identify the cases of financial loss, if any, for taking further action and report to Government.

4.7.5.8 Other projects

Sl. No.	Project	Audit observations	Expenditure as of June 2012 (₹ in crore)
1	Dhone water supply scheme	The project was sanctioned (2008-09) for ₹44.76 crore, but remained incomplete due to delay in acquisition of land. Government, while accepting the delay regarding obtaining permissions from Forest Department, stated (December 2012) that progress of work was hampered due to the protest made by the Water Users Associations and the farmers from where raw water would be drawn.	36.01

Sl. No.	Project	Audit observations	Expenditure as of June 2012 (₹ in crore)
2	Pithapuram water supply scheme	The projects were sanctioned (2008-09) for ₹126.65 crore. The Pithapuram and Ramachandrapuram projects remained incomplete due to delay in acquisition of land and this also resulted in delay in approval of designs. Further, all the four schemes were launched without identifying permanent source of water. Government replied (December 2012) that permission for drawal of water for Ramachandrapuram water supply scheme was obtained (April 2012), while the same was under process in respect of the other schemes.	8.81
3	Ramachandrapuram water supply scheme		9.66
4	Dharmavaram water supply scheme		53.43
5	Nizamabad water supply scheme		41.61
6	Kamareddy water supply scheme	The project was sanctioned (2008-09) for ₹22.35 crore. However, supply of 15.97 Mld of clear water as planned was not fully ensured due to scarcity of water at source. Government replied (December 2012) that the RWSS Department had agreed to spare only 10 Mld of raw water. This necessitated additional components for treatment of water at estimated cost of ₹8.21 crore.	15.33
7	Warangal water supply scheme	<p>The project was sanctioned (2006-07) for ₹164.46 crore, but was delayed due to delay in acquisition of land for sump-cum-pump houses, and delay in permission from Irrigation & CAD Department for additional off-take arrangement on Kakatiya Canal at KUC and at Desaipet and delay in power connections. This project was completed as per the information furnished (December 2012) by SLNA.</p> <p>Further, even though the scheme was designed to meet the requirement of ultimate population demand (i.e., upto 2036), provision of water in Desaipet division could not even cater fully to the prospective demand. In response, Government stated (December 2012) that the combined capacity of existing filtration plants and one filtration plant constructed under the scheme is 78.19 Mld and is sufficient to meet the prospective drinking water requirements of Desaipet Zone upto 2021. The reply is not acceptable as the requirement of prospective demand of Desaipet division is 94.54 Mld as per the projection made in the report accompanying the detailed design of clear water feeder mains of WSIS for Warangal.</p>	164.00
8	Tanuku water supply scheme	The project was sanctioned (2008-09) for ₹14.14 crore, but remained incomplete due to non-acquisition of land for construction of Summer Storage Tank.	11.53

Sl. No.	Project	Audit observations	Expenditure as of June 2012 (₹ in crore)
9	Mancherial water supply scheme	The project was sanctioned (2006-07) for ₹22.87 crore, but remained incomplete due to non-identification/change of site for construction of raw water pumping main and revision of works.	22.23
10	Narayanapet water supply scheme	As against the requirement of 6 Mld of water to be supplied from the identified source of Sri Satya Sai Water Supply Project, only 1.5 Mld of water could be supplied (July 2009), as the balance 4.5 Mld was withheld by the Satya Sai Water Supply Board on account of non-payment of ₹2.05 crore towards additional cost of pump-sets and up-gradation of transformers etc. Government replied (December 2012) that the amount of ₹2.05 crore was not provided in the initial estimates, and, further, that the Board authorities were being addressed to intimate the present cost of upgradation.	6.74

4.7.6 Urban Transportation

4.7.6.1 Bus Rapid Transport System (BRTS) for Visakhapatnam

The project, sanctioned (November 2007) at an estimated cost of ₹452.93 crore and implemented by GVMC, involved the creation of a Bus Rapid Transit Corridor for a continuous 43.36 km route network, consisting of Pendurthi Transit Corridor (PTC) (21.62 km), Simhachalam Transit Corridor (STC) (20.12 km) and a flyover at Asilmetta (1.62 km). The project was supposed to be completed by October 2010, remained incomplete due to not obtaining permissions from Defence Department, Railways, Simhachalam Devasthanam, and delay in acquisition of land from private individuals, shifting of temples etc. Further, the delay in finalisation of land issues has resulted in cost escalation of ₹3.64 crore.

Government while accepting the delay, stated (December 2012) that the proposal was still being pursued with the Endowment Department.

4.7.7 Housing and Infrastructure facilities

Out of 113 projects relating to housing and infrastructure sanctioned (2005-09) at an approved cost of ₹4209 crore, only 22 projects were completed as reported (December 2012) by State Government. Five projects sanctioned during 2005-08 with an approved cost of ₹1,119 crore were taken up for detailed audit scrutiny. Even after incurring an expenditure of ₹1,159 crore, not a single project was completed as of June 2012. Audit observations relating to all the five projects are detailed below.

4.7.7.1 'Integrated Housing and Infrastructure Development Scheme, Hyderabad (49,000 houses)' and 'Construction of 4550 Houses and Provision of Infrastructure Facilities in Hyderabad'

A brief summary of both the test checked BSUP projects in Hyderabad is given below.

Table 4.5

Particulars	Integrated Housing and Infrastructure Development Scheme, Hyderabad (49,000 houses)	Construction of 4550 Houses and Provision of Infrastructure Facilities in Hyderabad
Date of Administrative sanction	March 2006	February 2008
Estimated cost	₹490 crore	₹120.33 crore
Implementing agency	GHMC (23,239 houses) APHB (25,761 houses)	GHMC (4,550 houses)
Bid	Nomination basis	Competitive
Date of entrustment	March 2006 to December 2008	May 2008 to August 2010
Name of the agency to whom the work was entrusted	Split into 45 packages and entrusted to 31 contractors (for construction of 13,793 houses the information in respect of remaining houses was not furnished)	Split into 15 packages and entrusted to 9 contractors
Stipulated date for completion	Differed from package to package	November 2008 to November 2010
Status	The project for 25,761 houses (APHB) completed, and the project for 23,239 houses (GHMC) yet to be completed	Not completed

Source: Work records of the projects

Note: The project for 23,239 houses was initially assigned in 2005 to AP State Housing Corporation Ltd. (APSHCL), transferred to GHMC in July 2007, and partially transferred to AP Housing Board (APHB) in August 2009. Reasons for such changes were not on record

As against the stipulated completion dates of March 2008/June 2009, as per DPR, both projects were still incomplete as of June 2012, as summarised below.

Table 4.6

Name of the scheme	Number of houses completed	Number of houses allotted	Number of houses occupied	Number of houses allotted but not occupied
49,000 houses	45027	36462	25971	10491
4,550 houses	2534	75	35	40

Source: Information furnished by GHMC

Physical inspection and beneficiary survey

- As against the 48 and 40 houses proposed for construction at Bansilalpet and Gollakomaraiah colonies respectively, GHMC constructed only 42 (April 2010) and 32 (May 2010) houses. None of the houses had been allotted to the beneficiaries on account of the difficulties in selection of beneficiaries. However, physical inspection (9 May 2011) by the audit team revealed that the completed houses had been unauthorisedly occupied by the people without allotment and without contributing their share. In response, Government stated (December 2012) that the beneficiaries would be officially issued ownership rights, after collection of their share of contribution.

- The main reason for low occupancy of houses already handed over by APHB, as ascertained from the Collectorate records, was lack of basic and essential needs. The laying of 570 Rmt drinking water pipeline was pending due to land acquisition issues. The occupants were dependent on water supplied through tankers. This was also confirmed during the beneficiary survey (9 August 2011) by the audit teams. Government confirmed the fact (December 2012) and stated that sufficient numbers of tankers are provided for supplying drinking water.
- Out of the 3809 houses in the Ahmedguda colony, only 1255 houses had been occupied by the beneficiaries, on account of the fumes/smell from burnt and decayed garbage at a dumping yard located at a distance of $\frac{3}{4}$ km. from the colony (photograph alongside). This was confirmed during the physical inspection (13 August 2011) and beneficiary survey by the audit team. Government, while stating the occupancy at present was about 1700, indicated (December 2012) that the action for treatment of dumped waste was initiated.



Dump yard next to Ahmedguda colony

4.7.7.2 Construction of Houses for rehabilitation of flood victims of river Krishna and Budameruvagu in VMC & G+3 Group Housing in slums located in Circle-I of VMC

A brief summary of the two test checked BSUP projects is given below.

Table 4.7

Particulars	15000 houses for victims of floods in River Krishna	6752 houses for flood victims of Budameruvagu
Date of Administrative sanction	September 2006	October 2007
Estimated cost	₹258.74 crore	₹190.88 crore
Implementing agency	VMC	VMC
Bid	Competitive	Competitive
Date of entrustment	April 2007 to September 2010	August 2008 to March 2011
Name of the agency to whom the work was entrusted	Split into 127 packages and all the packages were entrusted.	Split into 120 packages (90 packages were entrusted as of June 2011)
Stipulated date for completion	September 2007 to February 2011	November 2008 to June 2011
Status	Not completed	Not completed

Source: Work records of the project

Note: As in the case of the test checked BSUP projects at Hyderabad, these two BSUP projects in Vijayawada were initially assigned by State Government (2006) to APSHCL, and subsequently transferred to VMC in July 2007 (with a small portion retained by APSHCL); reasons for these changes were not available on record, although State Government stated that these were transferred from APSHCL to ULBs based on a decision taken in July 2007

Both projects were incomplete, mainly because the requisite quantity of land could not be acquired in full.

- Out of 108.38 acres of land required for the ‘Construction of 15,000 houses for rehabilitation of flood victims of River Krishna and Budameru Vagu in VMC’ project, VMC could acquire only 17.15 acres in VMC limits and 87.55 acres at Jakkampudi.
- Against 68.20 acres of land required for the ‘G+3 Group Housing in Slums located in Circle-I of VMC’ project, only 9 acres was available; consequently, VMC constructed only 832 out of the proposed 6,752 houses. According to VMC’s status report, the possibility of acquiring the remaining land at Gollapudi (near Jakkampudi) was very low.

The change in implementing agency as well as delay in land acquisition led to cost escalation of ₹172.62 crore to be borne by State Government and the ULB - from ₹258.74 crore to ₹373.55 crore for the 15,000 houses project; and from ₹190.88 crore to ₹248.69 crore for the 6,752 houses project.

The status of completion of houses as of June 2012 is given below.

Table 4.8

Name of the scheme	Number of houses completed	Number of houses allotted	Number of houses occupied	Number of houses allotted but not occupied
15000 houses	12480	8013	6760	1253
6752 houses	832	0	0	0

Source: VMC

As regards the 1056 houses taken up by APHSCL, the works were divided into two packages but entrusted (May/June 2007) to a single agency at ₹18.51 crore for completion by November/December 2008. However, the Managing Director, APSHCL subsequently cancelled (December 2008) the contract due to substandard work by the contractor (by which time only 10 *per cent* of work costing ₹1.77 crore was completed). Subsequently, the work was executed departmentally.

Government attributed (December 2012) the delay to transfer of project from APSHCL to VMC and further stated that non-response to initial tenders had led to cost escalation.

4.7.7.3 Construction of 4087 houses and Provision of Infrastructure at Tirupati (IHSDP)

The project was sanctioned in May 2007 at an estimated cost of ₹55.36 crore (Housing: ₹40.87 crore and Infrastructure cost: ₹14.49 crore) to be taken up at two areas *viz.*, Avilala and Damineedu. The project was split into 89 sub-works and entrusted to 14 contractors between May 2008 and March 2009 with stipulated completion between November 2008 and March 2011. The findings in audit are given below.

- Against the construction of 4,087 houses³⁴, as of June 2012 no units had been completed at Avilala, while 528 houses were completed in Damineedu, of which only 456 were allotted and 124 houses had been occupied by the beneficiaries. For the remaining 332 houses, Government stated (December 2012) that electrical cable connections from transformer to the housing block (Service lines) were given to the completed houses in September 2012; however, status of their occupation by the beneficiaries was, however, not furnished by Government.
- Further, TMC was unable to facilitate bank loans for the beneficiaries, resulting in many of the completed houses remaining unoccupied. Government stated (December 2012) that the implementing agency had yet to come up with the proposals for revised funding pattern.

4.7.8 Deviations

Projects were to be executed as per detailed estimates approved as per DPR and detailed survey/investigation is required to be carried out before commencement of the works. Scrutiny of the records of the following projects revealed deviation on account of change in the scope of works indicated in the DPRs, incorrect adoption of lead charges, incorrect provision of soil gravel in the Bill of quantities and change in designs.

4.7.8.1 Rehabilitation and strengthening of sewerage system in Old City area South of Musi in Zone I (Catchments S1 to S6, S12 and S14)

HMWSSB executed the supplemental and authorised extra items costing ₹32 crore (reportedly on account of 'soil and site variations') to more than 53 *per cent* of the estimated cost of ₹60.38 crore³⁵, which was well beyond the permissible limit of 10 *per cent* variation. This is evidence of faulty planning and site survey/investigation, which should have been properly conducted before finalising detailed estimates and initiating contract award. Government stated (December 2012) that implementation constraints would be examined and take further action.

4.7.8.2 Implementation of Sewerage Master Plan in Serilingampally Municipality

- There was a huge increase in laying of SWG pipes in Package-II of higher diameters vis-à-vis the quantities indicated in the original DPR. The increase in quantities of 200 mm, 250 mm, and 300 mm diameter SWG pipes were 462 *per cent*, 257 *per cent* and 56 *per cent* respectively. Department responded (December 2012) that the pipes of 150 mm dia were substituted with 200 mm dia as per site conditions and to meet the demand of the densely populated area of Serilingampally Municipality. This is not justified, since the original DPR

³⁴ Bids were invited by TMC for construction of only 4,056 houses

³⁵ Without considering quoted tender premium over Estimated Cost

projections were already based on year 2041 as the horizon year. Government stated (December 2012) that the issue would be examined for further action.

- Even though sewer lines for two major catchments (Beverly Hills and Madhapur) at an estimated cost of ₹73.90 crore was included in DPR, HMWSSB deleted the same while dividing the scope of works into packages for award. It was observed the works at these catchments were already conceived in November 2007 itself with partial funding from HMDA and the works were already in full swing at the time of DPR approval by GoI. In response, Government stated (December 2012) that the works were taken upto provide amenities to the IT special economic zones in these areas immediately. Reply is not acceptable as the projects were initiated before approval of the DPR, which is against the JNNURM Guidelines.
- HMWSSB increased the estimated value of Package-III (₹34 crore) almost three times the estimated cost (₹11 crore) on the grounds of two annual revisions (2007-08 and 2008-09) of the SSR. Government replied (December 2012) that the revision was also on account of coverage of additional areas, however, details of additional areas covered had not been furnished.

4.7.8.3 Rehabilitation and strengthening of sewerage system in Old City area South of Musi in Zone II (Catchments S7 to S11, S13 and S15)

There was a huge increase of 80 (200 mm) and 187 (300 mm) *per cent* in the quantities of large diameter pipes in lieu of smaller diameter pipes (150 mm and 250 mm) from the quantities estimated in the original DPR to the quantities actually laid. Government responded (December 2012) that the variations were made based on requests made by the local public representatives, and also site conditions, which indicated poor survey and planning.

4.7.8.4 Refurbishment of existing feeder system including distribution network for 10 zones in Old Municipal Corporation of Hyderabad

- Against the provision for laying 1000 Rmt of 600 mm diameter MS pipe, 1630 Rmt was laid/to be laid, which would result in additional expenditure of ₹90.86 lakh owing to increase in earthwork and hard rock excavation, supply of good gravel, crushed stone dust and bends.

Government stated (December 2012) that the work was not executed as per the field report, and further stated that a report from MD, HMWSSB would be called for on the matter for further action.

- Estimates for carting of excavated earth and rock to a distance of 5 km by incorrectly adopting the rates for 10 km lead. This had resulted in excess commitment of ₹29.96 lakh with reference to the total quantity of work to be executed.

In response, Government stated (December 2012) that ₹11.23 lakh was deducted and the balance would be recovered based on actual execution of quantities.

- Even though as per normal engineering principles and practices, excavated soil/gravel already available after excavation is utilised for filling of trenches, HMWSSB made a separate provision in Bill of Quantities (BoQ) for refilling the trenches with borrowed gravel for ₹2.23 crore, on the grounds of existing soil unsuitable for refilling.

Government responded (December 2012) that the lumps of Cement Concrete (CC) roads and Black Topped (BT) roads got mixed with the excavated soil. Reply is not acceptable as the said lumps of CC and BT should have been dumped separately, so as to utilise the existing excavated soil.

- There was huge difference between the value of works entrusted to contractors (₹51.99 crore and ₹16.78 crore) and the cost of works indicated in the DPRs (₹23.88 crore and ₹48.36 crore respectively) relating to the works of inlet, outlet and distribution network in two zones. (Maisaram and Asmangadh).

Government stated (December 2012) that the variation was on account of additional reservoirs/components. This clearly indicates unrealistic preparation of estimates in the DPR.

4.7.8.5 Replacement of existing Thatipudi pipeline from Thatipudi reservoir to town service reservoir and pumping units

Commissioner, GVMC revised the estimates for Package-III (construction of 1000 KL sump-cum-pump house at Krishnapuram Head works) from ₹85 lakh to ₹134 lakh and approved (May 2009) reportedly on account of the site conditions, which was also confirmed (December 2012) by the State Government. This indicated that the initial estimates were unrealistic.

4.7.8.6 Providing sewerage facility to northern part of Vijayawada city

VMC executed (2009-10) 25 works (valuing ₹23.79 crore) relating to extension of sewer lines, which were outside the scope of DPR. Further, it was noticed that certain works of current DPR relating to collection network (estimated cost of ₹33 crore) were taken under another BSUP project. Government accepted (December 2012) the comment and stated that revised DPR was prepared incorporating the above deviations.

4.7.8.7 Providing water supply facilities in unserved areas of Vijayawada City

The change in designs of intake well and recasting of estimates for construction of 50 Mld water treatment plant resulted in cost escalation of ₹2.34 crore. Government accepted (December 2012) the observation.

4.7.8.8 Warangal water supply scheme

A provision of ₹75 lakh was made in the IBM for construction of a Quality Control (QC) laboratory building to accommodate different quality control equipment and to conduct quality control tests, and accordingly, the department incurred ₹82.42 lakh on construction of the building with a plinth area of 10,000 sqft. However, the building was occupied by the offices of Circle and Division (PH) Warangal, which is irregular.

Government stated (December 2012) that the QC laboratory and Department Quality Control Staff were all accommodated in the building and the remaining area of the building was accommodated by the Superintending Engineer (PH) Circle Warangal, but did not indicate the plinth area utilised by the circle office.

4.7.8.9 Rayadurg water supply scheme

While working out (March 2009) the cost of foundation treatment to ₹5.11 crore, the Department included an amount of ₹3.18 crore towards extra depth excavation, and submitted the revised estimates.

Government stated (December 2012) that the IBM also specified for extra payment for foundation treatment based on suggestion of Geological Survey of India (GSI) and accordingly additional cost towards extra depth was worked out. This indicated that the required soil investigation was not carried out before including the cost of foundation treatment in the IBM.

4.7.9 Undue benefit to contractor

Scrutiny of works bills of the nine projects revealed instances of excess payments/undue favour as discussed below:

- Under EPC system, the contractor was bound to execute all supplemental works found essential, incidental and inevitable during execution of main work. However, the implementing agencies entered into supplementary agreements with the same contractors for execution of works, which were incidental and essential to the main work, thereby extending undue favour to contractors. Details are given below:

Projects	Audit Observations
Kadapa Sewerage scheme	<p>A supplementary agreement was concluded (May 2009) with the same contractor for laying of NP PVC-U pipes in place of SWG pipes on account of water logged areas with heavy seepage.</p> <p>Government stated that (December 2012) there was no undue benefit to the contractor as cost of unlayed SWG pipes was not paid. This is not acceptable in view of the fact that extra commitment indicated above is after considering the cost of SWG pipes indicated in the IBM.</p>

Projects	Audit Observations
Karimnagar Sewerage scheme	Even though the scope of the work included 'restoration of damaged public utilities' by the bidder and all necessary permissions/clearances/approvals were to be processed by the firm only, the Department deposited ₹43.00 lakh with R&B Department for obtaining permission for laying of pipelines and cutting of roads, which needs to be recovered from the contractor (M/s Ramky Infrastructures Pvt. Ltd.) as per agreement.
Eluru, Dharmavaram, Pithapuram, Mancherial and Ongole water supply schemes	<p>In contravention to the agreement clause under EPC, the works relating to obtaining power connection were included in the IBM values awarded to the contractors. This had led to undue benefit of ₹1.19 crore to the contractors.</p> <p>The contention of the Government stating (December 2012) that the power connection to run the scheme was to be borne by the Department is not acceptable in view of the specific condition of the contract agreement (Clause 60), wherein the contractor had to make his own arrangements for drawing power after obtaining permission from Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) at his cost.</p>
Mancherial water supply scheme	<p>The work awarded (December 2007) under EPC for ₹24.72 crore included construction of Foot Bridge. However, a supplementary agreement was concluded with the same contractor for construction of Foot Bridge for ₹2.92 crore as an additional item due to change of site of intake well during execution.</p> <p>In response, Government stated (December 2012) that a common intake well was proposed for Mancherial and other two ULBs water supply schemes by Irrigation authorities, which had necessitated increasing the width of Foot Bridge to accommodate the three pipe lines to be laid over the Foot Bridge and the same was approved in the Committee meeting in February 2011. Reply is not acceptable as the construction of Foot bridge was stated to be contingent, as per the minutes of the meeting of February 2011.</p>
Warangal water supply scheme	<p>Against ₹1.18 crore loaded towards insurance premium charges for the work in the IBM, the agency paid only ₹47 lakh towards insurance premium.</p> <p>Government assured (December 2012) that the balance amount of ₹71 lakh would be recovered from the contractor.</p>

4.8 Monitoring and Evaluation

The following deficiencies were noticed in roles and responsibilities discharged by SLNA and PMU:

- Audit scrutiny revealed that TPIMAs/IRMAs for monitoring the implementation of some of the test checked projects were appointed after the projects were conceived. Consequently, their role could not cover the pre-construction stages of the projects concerned.

- The SLNA did not respond to the audit query on action taken reports on the observations made by the TPIMAs. In particular, with regard to the Housing Project in Tirupati, TPIMA had raised certain major observations viz., splitting of works into huge numbers, non-entrustment of works on EPC system, payments without obtaining administrative approval for revised cost from the State Government etc. Consequently, we could not ascertain whether the issues pointed out in TPIMA reports were actually rectified/settled. State Government, while stating the reasons for splitting of works of the Tirupati project, did not specifically indicate the status of action on the TPIMA Reports.
- One of the PMU's focus areas was programme management and monitoring to MoUD through web based Project Monitoring and Evaluation system (PMES). This monitoring and reporting support system was intended to appraise effective utilisation of funds, progress of projects and implementation of reforms. However, the PMES was not fully functional, as admitted by the SLNA. Detailed and comprehensive information on a project-wise basis was not available through the PMES on the SLNA's website. Government stated (December 2012) that Central Monitoring Unit (CMU) was created in October 2008 to look after the project monitoring at SLNA level. The CMU's functioning was analysed subsequently and it was found to be unable to provide the necessary services and, hence, closed in October 2009. However, at the SLNA level, Nodal Officers were appointed for a set of ULBs to monitor and evaluate the JNNURM programme projects being implemented in the concerned ULBs.

4.9 Impact assessment

In order to assess perception of the citizens about the effectiveness of the implementation of projects, 1528 beneficiaries with regard to 20 projects were surveyed (May 2011 to March 2012) at random in audit relating to sewerage (5), water supply (7), storm water drains (3) and housing (5).

4.9.1 Sewerage

About 85-90 *per cent* of the beneficiaries surveyed in respect of sewerage projects³⁶, expressed satisfaction and stated that water logging in their area had been reduced after implementation of these projects. Many of them (55 *per cent*) at the same time, however, reported that they were unaware of new schemes reportedly on account of not completing the works to full extent. As a result, they were still dependent upon septic tanks (*Implementation of Sewerage Master plan in Serilingampally – project relating to Hyderabad UA*).

³⁶ 1. Rehabilitation and strengthening of sewerage system in old city area on South of Musi (Zone-I), 2. Rehabilitation and strengthening of sewerage system in old city area on South of Musi (Zone-II), 3. Implementation of sewerage master plan in Serilingampally municipality, 4. Providing sewerage system to central part of Visakhapatnam city and 5. Providing sewerage system in old city area of Visakhapatnam

4.9.2 Water supply

While the beneficiaries in respect of three³⁷ water supply projects expressed satisfaction on the improvement in water supply, targeted beneficiaries of the remaining four³⁸ water supply projects sampled were not satisfied since they felt the projects did not address their requirements. Their grievances included supply of water for less than an hour per day/non-supply on a daily basis, pumping water through motors due to inadequate pressure, etc. This was also on account of non-completion of projects' works, thereby not achieving the intended objective of providing water.

4.9.3 Storm water drains

Beneficiaries interviewed for the projects³⁹ relating to storm water drains expressed satisfaction in general, as inundation of the area was solved to a great extent, except for one project⁴⁰, where about 8 - 12 *per cent* beneficiaries felt there was water logging and unclean drains. Field visits (relating to the project '**Regularisation of S.L. Canal and Improvement of Yerrigedda storm water drain including bench drains**' in Visakhapatnam) also confirmed the fact that residents of the areas around the storm water drains were dumping huge quantities of garbage into the canals, which requires to be addressed by GVMC.

4.9.4 Housing

As regards survey related to housing, beneficiaries in Vijayawada were satisfied with the quality of construction and amenities in their area. In contrast, beneficiaries in Hyderabad and Tirupati expressed dissatisfaction on the size of dwelling unit, lack of water/drainage facilities, improper/poor condition of roads, and stink from the decayed garbage from the dumping yard. The beneficiaries interviewed for the project relating to Tirupati further reported lack of hospital facilities, bus stops nearby the area.

State Government stated (December 2012) that once all the projects are commissioned, the impact will be felt by all the people living in the project area and that, corrective action would be taken wherever necessary.

³⁷ 1. Augmentation of drinking water supply to 32 peripheral areas of GVMC, 2. Comprehensive water supply system in old city of GVMC and 3. Replacement of existing Thatipudi pipeline from Thatipudi reservoir to town service reservoir and pumping units

³⁸ 1. Refurbishment of comprehensive water supply in North Eastern Zone of Central Area of GVMC, 2. Providing water supply pipeline from Town service reservoir to Yendada and Kommadi junction for augmenting water supply, 3. Augmentation of drinking water supply to Gajuwaka area and 4. Providing water supply distribution system to Gajuwaka area of GVMC (Phase 2)

³⁹ 1. Improvement of storm water drains for Zone VIII of Greater Visakhapatnam city (Gangulhedda and Yerrigadda branch canals), 2. Regularisation of S.L. Canal and 3. Improvement of Yerrigedda storm water drain including bench drains

⁴⁰ Improvement of storm water drains for Zone VIII of Greater Visakhapatnam city (Gangulhedda and Yerrigadda branch canals)

4.10 Conclusion

As brought out in the foregoing paragraphs, while implementation of the mandatory and optional reforms by Government was largely satisfactory, execution of a majority of test checked projects was adversely affected due to non-availability of required land/defective designs. Lack of co-ordination with the related departments, splitting up of works into innumerable sub-works, change of technology, etc., resulted in non-completion of projects in a significant number of cases, and non-achievement of the envisaged objectives and benefits. Tendering and contract management activities involved irregularities which included awarding of works on single tender/nomination basis resulting in undue benefit to contractors. Monitoring mechanism was not adequate to ensure that projects were executed within time to the envisaged quality standards.

4.11 Recommendations

- State Government should ensure preparation of Detailed Project Reports with authenticated inputs from survey reports and ensure strict compliance with all the pre-requisites (especially land acquisition and clearances from different Departments), before commencing project execution.
- Effective co-ordination with other Departments responsible for granting clearances must be ensured.
- Government orders relating to two-stage tendering process (survey and investigation, and execution) should be strictly adhered to.
- Monitoring mechanism, as stipulated in the guidelines, should be strengthened to ensure that projects are executed on time within the budgeted cost.

Chapter-5

Performance Audit of Implementation of Rural Water Supply Schemes

**Panchayat Raj and Rural Development
(Rural Water Supply and Sanitation)
Department**

5.1 Introduction

5.1.1 Background

National Rural Drinking Water Programme (NRDWP) is one of the flagship programmes of Government of India (GoI). It was originally introduced as the Accelerated Rural Water Supply Programme (ARWSP) in 1972-73, and was renamed as National Drinking Water Mission (1986), and Rajiv Gandhi National Drinking Water Mission (1991), before being revised with effect from April 2009 as the NRDWP.

5.1.2 Coverage Norms and Habitation Status

GoI has adopted the following norms for providing potable drinking water in rural areas:

- 40 litres per capita per day (lpcd) for human beings;
- 30 lpcd of additional water for animals in areas under Desert Development Programme; and
- One hand pump or stand post for every 250 persons.

As per GoI norms, rural habitations are categorised as follows:

Not Covered (NC)/No Safe Source (NSS) habitations, where a drinking water source/point is not available within 1.6 km of the habitations in the plains or 100 metre elevation in hilly areas, or where the habitations have a water source which is affected by quality problems.

Partially Covered (PC) habitations, which have a safe drinking water source, but the capacity of the system ranges between 10 lpcd to 40 lpcd.

Fully Covered (FC) habitations, which would cover all the remaining habitations.

All habitations other than FC habitations are also termed as ‘**problem habitations**’. State Government categorised the PC habitations further as PC-1 (upto 9 lpcd), PC-2 (10-19 lpcd), PC-3 (20-29 lpcd) and PC-4 (30-39 lpcd).

The three main categories of rural water supply assets in the State are:

- (i) Comprehensive Protected Water Supply (CPWS) schemes, which supply treated water;
- (ii) Pipeline Water Supply (PWS) schemes, which supply non-treated water; and
- (iii) Borewells.

As per NRDWP guidelines, higher priority should be accorded while planning for implementation of the scheme and habitations, where only 0 - 25 *per cent* of population is covered, quality affected habitations, SC, ST and minority community dominated habitations.

5.1.3 Organisational Set-up

The primary responsibility for planning and implementation of rural water supply schemes rests with the Rural Water Supply and Sanitation (RWSS) Department. Panchayat Raj Institutions (PRIs) at different levels have a subsidiary role in planning, implementation and O&M of such schemes. The role of PRIs, as laid down by the State Government in December 2007, is summarised below:

Level	Main Responsibilities
Zilla Parishad (ZP)	<ul style="list-style-type: none">• Participation in planning and maintenance of CPWS schemes• Review and monitoring the water quality testing reports• Arrange training programmes, seminars and Information Education and Communication (IEC) activities relating to drinking water• Review the activities of District Water and Sanitation Mission
Mandal Praja Parishad (MPP)	<ul style="list-style-type: none">• Participation in planning of water supply schemes involving more than one Gram Panchayat (GP)• Review and monitoring maintenance of hand pumps and PWS schemes, and distribution of grant• Providing and entrustment of transportation and hiring of wells for drinking water
Gram Panchayat (GP)	<ul style="list-style-type: none">• Identifying schemes and locations through involvement of Gram Sabha and GP• Execution of pipeline works in the village• Operation and Maintenance (O&M) of single village schemes• Regular chlorination of drinking water sources; ensuring proper distribution of water to all the locations of village• Monitoring and surveillance of quality of water

Source: GO Ms No. 569 dated 22 December 2007

Although O&M of PWS and hand pumps were transferred to GPs along with the budget, the RWSS Department is to 'extend technical support' to maintain the schemes properly. The CPWS schemes, however, are being maintained by the Department.

5.2 Audit Approach

5.2.1 Audit objectives

The objectives of the Performance Audit are to assess whether,

- there was a robust planning process for rural water supply schemes;
- funds provided by the GoI and the State Government for implementation of the schemes were utilised for the purpose and properly accounted for;
- individual water supply schemes were properly planned and executed economically, efficiently and effectively;

- adequate arrangements have been made for ensuring coverage of ‘problem habitations’ and sustainability aspects have been addressed;
- adequate and effective arrangements for monitoring water quality and surveillance were in place; and
- monitoring and evaluation of the schemes are adequate.

5.2.2 Audit criteria

Audit findings were benchmarked against the criteria sourced from the following:

- Guidelines of Accelerated Rural Water Supply Programme;
- Guidelines of National Rural Drinking Water Programme and the National Rural Drinking Water Quality Monitoring and Surveillance Programme (NRDWQMSP); and
- National Water Policy (April 2002).

5.2.3 Audit Scope and Methodology

Performance Audit was carried out between July 2011 and June 2012 and covered the implementation of rural water supply schemes during the five year period 2007-12. Audit methodology involved test-check of records in the RWSS Department, offices of the Engineer-in-Chief (ENC) and the sampled divisions. Physical inspection of all the test checked CPWS schemes was also conducted and photographic evidence was taken to substantiate audit findings, where necessary. Detailed list of sampled schemes along with their current status is given in *Appendix 5.1*.

Entry Conference was held with the Departmental officials on 20 June 2011 wherein audit objectives, scope, criteria and methodology were discussed and the inputs of the Department were obtained. Audit findings were discussed with the Government in an Exit Conference on 18 January 2013 and the responses of the Government/ Department, including their written replies, were incorporated in the report.

5.2.3.1 Sample size

Out of 292 rural water supply schemes taken up for execution, 60 works (39 completed and 21 in progress) falling under 21 divisions of 10 districts¹ were selected for detailed scrutiny. The selected schemes contained all categories of habitations (NC, PC and FC) and were spread over the three regions of the State viz., Coastal Andhra, Rayalaseema and Telangana. Further, findings relating to six CPWS works² in Anantapur, Nizamabad and Karimnagar districts, which were reviewed

¹ Nellore (Nellore, Gudur), Anantapur (Penukonda, Kalyandurg and Anantapur), Kurnool (Nandyal, Kurnool and Adoni), Medak (Medak and Siddipet), Warangal (Warangal), Karimnagar (Karimnagar and Manthani), Nizamabad (Banswada and Nizamabad), Khammam (Khammam), Ranga Reddy (Hyderabad) (1 scheme) and Prakasam (Ongole, Kanigiri, Darsi and Podili)

² CPWS - Damarancha and other habitations, CPWS - Chandur and other habitations of Varni Mandal in Nizamabad District, CPWS - JCNDR Drinking Water supply, CPWS - Neelakantapuram Sri Rami Reddy Drinking Water Supply in Anantapur District, CPWS to Gangadhara and CPWS to Kothapally of Karimnagar District

during regular audit inspection of the engineering divisions concerned have also been included in the report. However, these 6 CPWS works did not figure in the list of works (292 Nos) furnished by the ENC to audit, indicating that the data of CPWS schemes was either incorrect or incomplete.

5.3 Funding pattern

Funding pattern of ARWSP and NRDWP implemented during the audit review period (2007-12) is given below:

5.3.1 Funding for ARWSP

This programme is funded by the Central and State Governments in the ratio of 50:50 between 1 April 1998 and 31 March 1999. Thereafter, it was 75:25 for water quality and sustainability and Desert Development Programme (DDP) is funded by GoI.

- Upto 20 *per cent* of the funds can be utilised by the State Government.
 - (i) to take up projects under the Sub-Mission programme for tackling water quality problems like fluorosis, arsenic, brackishness, excess iron and nitrate (15 *per cent* of funds) and
 - (ii) to ensure source sustainability by conserving water, recharging aquifers, etc. (5 *per cent* of funds).
- Upto 15 *per cent* of the funds can be utilised for Operation and Maintenance (O&M) of assets created.
- At least 35 *per cent* of funds must be utilised for drinking water supply to SC/ST habitations.

5.3.2 Funding for NRDWP

NRDWP has seven components *viz.*, Coverage (30 *per cent*), Quality (20 *per cent*), Sustainability (20 *per cent*), DDP (10 *per cent*), O&M (10 *per cent*), Support (5 *per cent*) and Natural Calamity (5 *per cent*). While the Centre and State share the expenditure on Coverage, Quality and O&M on a 50:50 basis, Sustainability, Natural Calamity, DDP and Support are funded 100 *per cent* by the GoI. GoI releases the first instalment of the grant without any proposals from the State, if the State has drawn the 2nd instalment of the previous year. For the release of 2nd instalment, the State Government is required to submit specific proposals in the prescribed proforma.

5.4 Physical and Finance performance

5.4.1 Physical performance

Details relating to status of habitations are updated dynamically in the 'Watersoft' database of the State Government. However, the base data, which is updated dynamically, has not been validated through any survey at any point of time. As per the data furnished by the Department, the change in status of habitations in the State between April 2007 and April 2012 was as follows.

Table 5.1

	Status as of April 2007 (percentage)	Status as of April 2012 (percentage)	Change
FC	29114 (43)	39275 (54)	10161
PC	36301 (53)	32441 (45)	(-) 3860
NC	626 (1)	113 (--)	513
NSS	2388 (3)	561 (1)	1827
Total	68429	72390	3931

Source: 'Watersoft', State Government MIS

From the above data, it appears that the State put in commendable efforts to substantially reduce the number of PC and NC/NSS habitations during the five year period. However, of the 32,441 PC habitations as of April 2012, 15988 habitations (49 *per cent*) were 'slipped back' habitations i.e., those which had come 'down' from FC to PC status. Government attributed (October 2012) the 'slipped back' status to increasing depletion of ground water and the consequent failure of water sources and quality problems. While Audit agrees that depletion of ground water is one of the reasons for the habitations to slip back from FC to PC, it is also true that Government's inadequate attention to sustainability aspects has played an important role in this regard.

During the Exit Conference, Government accepted that no survey has been carried out during the recent past/during the audit review period to validate the details of coverage of habitations as reflected in the 'Watersoft' database. It was stated that presumably, such a survey may have been carried out initially when the scheme was launched.

5.4.2 Financial performance

Details of funds released by GoI and State Government, and loans obtained by the State for implementation of water supply schemes during 2007-12 are given below along with the expenditure incurred.

Table 5.2

Year	Opening Balance	Budget released				Expenditure				Closing Balance	Percentage of GoI funds unutilised
		State	GoI	Loan	Total	State	GoI	Loan	Total		
2007-08	137	50	354	272	676	50	452	272	774	39	(+) 28
2008-09	39	106	397	397	900	106	420	397	923	16	(+) 6
2009-10	16	453	534	98	1085	453	334	98	885	216	(-) 37
2010-11	216	342	559	87	988	272	355	87	714	490	(-) 36
2011-12	490	150	462	96	708	220	446	96	762	436	(-) 3
Total		1101	2306	950	4357	1101	2007	950	4058		

Source: Records of RWSS Department

As can be seen above, while the loan amounts were utilised in full, the State funds (2010-12) and GoI releases (2007-12) were not fully utilised. The accumulated balances during the years 2009-12 relate to NRDWP funds, as the scheme was

operationalised with effect from 1 April 2009. About 37 *per cent* of the funds received during 2009-10 and 2010-11 were thus lying unutilised.

Government assured (October 2012) that efforts would be made to utilise the balance funds.

Audit Findings

5.5 Planning

5.5.1 Annual Action Plans (AAPs)

The guidelines of ARWSP/NRDWP stipulate preparation of AAPs at the State level by April every year with inputs from the PRIs, to provide a definite direction to the programme and ensure regular monitoring of its physical and financial progress. While preparing AAPs, completion of incomplete works is to be given priority over new works. The State Government is required to identify reputed technical institutions designated as State Technical Agency (STA) to assist in planning and designing sound and cost effective rural water supply schemes with special emphasis on sustainability of the source and to assist in preparation of action plan for both software as well as hardware activities.

Audit scrutiny revealed the following:

- (i) STA was not constituted during the entire period (2007-12) under review; however, AAP was prepared from 2011-12 onwards. Proposals for water supply schemes were initiated primarily based on the request of public representatives. There was no evidence from the records made available regarding the involvement of PRIs in the planning process. In reply Government stated (October 2012) that proposals were being initiated through Village Water and Sanitation Committee (VWSC) and other PRIs in the six districts³ where 3 schemes were being implemented with World Bank assistance.
- (ii) Out of the 66 schemes test checked in audit, 27 were sanctioned during the period 2002-2010, which indicates that adequate priority was not accorded to completion of incomplete schemes before taking up new schemes.
- (iii) Further, while 4,881 habitations were proposed to be covered under the 66 test checked schemes, scrutiny revealed that only 1,328 habitations (27 *per cent*) were actually covered, which include NC and NSS habitations.
- (iv) There was no correlation between the total number of habitations as per the RWSS Department records and the other departments of the Government like Agriculture Department, which also plan programmes for coverage of habitations. Government confirmed during Exit Conference that there are inconsistencies/variations in this regard among the departments and this was primarily due to absence of a survey in the recent past.

³ Adilabad, Karimnagar, Mahbubnagar, Prakasam, Visakhapatnam and YSR (Kadapa)

5.5.2 Involvement of local community

As per ARWSP/NRDWP guidelines, Detailed Project Reports (DPRs) of rural water supply schemes were to be prepared in consultation with the local community through the Gram Panchayat in order to ensure community participation and also to ensure that the choice of technology/system was appropriate and easy to operate and maintain. While DPRs were stated to have been prepared for all the schemes, these were not made available to Audit in respect of any of the test checked schemes. Therefore, Audit could not verify whether community participation was ensured in the preparation of DPRs. Government confirmed during the Exit Conference that local community was not involved in the planning process and that, apart from the detailed proposal submitted while seeking approval/sanction for the project, there was no separate DPR in respect of any of the schemes.

5.5.3 Non-compliance with approved procedure

The orders of State Government of July 2003⁴ stipulated grant of administrative approval in two stages:

- 1st stage approval for preparatory work – detailed investigation, Environment Impact Assessment (EIA) and Environment Management Plan (EMP), forest and other clearances, rehabilitation and reconstruction plan, detailed designs and drawings, acquisition of minimum land required, etc.
- 2nd stage approval after finalisation of designs, completion of detailed investigation and acquisition of land for taking up works without interruption for the first two years. Such approval could be given straightaway on certification by Engineer-in-Chief (ENC)/Chief Engineer (CE) that these requirements have been fulfilled.

Audit scrutiny of the test checked CPWS schemes revealed that administrative approval was granted by the Government without a two-stage approach and also without ensuring fulfilment of the above requirements. Further, while the ENC/CE was required⁵ to inspect works costing ₹5 crore or more before according technical sanction and after inspection of the site, no such inspections were found to have been carried out in the test checked cases.

Non-adherence to the above stipulated conditions by the ENC/CEs have resulted in failure to identify the bottlenecks in terms of permissions from Railways, Forest and Irrigation departments, and Hyderabad Metro Water Supply & Sewerage Board (HMWSSB) as well as inadequate co-ordination for energisation of completed schemes. Consequently, several schemes were mired in problems relating to land acquisition, clearances from Forest and Irrigation departments, Railways, National Highways Authority of India, etc., thereby pushing upwards the cost and time budgeted for their completion.

⁴ GO Ms No. 94 dated 1 July 2003

⁵ Para 154 of APWD Code read with GO Ms No. 94 – Irrigation CAD (PW-COD) Department, dated 1 July 2003, Para 2(c)

Government accepted the audit finding and stated (October 2012) that it has been complying with the requisite rules with effect from 2012-13.

5.6 Financial Management

5.6.1 Short release of State matching share

As per the guidelines of ARWSP/NRDWP, the State Government was required to match the releases of the GoI on a 1:1 basis pertaining to three⁶ out of seven components. While there was excess release of matching share by State Government during 2007-08 and 2008-09, it was noticed that there were significant short releases during the period 2009-10 to 2011-12 as detailed below.

Table 5.3

(₹ in crore)

Year	GoI release	Corresponding matching share to be released by State	Actual release by State	Shortfall
2007-08	4.02	1.15	24.20	Nil
2008-09	4.02	1.15	40.00	Nil
2009-10	339.79	339.79	0.00	339.79
2010-11	389.74	389.74	87.95	301.79
2011-12	363.32	363.32	0.00	363.32
Total	1100.89	1095.15	152.15	1004.90

Source: Correspondence between ENC and Secretary, RWSS

Government stated (October 2012) that short release of funds did not result in stoppage/slow progress of works, as GoI released its share taking into account the amounts released by them under the State plan and NABARD for the purpose of drinking water supply. It was further stated that the balance amount would be released in future. The contention of State Government could not be verified in Audit, as the RWSS Department had not provided the year wise details of schemes sanctioned and completed along with the sanctioned cost and expenditure incurred on each of these schemes.

5.6.2 Delay in release of GoI funds

Apart from not releasing its share, the State Government has also not released the funds provided by the GoI to the implementing agencies on time. The delays in this regard ranged from 31 days to 261 days during 2008-10 involving an amount of ₹529.98 crore, which had an adverse impact on completion of the works. Government responded (October 2012) that funds were released on need basis and that the delay had not affected the implementation and progress of work.

⁶ Coverage, O&M and Quality

5.6.3 Avoidable payment of interest

State Government raised (February 2006 - December 2008) ₹393.27 crore loan from HUDCO for implementing the water supply schemes, especially in the fluoride affected areas. The delay in payment of interest on this loan amount resulted in avoidable payment of penal as well as compound interest amounting to ₹2.93 crore to HUDCO. Audit observed that this was due to delay in release of Letter of Credit (LoC) and onward remittance to HUDCO. There was a delay in release of budget release order (BRO) at the Government level as well. Government confirmed (October 2012) the audit finding and attributed the delay in payment to the procedure involved in releasing the BRO and also delay in forwarding invoice by HUDCO.

5.6.4 Non-utilisation of Natural Calamity fund

GoI released (November 2009 and February 2010) an amount of ₹69.77 crore under natural calamity component during 2009-10 towards assistance for restoration of rural drinking water supply schemes damaged during the floods in 2009. As against five works⁷ sanctioned to be taken up with this amount, only three works were taken up and an amount of ₹11.59 crore was expended on them. The two remaining works relating to Mahbubnagar district were not taken up, statedly due to accumulation of silt. Thus, an amount of ₹58.20 crore released for restoration works was not utilised for the said purpose by the State Government as of June 2012.

Government replied (October 2012) that all the works were in progress and would be completed during 2013.

5.6.5 Compliance deviations

Several instances of non-compliance with the scheme guidelines were observed in Audit during the test-check of 21 divisions. Significant findings in this regard are detailed below:

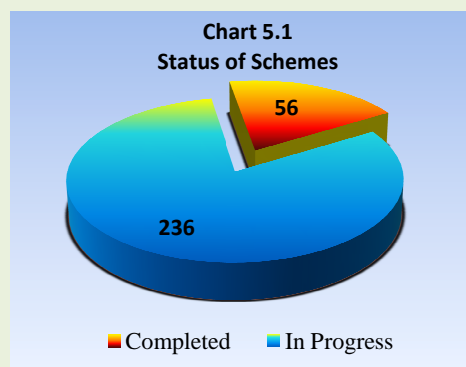
Deviation	Details in brief
Short recovery of Labour cess	<p>₹1.96 crore was short recovered (between March 2010 and March 2012) from the contractors' bills in respect of works towards Labour cess in violation of Labour Cess Act (GoI), 1996 read with State Government orders issued in February 2008.</p> <p>Government assured (October 2012) that recoveries would be effected as per rules.</p>

⁷ Integration of water supply and sanitation project in flood affected temple village of Alampur in Mahbubnagar district- ₹10 crore – Expenditure Nil; Integration of water supply and sanitation project in flood affected temple village of Mantralayam in Kurnool district – ₹10 crore – Expenditure ₹6.40 crore; Providing restoration works of damaged infrastructure due to floods in 2009 to habitations in Mahbubnagar district – ₹18 crore – Expenditure ₹2.61 crore; providing restoration works of damage infrastructure due to floods in 2009 to 19 habitations of Pebbair Mandal in Mahbubnagar district – ₹8.77 crore – Expenditure Nil and providing restoration works of damaged infrastructure due to floods in 2009 to 29 habitations in Kurnool district – ₹23 crore – Expenditure ₹2.58 crore

Deviation	Details in brief
Non-availing of Central Excise Duty exemption	The Department reimbursed (between May 2009 and June 2012) ₹93.49 lakh to the contractors in respect of 9 works due to their failure to avail of Central Excise Duty (CED) exemption ⁸ in the absence of a certificate from the District Collector. In respect of the contract relating to 'CPWS scheme to Gazwel, Narsapur, Ramayampet and Dommat constituencies in Medak district-Phase-I', an amount of ₹1.05 crore was paid (between October 2007 and March 2011) to the contractor, without obtaining proof of payment of excise duty to the Central Excise department. Regarding payment of ₹1.05 crore, Government stated (October 2012) that the Department had been reimbursing the proportionate amount of CED on raw material only as per proof of invoice and payment certificate issued by Central Excise Department.
Non-revalidation of Bank Guarantees	Bank Guarantees (BG) collected from the contractors towards Earnest Money Deposit and Performance certificate will be valid upto completion of defective liability period. On sanctioning Extension of Agreement Time (EOAT), the BGs are also required to be revalidated and sanction extended. In case of suspension of works by the contractor, the BG should be encashed and credited to respective Government account. In six cases, BGs amounting to ₹1.84 crore were neither revalidated nor encashed (between June 2007 and June 2012) and credited to Government Account.

5.7 Programme implementation/Execution of works

Out of 538 CPWS schemes sanctioned by the Government to the end of March 2012, only 292 (54 per cent) were taken up for execution. Of these, 56 schemes have been completed and 236 schemes are in progress, as can be seen from the status of schemes depicted alongside. Year-wise details of schemes and habitations approved and completed were not made available by the Department.



As regards the test checked 66 schemes taken up at a total outlay of ₹2120.16 crore, 39 schemes were commissioned by incurring an expenditure of ₹741.54 crore; 7 schemes were completed at a cost of ₹86.82 crore but not commissioned (due to lack of dedicated power supply feeder lines, water drawal permission, etc.) and 20 schemes were incomplete despite spending ₹655.33 crore as of June 2012.

Audit observed that the main reasons for non-completion of the water supply schemes are as follows:

- (i) Lack of forest clearance for laying of pipes
- (ii) Delay in obtaining water drawal permission from Irrigation Department
- (iii) Non-acquisition of land

⁸ Granted by GoI, Central Excise Department for pipes required for transportation of raw water to place of storage i.e., upto filter beds

Significant audit findings on implementation of 10 schemes are detailed below followed by common observations relating to the other schemes.

5.7.1 CPWS Scheme Chandur, Varni and 19 other habitations

The work was sanctioned under NABARD RIDF(X) by the Government in March 2005 and the contract was awarded in September 2006 for ₹8.64 crore. The time set for completion of the work was 12 months and EOAT was sanctioned upto December 2008.

The contractor, after executing the works valuing ₹2.23 crore relating to Chandur Scheme, stopped further execution from February 2008, on the grounds that the Department changed (May 2007) the specification of pipes from Glass Reinforced Plastic (GRP) to Ductile Iron (DI) for pumping main due to terrain conditions, and that, there was a shortage of DI pipes in the market. Consequently, the ENC decided (April 2008) to pre-close the work and a working estimate for completion of the balance works was prepared (May 2008) for ₹6 crore and submitted to the Superintending Engineer (SE) for approval. As of June 2012, no further action was taken to complete the work.

However, although the contract was closed in December 2009, a supplementary agreement was concluded with the same contractor in June 2010, for additional quantities and new items for an amount of ₹29 lakh for which payment was also made (June 2010) after two years from the decision taken to pre-close the contract. These items were not urgent in nature (distribution lines) as the scheme could not be commissioned without the completion of pumping main, which is yet to be taken up. The picture shows the status of works as of June 2012.



Pump house at Rudur without pumps



Sump without water vents

Government accepted (October 2012) the audit finding and assured that the balance works would be taken up under different grants and the infrastructure would be put to use.

5.7.2 CPWS Scheme Nyalkal and 52 other habitations

The work was sanctioned through three different Government Orders (September 2004; March 2005; November 2006 as Part-I; Part-II and Part-IB) and awarded at a total contract value of ₹19.53 crore to different contractors with a delay of 1 - 2 years from their date of sanction under different grants (NABARD/ARWSP etc.). None of the contractors completed the works as of June 2012 and after incurring an

expenditure of ₹16.28 crore, further execution was stopped from November 2011 without recording any reasons. The left over works included missing gaps in gravity main; pipe line connections with Cast Iron (CI), Galvanised Iron (GI) specials; gaps of Mild Steel (MS) pipes; finishing of structures viz., Over Head Storage Reservoirs (OHSRs), Summer Storage (SS) Tanks, etc. and testing of all pipelines. No action was taken to complete and commission the scheme, which resulted in the expenditure of ₹16.28 crore incurred on the works remaining unfruitful and the objective of providing safe drinking water to the targeted habitations intended way back in 2004, remaining unfulfilled. The status of works as of June 2012 is given below in pictures.



SS tank of Nyalkal scheme without water and without pumps



Burnt GRP pipes at the site relating to Part-IB works

Further, 40 out of 2493 GRP pipes worth ₹19.85 lakh procured for the works and stacked at the site, were burnt in a fire accident as can be seen from the photograph given above. The pumpsets purchased in March 2007 worth ₹8.52 lakh also remained idle as of June 2012.

In respect of Part-II works, inspite of non-completion of works within the agreement period, the contractor was given unintended benefit of ₹28.27 lakh towards price variation in GRP pipes in violation of agreement conditions (where the price variation is allowed for the works completed within agreement period only).

Government accepted (October 2012) the audit findings and assured that the cost of the burnt pipes would be recovered from the contractor, but was silent on the unintended benefit to the contractor.

5.7.3 Krishnagiri CPWS Phases I, II and III

Krishnagiri CPWS Scheme was approved in March 2006 by the State Level Advisory Committee (SLAC). This scheme was originally intended to cover 56 habitations, of which, 25 habitations in Phases I & II at an estimated cost of ₹18.50 crore, and 31 habitations under Phase-III at an estimated cost of ₹13.50 crore. Subsequently, 15 out of 31 habitations under Phase-III (including 11 NSS habitations) were deleted, due to lack of sufficient funds⁹.

Although Krishnagiri CPWS Phases I and II were completed in May 2009 at a cost of ₹14.68 crore, the same could not be commissioned, since the Irrigation Department

⁹ On account of change in Standard Schedule of Rates and inclusion of excess tender premium and unforeseen items

refused (March 2009) to grant permission to draw water from the proposed source (Gajuladinne Project) citing an ayacut loss of 2,900 acres.

Notwithstanding the lack of access to the proposed water source for Krishnagiri CPWS Phases I and II, the RWSS Department sanctioned Phase-III works in July 2008 at an estimated cost of ₹13.50 crore and awarded the contract in February 2010. As of June 2012, an expenditure of ₹6.40 crore was incurred on it.

The EE/RWS stated (June 2012) that the work was taken up ‘in anticipation of getting water drawal permission’ and that a revised estimate was prepared for obtaining a revised administrative sanction from State Government, which was awaited.

Government stated (October 2012) that efforts are being made to commission the scheme so that the expenditure incurred is fruitful.

5.7.4 CPWS Palair Phase III

CPWS Palair Phases I and II, covering 85 habitations at an estimated cost of ₹21.50 crore, sourcing water from the Palair Reservoir were completed and commissioned in August 2008 and October 2010 respectively. The Phase-III was designed and approved (October 2007) for covering 15 habitations at an estimated cost of ₹7.50 crore with an additional water source – forming a Summer Storage (SS) Tank (Lakaram Tank) within a larger existing irrigation tank adjoining Khammam Municipality.

The project was completed and commissioned in March 2011, covering 8 habitations at an expenditure of ₹5.47 crore. However, this expenditure is wasteful, as the water source (Lakaram SS Tank) is not fit for storage of potable drinking water and is surrounded by the drainage water of nearby villages as well as of Khammam municipality, as can be seen from the photographs of the tank given below.



View inside Lakaram SS Tank



Contaminated water surrounding Lakaram SS Tank

This major design failure was pointed out in October 2010 by CE, Vigilance and Quality Control (VQC) Wing, who stated that the Lakaram SS Tank was not fit for storage of water due to sub-surface pollution derived from ‘privy pits’, leaching cesspool and pollution introduced at or below the ground water table and bacteriological and chemical contamination. Further, the Ground Water Department of State Government had investigated the area in December 2008, and concluded that except in slum areas, water from bore wells and open wells in the area was only for ‘domestic purposes’ and not for drinking purposes. Subsequently (2010), the Institute

of Preventive Medicine, the apex body under State Government, also confirmed the presence of e-Coli bacteria and evidence of e-Coli MPN¹⁰ index above the permissible limits. In December 2010, CE, VQC again visited the site and recommended certain additional measures for diversion of drainage flow, prevention of open defecation, etc., at an estimated cost of ₹25 crore.

Government stated (October 2012) that water was being supplied to 8 habitations by taking required measures like formation of cross bund and key trunch, laying B.C. blanket in the bed of the tank, barbed wire fencing, construction of compound wall around the SS tank to protect the water from contamination and chemical analysis to ensure potability of drinking water. However, the fact remains that water is not yet being supplied to all the 15 habitations intended. In the absence of chemical analysis report, quality of water being supplied to 8 habitations could also not be vouched in audit.

5.7.5 J.C. Nagi Reddy Drinking Water Supply Scheme

The scheme was sanctioned by the State Government with the objective of providing drinking water to 514 habitations and 3 municipalities in Anantapur district in three phases, with funding from HUDCO and State Plan (Phase I May 2006 at a contract value of ₹148 crore; Phase II and III for ₹170 crore in June 2007; Phase-IV for ₹190 crore in February 2009).

The source for the scheme was Gandikota reservoir, which draws water from the Owk balancing reservoir through a tunnel. The tunnelling work, being executed by the Irrigation department, was targeted to be completed by October 2009 but was not completed even as of June 2012.

The status of tunnel works at Gandikota reservoir as of June 2012 can be gauged from the photograph placed alongside, which clearly indicates that the work would take a long time to complete.

Works relating to Phase-IV distribution lines were awarded (January 2010) without ascertaining the progress of tunnel works executed by Irrigation Department.



Tunnel work at Gandikota Reservoir under progress

Lack of co-ordination between the two departments resulted in not even a single habitation out of the targeted 514 habitations being supplied with drinking water as of June 2012. Besides, the expenditure of ₹287.82 crore incurred so far on Phase I, II, III and IV remained unfruitful.

Government stated (October 2012) that based on the schedule of Irrigation department for tunnel work, Phase-IV of the scheme was also taken up with the intention of releasing water to all the 514 habitations. Reply is not acceptable in view of the fact

¹⁰ MPN: Most Probable Number

that actual progress of tunnel work should have been ascertained before awarding the work.

Further, as per Government order of 2003¹¹, no lumpsum provisions should be included in the estimates without a strong justification. However, a lumpsum provision (₹5 crore) for construction of 37 Million Litres per Day (Mld) capacity of Rapid Sand Filter (RSF) was made (February 2007) in the estimates for Phase-I and the work was awarded subsequently in March 2009 at higher rates due to change in SSRs. This had resulted in increase in the cost by ₹2.47crore. Government stated (October 2012) that due to non-availability of land, non-preparation of designs of RSF and to avoid delay in completion of other components of work, LS provision was made. Reply is not acceptable in view of the fact that availability of land and preparation of designs should have been addressed before initiation of work and also the fact remained that the other components of the schemes also remained incomplete as pointed out above.

5.7.6 Non-commissioning of CPWS Vattinagulapally

This project, which was to cover four PC habitations, was sanctioned in January 2007 at an estimated cost of ₹2.50 crore for completion by January 2009. Although an expenditure of ₹1.33 crore was incurred (August 2010), the project was not commissioned as of June 2012.



Pipeline from CPWS Vattinagulapally upto boundary wall of Osman Sagar Reservoir awaiting connectivity

The source of water for this project is Osman Sagar reservoir (which supplies water to the Greater Hyderabad Municipal Corporation areas). After carrying out a feasibility study through HMWSSB¹² in November 2004, the Department requested HMWSSB in June 2007 to accord permission for drawing water from Osman Sagar reservoir, and subsequently deposited a part amount of ₹32 lakh for the purpose in November 2009.

However, before receipt of such permission, the RWSS Department went ahead with tendering and award of contracts for pipeline laying in June - July 2008. In August 2011, HMWSSB raised a demand notice for a further amount of ₹2.36 crore for release of clear drinking water, which had not yet been deposited as of June 2012. Delay in obtaining permission from HMWSSB for drawal of water has resulted in unfruitful expenditure of ₹1.33 crore on the said scheme. Government accepted the

¹¹ GO Ms No. 94 dated 1 July 2003 of Irrigation and CAD (PW-COD) Department

¹² HMWSSB: Hyderabad Metropolitan Water Supply and Sewerage Board

audit finding and stated (October 2012) that required amount would be provided for water connection and potable water would be supplied to all the targeted habitations.

5.7.7 Non-energisation of CPWS Pullala Cheruvu

CPWS Pullala Cheruvu was sanctioned by the State Government in January 2007 at an estimated cost of ₹16.90 crore for coverage of 44 habitations by June 2009. This sanction was based on NABARD's clearance of a bunch of 12 CPWS Schemes in November 2006 under the Rural Infrastructure Development Fund (RIDF).

There were three calls of tenders for the work in November 2007, December 2007 and April 2008. Scrutiny of records revealed that while no bidders participated in the first call, the lowest tender of the second call was rejected on the grounds of non-indication of the status of on-hand project "CPWS scheme Thanakkal" by the contractor at the time of bidding. This action was incorrect, as the status of this scheme (being implemented by the RWSS Department itself) was easily ascertainable by the Department. This rejection, followed by subsequent award (June 2008) to the same contractor (Shri A.V. Ram Babu) in the third call for tender resulted in an additional burden of ₹1.26 crore¹³.

The scheme was completed in May 2010 at an expenditure of ₹11.77 crore. However, it could not be commissioned as of June 2012 due to non-energisation. Although the initial estimate included provision for energisation, due to non-availability of funds, the deposit for electrical connection was made only in September 2010. Funds sanctioned by Government were almost fully exhausted in execution of civil works alone, leaving insufficient funds for other essential items/payments (power supply, pump sets, insurance coverage, maintenance work, taxes, etc.).

Though the sub-estimate for purchase of pump sets was submitted to the Superintending Engineer in January 2010, tenders were finalised by him only in May 2011 (after nearly 17 months), for which no reasons were on record. Government responded (October 2012) that the location of certain reservoirs was changed during actual execution as per site condition due to which, designs for pump sets were also delayed resulting in delay in tendering process for procurement of pump sets. Evidently, proper survey/investigation was not carried out before award of works.

5.7.8 CPWS Scheme to Venkatapur and 8 other Habitations

This scheme was taken up in June 2004 to control fluorosis and brackishness and to provide drinking water in the habitations for which Kakatiya canal of Sriram Sagar Project (SRSP) at a point of 253 km was identified as a source. For this purpose, permission from Irrigation and Command Area Development (I&CAD) department was to be obtained by depositing ₹70 lakh for construction of sluice by I&CAD.

Without depositing the required amount and obtaining permission for drawal of water, the RWSS authorities entrusted the other auxiliary works like summer storage tank,

¹³ ₹14.82 crore (estimated contract value of Phase-II) X 8.5 per cent (13.39 per cent excess over ECV quoted in the third call – 4.89 per cent excess over ECV quoted in the second call)

slow sand filter beds, clear water sump, pump house, 60 kl OHBR, pumping and gravity mains and incurred an expenditure of ₹4.33 crore. These works were completed in February 2007, but had not put to use due to clearance from I&CAD department resulting in the expenditure of ₹4.33 crore incurred as of June 2012 remaining unfruitful.

Government stated (October 2012) that construction of off-take was proposed to tackle the water drawal problem and estimates were awaited from I&CAD department in this regard. It was further stated that ₹2 crore was sanctioned to meet the cost of this work and that, the amount would be deposited with I&CAD department on receipt of the estimates.

5.7.9 Non-commissioning of CPWS Kurichedu

CPWS Kurichedu (Podili Division, Prakasam District) was to cover 24 habitations at an estimated cost of ₹10 crore and was scheduled for completion by January 2010. However, after expending ₹6.79 crore, the scheme was completed but not commissioned as of June 2012, due to non-energisation and non-obtaining permission from Forest and Railway departments for laying of pipelines.

Government stated (October 2012) that the scheme was commissioned covering 12 habitations and permission from Forest department was obtained for laying pipelines for the remaining habitations only in October 2011 and clearance was awaited from Railways.

5.7.10 CPWS scheme to Kothapalli town

The work was taken up in June 2004 with the objective of providing safe drinking water to Kothapalli Town of Karimnagar district as there was no safe drinking water source. Accordingly, survey was conducted (July 2003) and SRSP canal was taken as main source to draw the water and fill in the Ooracheruvu, an irrigation tank and to convert it into summer storage tank. However, due to increase in stoppage period of water supply from 120 to 180 days by the SRSP authorities for canal maintenance, the RWSS authorities dug an open well in the tank and the water was supplied through the existing pipe lines.

By then (December 2007), the contractor had executed the Head works (construction of off take sluice at canal, pumping mains, watchman quarters, pump house, etc.,) at SRSP (Chainage 139/400) at a cost of ₹61.41 lakh. Government admitted (October 2012) utilising the open well as alternate source since the Irrigation Department has not released water continuously for 240 days.

Thus, improper survey by the RWSS authorities in identifying a sustainable source resulted in wasteful expenditure of ₹61.41 lakh, as these components were not being utilised as of June 2012 as can be seen from the photographs given below.



*Sluice and Pump House at SRSP Canal
(main source) lying Idle*

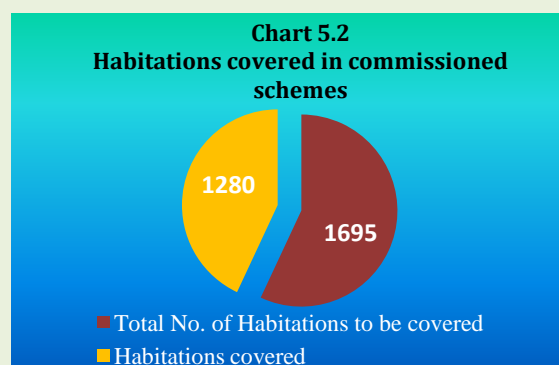


*Open well was dug and is being put to use
instead of main source of SRSP Canal*

5.7.11 Delay in execution of other works

Out of the 66 schemes test checked in Audit, 39 were completed and commissioned as of June 2012. Seven schemes were completed but not commissioned, 4 due to non-receipt of permission from the Irrigation Department and 3 lack of power to energise them. The estimated cost of these schemes was ₹103.5 crore and the actual expenditure incurred was ₹86.82 crore. There was no cost overrun in these schemes, since the targeted habitations were not covered completely through these schemes as can be seen from the chart below.

As against 2,975 habitations targeted for coverage through the 39 schemes commissioned, only 1,280 (43 per cent) were covered. Shortfall in coverage of the targeted number of habitations were 1,695. There was time overrun in all 39 schemes ranging from 1 month (CPWS Scheme Sullurpet) to 36 months (CPWS Scheme Indukurpet).



The details relating to the 20 schemes¹⁴ which are still in progress along with the reasons for non-completion are indicated in the table given below.

Table 5.4

Sl. No.	Name of the Work	Approved cost (₹ in crore)	Due date of Completion	Reasons for delay	Expenditure (₹ in crore)
1	CPWSS to C.S. Puram and Other habitations	12.00	June 2010	Non-clearance of site, lack of R&B Permission	73.47
2	CPWSS to NSS Habitations in Veligandla and Pamur Mandals	30.00			
3	CPWSS to Quality affected habitations in Pamuru, Veligandla, P C Palli & C S Puram Mandals	49.00			

¹⁴ Four schemes have been discussed in the preceding paragraph no. 5.7.1, 5.7.2, 5.7.5 and 5.7.8

Sl. No.	Name of the Work	Approved cost (₹ in crore)	Due date of Completion	Reasons for delay	Expenditure (₹ in crore)
4	Husnabad Chigurumamidi NSS	15.00	November 2009	Delay in preparation of estimates and entrustment of work; Non-acquisition of land; objections raised by Rajiv Swagruha authorities to construct OHBR; delay in getting permission from R&B department; delay in commencement of work by the contractor.	13.14
5	Gambheeraopet Mustabad NSS	15.00	May 2010	Lack of forest clearance for laying pipelines	27.12
6	Ramadugu, Ambaripet, Kodimiyal, Lingapur & Boinpalli NSS	32.6			
7	CPWSS to Parkal and other habitations	9.00	October 2010	Lack of water drawal permission from irrigation department; Land acquisition problem for construction of certain head works.	4.83
8	Integration of drinking water supply with Lift Irrigation Scheme (Devadula) in Warangal District	125.00	September 2011	Delay due to re-survey of designs of the project; delay in getting water drawal permission; objection from local public and other local bodies for laying of pipelines; non-completion of pumping mains	87.55
9	Providing pipeline from Velugodu Balancing Reservoir (VBR) to Erragudur and other habitations.	8.00	August 2012, October 2012	Lack of forest clearance for laying of pipes and permission from Irrigation department for drawal of water	0.00
10	CPWSS to Kamareddy & 281 Villages	140.00	January 2010	Non-obtaining permission from NH and Forest authorities for laying of pipelines; non-release of amounts to contractor	114.50
11	CPWSS to uncovered habitations in Narsapur, Kowdipally, Kulcharam, Hatnoora Mandals in Medak district	18.00	April 2012	Non-clearance from forest department for laying pipelines and construction of OHBRs; Objections raised by some farmers for laying of pipelines etc.,	2.98
12	CPWSS to uncovered habitations in Gajwel, Mulugu, Wargal and Toopran Mandals in Medak District	9.00	April 2012	Objections raised by farmers for laying of pipelines owing to crop season and shortage of labour owing to Telangana agitation	1.24
13	CPWSS to uncovered habitations of Chegunta, Doulatabad Mandals of Medak District	15.00	April 2012	Non-obtaining of permission from Forest and NH authorities for laying of pipelines; awarding seven works to a single contractor; diversion of funds to other habitations; Telangana agitation attributed by the department	3.82
14	Providing CPWSS to Rapur and other habitations	10.00	September 2009	Non-obtaining of Forest permission for laying of pipelines	8.26

Sl. No.	Name of the Work	Approved cost (₹ in crore)	Due date of Completion	Reasons for delay	Expenditure (₹ in crore)
15	CPWSS to Jaladanki and 28 other habitations	6.00	June 2009	Lack of funds, as more than 75 per cent of funds were exhausted on construction of SS tank due to change of designs	6.72
16	CPWSS to Alluru, Isakapalli and other 47 habitations	5.00	March 2008	Delay in commencement of SS tank work caused stoppage of work by the contractor midway leading to revision of estimates	1.05
	Total	498.60			344.68

Source: Records of test checked divisions

Government stated (October 2012) that the schemes at serial number 1,2,3,7 and 9 were commissioned. However, the details of habitations covered were not provided. In respect of the schemes at serial number 4, 5, 6, 8, 10, 11, 12, 13, 14, 15 and 16, it was assured that the schemes would be completed by January/March 2013 duly obtaining required permissions and funds. As regards the scheme at serial number 14, it was stated that, water was released to 15 habitations as against the targeted 47 and work would be taken upto cover the remaining habitations after obtaining permission from Forest department.

Abnormal delay in completion and commissioning of the above listed 16 schemes due to non-receipt of clearance/permission from various authorities, non-acquisition of land, non-energisation, etc., resulted in unfruitful expenditure of ₹344.68 crore without providing the envisaged benefit of providing potable drinking water to the 1,983 habitations.

5.7.12 Tendering and Contract Management

5.7.12.1 Acceptance of single bid in the first call

As per the State Government order of 2003, single bids with premium rates should not be accepted on first call and the Department was required to go in for second call. Even after second call, if the response is poor, the Department has to report the matter to the Government and the work is to be entrusted to the agencies nominated by the Government at the estimated rates.

Scrutiny of records relating to 22 works executed by the divisions in 7 districts revealed acceptance of single bid with premium rates in all the cases in the first call itself and awarding contracts at a total estimated contract value of ₹620.60 crore.

Government responded (October 2012) that the tenders were entrusted in line with the existing procedures in vogue (through e-procurement within allowable premium of five per cent). Reply is not acceptable since in all these cases, the tender premium was above 5 per cent and as such, the Department should have gone in for second call.

5.7.12.2 Non-invitation of contractor within bid validity period

Tenders for the work ‘CPWS scheme to Kota and other habitations’ were invited on 9 February 2007 with a bid validity period of 90 days (7 June 2007). Scrutiny of records of EE, RWS Nellore revealed that even though the Tender Evaluation Committee accepted the tender filed by the contractor, Shri K.L. Sridhar Reddy on 24 May 2007 (79th day), the SE (RWS), Nellore invited the contractor to conclude the agreement on 27 June 2007 i.e., 110th day. By then, the contractor refused (21 August 2007) to conclude the agreement as the bid validity period had expired and the Department issued fresh tenders again in March 2008. The same contractor K.L. Sridhar Reddy participated and the work was entrusted to him in September 2008 at a contract value of ₹5.55 crore against the first tender contract value of ₹3.10 crore at 13.70 per cent (overall) above the estimated cost of work of ₹4.88 crore.

Failure of the Department in finalising the contract within the bid validity period resulted in additional burden of ₹2.45 crore to the exchequer.

Government accepted (October 2012) the comment and assured that the responsibility would be fixed against the concerned.

5.7.12.3 Excess payment/Undue benefit to the contractors

Scrutiny of works bills of the test checked schemes revealed that the Department gave undue benefit to contractors in several cases as discussed below:

- As per Government order issued in July 2006, price variation is allowed for steel, cement, bitumen and Petrol, Oil and Lubricants (POL) only. However, based on recommendations of ENC, State Government extended the benefit of price variation to the pig iron also in November 2008 applicable to only prospective supply of material. Subsequently, an amendment was issued in June 2010 applying the price variation clause for all the ongoing and future projects in the PR & RD (RWSS Department). Audit scrutiny, however, revealed that the price variation clause was wrongly adopted for the supplies made before November 2008 resulting in undue benefit to the contractors of four schemes¹⁵ amounting to ₹7.06 crore.

Government stated (October 2012) that the Department was strictly implementing the instructions issued by the Government from time to time. Reply is not acceptable in view of the fact that the order issued in June 2010 was an amendment to the order of 2008, which stipulated that price variation is applicable to only prospective supply of material. Considering this, price variation should not be allowed for the supplies made prior to November 2008.

¹⁵ CPWS J.C. Nagireddy - entered agreement with M/s Indian Hume Pipes on 30 March 2007 and supplied material during May 2007 to September 2007; CPWS scheme to Y.T. Cheruvu - entered agreement with A.V.Ram Babu on 27 January 2007 and supplied material during October 2007 to August 2008 - ₹26 lakh; CPWS scheme to K.K. Mitta and H.M. Padu (Phase-I & II) entered agreement with A.V.Ram Babu on 11 February 2006 and supplied material during April 2007 to February 2008 - ₹83 lakh and CPWS scheme Chundi Cherlopalem and 25 other habitations- entered agreement with A.V. Ram Babu on 7 June 2007 and supplied material in January 2008 - ₹3 lakh

- Price adjustment clause is admissible to steel, cement, bitumen and POL between estimated rates and Board of Chief Engineers approved rates (increase or decrease is more than 5 per cent). This clause was further amended in September 2008 by limiting to the lowest rate of invoice or rates fixed by the price adjustment clause whichever is less.

However, based on the representation from Builders Association of India and the recommendations of Board of Chief Engineers, this clause was deleted in the subsequent order issued in February 2009. Due to deletion of above clause, even if the contractor purchased the pipes at a lower rate, the department could not restrict the rates of the pipes and as a result, the Department would be forced to pay as per the rates fixed in the SSRs. This was substantiated on scrutiny of the records of payments made on pipes relating to the '*CPWS scheme J.C. Nagireddy*', '*CPWS scheme Neelakantapuram Srirama Reddy*', '*CPWS scheme to Gazwel, Narsapur, Ramayampet and Dommat constituencies in Medak district - Phase I & II*', where the contractors were paid excess amount of ₹58.67 crore¹⁶ over and above the invoice rates.

Government responded (October 2012) that the Department has been complying with its orders issued from time to time, without, however, indicating the justification for issuing orders for deleting the clause to restrict the lowest of invoice or SSR rates.

Incidentally, the deleted clause was revived by the Government in February 2012.

- Price variation clause for manufacture of pipes was allowed in respect of steel, cement, bitumen and resin and the benefit was also extended to pig iron but not to Hoop glass and Chop glass. It was noticed that an amount of ₹32.94 crore was paid (January 2009 – December 2012) to the contractor towards price variation for increase in raw material cost of GRP pipes (manufactured with Hoop glass, Chop glass and resin) utilised (June 2007 – June 2009) in Phase I, II and III of '*CPWS Scheme to Neelakantapuram Srirama Reddy*' and '*CPWS scheme to Gazwel, Narsapur, Ramayampet and Dommat constituencies in Medak district-Phase I&II*'.

The Department replied that price variation amount was paid by adopting the formula given in the concerned SSRs and as per the agreement and based on the raw material cost obtained from the manufacturers of the GRP pipes.

The reply of the Department is not acceptable as the Government orders issued on the price variation largely based on the increase or decrease in raw material cost declared by the Government, i.e., Steel Authority of India Limited for steel; Cement by the Government. However, in respect of GRP pipes there was no such controlling authority; and as such, the increase in rates given by the same manufacturer should not be entertained without ascertaining from market.

¹⁶ ₹6.64 crore for CPWS Scheme to J.C. Nagireddy; ₹52.03 crore for CPWS Neelakantapuram Srirama Reddy

Incidentally, as seen from the invoices produced (August 2008 to September 2008) by the contractor for reimbursement of the taxes, the producers were selling the pipes at a lesser rate than the SSR rate fixed by the Board of Chief Engineers, which is contrary to the Department's contention of increase in rates of raw material. In the light of this, the excess amount paid on above price variation requires to be recovered from the contractor, and other cases should be reviewed for similar excess payments.

Government stated (October 2012) that the issue would be reviewed and appropriate action would be taken.

- State Government issued orders in February 2008 to split the working items into Part-A (pipe works) and B (Civil works) with the tender premium on Part-A being limited to 5 per cent and Part-B to 20 per cent.

Scrutiny of eight works revealed that the tenders were floated (between June 2008 and February 2009) by the circle officers concerned without incorporating the above tender conditions. Instead of restricting Part-A to 5 per cent and Part-B to 20 per cent, a condition that tenders above 20 per cent will be rejected (Part-A and B) was included in the tender condition and thereby the overall percentage box for quoting the tender premium was mentioned as 20 per cent. The contractors quoted their bids by combining Part-A and B. The tender evaluation committee/CE split the tender percentages for Part-A to less than 5 per cent thereby resulting in part-B being more than 20 per cent. The improper inclusion of tender condition resulted in undue favour to the agencies/contractors to the tune of ₹15.43 crore apart from excess financial burden on the exchequer. Details are given in Appendix 5.2.

Government stated (October 2012) that the Department had restricted the overall tender premium (on Part A + Part B together) to 20 per cent and the tenders were accepted by the Tender Committee after detailed discussions, with an intention not to give abnormal Tender Premium to the contractors. Reply is not acceptable in view of the fact that as per Government orders of February 2008, tender premium on Part A and Part B has to be limited to 5 per cent and 20 per cent respectively, instead of overall tender premium of 20 per cent for Part A&B together.

- As per clause 8.1 of the agreement of '**CPWS scheme to Neelakantapuram Sriram Reddy Drinking Water Supply**', the actual taxes paid by the contractor were to be reimbursed. From the invoices and measurement books produced to audit, it was noticed that as per invoice, the contractor had paid 3 per cent Central sales tax to the firm but 4 per cent of the cost was reimbursed (July 2008/September 2008) to the contractor as per M.Book, with the result an amount of ₹46.32 lakh was reimbursed (Phase-I ₹25.66 lakh; Phase-II ₹20.65 lakh) in excess.

Government stated (October 2012) that recovery pointed out by audit was effected. However, details of recovery were not furnished.

- Scrutiny of works records of the project “**CPWS Scheme to Neelakantapuram Sriram Reddy Drinking Water Supply**” revealed an excess payment (March 2011) of ₹45.67 lakh to the contractor on account of extending tender percentage on the items relating to Lumpsum provisions such as payment toward engaging technical personnel, insurance, banker charges, price variation amount and O&M even though the same was not provided in agreement conditions.

Government stated (October 2012) that recovery pointed out by audit was effected. However, details of recovery were not furnished.

5.8 Sustainability

In order to ensure availability of drinking water by improvement/augmentation of existing drinking water sources and conjunctive use of ground water, surface water and rain water harvesting, ARWSP/NRDWP earmarked separate component for sustainability, with fund allocation of 20 *per cent* (100 *per cent* by GoI). The works under the ‘sustainability’ component include desilting of tanks and old wells, rain water harvesting structures, construction of sub-surface dykes, watersheds, check dams, ‘ooranies’, Reverse Oxma Oxidation (ROO), regulation of digging of bore wells in over-exploited areas, etc.

As per GoI release order dated 1 April 2008 under ARWSP, an amount of ₹2.34 crore (out of the total release ₹46.96 crore) was earmarked towards sustainability aspects, of which, only ₹0.95 crore was expended during 2008-09. In the subsequent release orders, there was no specific allocation towards sustainability, which indicates that adequate attention was not bestowed on this component. However, the ENC stated that ₹6.87 crore was incurred during 2008-12 on 4,263 sustainability related works, as against the approved cost of ₹228.32 crore. The source from which these additional funds were met is not available on record, particularly, when the State matching share was not stipulated for this component.

As per the information provided by the ENC in respect of 16 districts, (information in respect of the remaining 5 districts¹⁷ is awaited as of January 2013), State Government sanctioned 2975 sustainability-related works to the end of 2011 at a cost of ₹162.56 crore, out of which, only 734 works costing ₹2.62 crore (2 *per cent*) were taken up for execution.

In the test checked divisions, a majority of the works under this component were sanctioned only after 2010 and very few were sanctioned during 2007-10. Even the works sanctioned after 2010 had not commenced in full and as can be seen from the table below, out of 1983 works sanctioned, 1422 works (72 *per cent*) were yet to commence as of November 2012.

¹⁷ Adilabad, Karimnagar, Nizamabad, Srikakulam and Warangal

Table 5.5

District	Name of the division	Year of Sanction	No. of works sanctioned	Estimated cost (₹ in crore)	No. of works commenced	Expenditure (₹ in crore)	Works yet to commence
Anantapur	Penukonda	2009-10 & 2010-11	310	5.74	16	0.06	294
	Kalyandurg	2010-11	51	6.47	0	0.00	51
	Anantapur	2009-10 & 2010-11	164	8.22	3	0.01	161
SPS Nellore	Gudur	2010-11	37	2.09	0	0.00	37
	Nellore	2007-08 to 2011-12	706	67.04	266	23.01	375
Kurnool	Nandyal	2010-11	18	0.72	0	0.00	18
	Kurnool	2008-09 & 2010-11	23	6.83	15	0.05	8
	Adoni	2008-09 & 2010-11	26	1.90	10	0.04	16
Prakasam	Ongole	2010-11	4	3.30	0	0.00	4
	Podili	2010-11	120	15.99	0	0.00	120
Nizamabad	Banswada	2009-10	4	1.32	0	0.00	4
	Nizamabad	2010-11	87	5.32	4	0.02	83
Medak	Medak	2008-09 & 2010-11	103	1.79	62	0.24	41
	Siddipet	2008-09 & 2010-11	184	10.16	89	0.35	95
Karimnagar	Karimnagar	2007-08	23	0.09	23	0.08	0
Warangal	Warangal	2006-07 to 2011-12 except 2008-09	9	174.49	8	122.36	1
Ranga Reddy	Hyderabad	2010-11	94	3.76	0	0.00	94
Khammam	Khammam	2008-09 & 2010-11	20	394.59	0	0.00	20
Total			1983	709.82	496	146.22	1422

Source: Records of test checked divisions

While a majority of the EEs of the test checked divisions did not furnish specific reasons for not taking up the sanctioned works, EEs of 6 divisions¹⁸ indicated non-release of funds; insufficient tie-up with MGNREGS (labour component), non-viability as per geological report as the main reasons for non-execution. They stated further that works were not taken up since there was no drinking water problem in the habitations and construction of the planned ooranies was not feasible, as the surrounding areas being rice fields, were contaminated with fertilizers and pesticides. Sanction of works without assessing the feasibility resulted in non-utilisation of the grant from GoI. In the absence of component wise break-up, the contention of the department about non-release of funds could not be vouchsafed.

During the Exit Conference (January 2013), Government admitted that sustainability issues were not addressed adequately during the audit review period and attributed it to initial expectation of linkages with NRHM and MGNREGS, which did not fructify.

¹⁸ EE, RWS divisions in Anantapur, Nizamabad and Gudur division of Nellore

5.9 Water Quality Monitoring and Surveillance

5.9.1 Status of Ground water development

Ground water is the principal source of drinking water in rural habitations in the country and almost 85 *per cent* of rural water supply is dependent on ground water. As per the Andhra Pradesh Ground Water Resource Report, 1108 Mandals in the State were categorised as under,

- 111 Mandals (10 *per cent*) were 'over-exploited' (i.e., ground water development of 100 *per cent* or more);
- 60 Mandals (6 *per cent*) were 'critical' (ground water development of 90 to 100 *per cent*);
- 160 Mandals (14 *per cent*) were 'semi-critical' (ground water development of 70 to 90 *per cent*); and
- 777 Mandals (70 *per cent*) were 'safe' (ground water development of less than 70 *per cent*).

The above categorisation was changed in the subsequent Ground Water Resource Estimation Committee Report 2009, where 6 Mandals in the State have been categorised as 'Over-exploited', where the stage of ground water development exceeded the annual replenishable limit and 24 Mandals were categorised as 'Dark', where the stage of ground water development was more than 85 *per cent*.

5.9.2 Requirements for Maintenance of Water Quality

Water quality is a key component of NRDWP, with allocation of 20 *per cent* funding. Under this component,

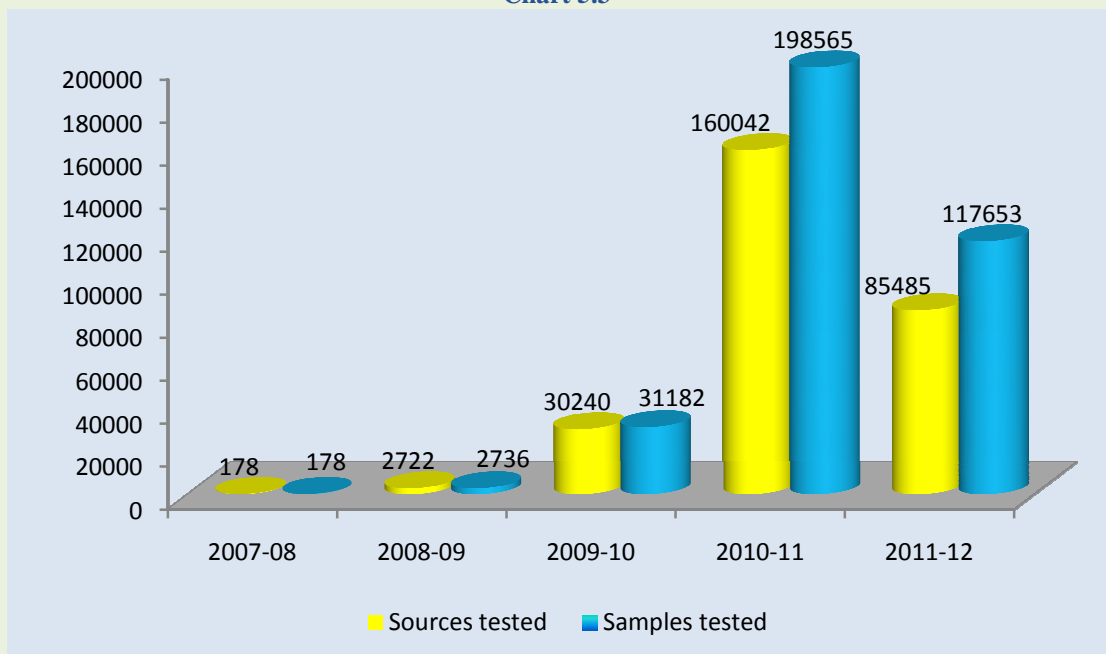
- Water quality laboratories are to be set up at three levels – a nodal unit at the top level, intermediary level units like district laboratories and grass-root level units;
- All drinking water sources should be tested at least twice a year for bacteriological contamination and once a year for chemical contamination. District laboratories are to test at least 30 *per cent* of water samples tested at GP Level and all cases where possibility of contamination was reported by the community. 10 *per cent* of all samples (including all positive tested samples) tested by the district water quality laboratories are to be tested at the State level; and
- Capacity building of Panchayats to own Field Test Kits (FTKs) and take up full O&M responsibility for water quality monitoring of drinking water sources in their area is envisaged.

Audit observations with regard to each of these are given below.

5.9.2.1 Water Quality Laboratories

As per the Management Information System (MIS) of MoRD, as of June 2012, 51 laboratories were established at the district level and 119 at the sub-divisional level in the State. However, there was no evidence in the records produced to Audit with regard to the targets fixed by the Government and the sources and samples identified for conducting water quality tests across the State. As per the MIS database of MoRD samples tested during 2007-12 are given below.

Chart 5.3



Government replied (October 2012) that out of 119 laboratories at sub-division level, 92 were set up during the last quarter of 2011-12 and were commissioned and operationalised with effect from August 2012. It was further stated that the targets for chemical and bacteriological testing for each laboratory were set uniformly at 3,000 per annum and by achieving this target, all the sources would be covered over a period of time. The reply is not acceptable, in view of the NRDWP guidelines, which require that the samples of all the sources should be tested at least once a year.

5.9.2.2 Water Quality Testing

Test-check of 20 divisions revealed that targets for chemical and bacteriological tests in water were set uniformly at 100 and 200 per month respectively, irrespective of the number of sources to be tested. The actual number of tests performed during 2007-12 was lower than even the arbitrarily set targets in the test checked divisions (notably in respect of bacteriological testing), as summarised below.

Table 5.6

District	Name of the division	Bacteriological Tests			Chemical Tests		
		Target	Achievement	Shortfall (-)/ Excess (+)	Target	Achievement	Shortfall(-)/ Excess (+)
Anantapur	Penukonda	7200	5486	1714	22800	33095	(+)10295
	Kalyandurg	4500	2800	1700	11400	7036	4634
	Anantapur	100 ¹⁹	52	48	18000	19487	(+)1487
SPS Nellore	Gudur ²⁰	960	3820	(+)2860	6240	36718	(+)30478
	Nellore	6400	6400	----	20800	20800	-----
Kurnool	Nandyal	Details not furnished					
	Kurnool	1300	581	719	5700	6355	(+)655
	Adoni	Details not furnished					
Prakasam	Ongole	7200	3529	3671	14400	14031	369
	Kanigiri ²¹	1200	75	1125	2400	767	(-)1633
	Darsi	7200	6464	736	14400	17550	(+)3150
Nizamabad	Banswada	2160	4031	(+)1871	21600	21137	(-)463
	Nizamabad ²²	21600	26873	(+)5273	----	-----	----
Medak	Medak	4800	3308	1492	19200	18667	(-)533
	Siddipet	14100	14100	-----	4250	2550	(-)1700
Karimnagar	Karimnagar	7200	6740	460	14400	13957	(-)443
	Manthani	7200	6666	534	14400	13318	(-)1082
Warangal	Warangal	6000	2379	3621	18000	10018	(-)7982
Khammam	Khammam	6000	4591	1409	24000	25669	(+)1669
Ranga Reddy	Hyderabad	6000	3357	2643	12000	13308	(+)1308

Source: Records of test checked divisions

In response, the EEs of Khammam and Hyderabad divisions stated that the shortfall was due to non-release of funds by Government for purchase of raw materials (chemicals) and transportation charges. The EEs of other divisions have not responded. Non-receipt of funds could not be established in the absence of component wise allocation of funds at the State level.

5.9.2.3 Field Test Kits (FTKs)

The main objective of the FTKs was to obtain a preliminary report on quality of water with basic chemical and bacteriological parameters, subject to confirmation through subsequent testing in the established labs. These kits can be utilised by any one at any place by following the instructions or with simple training. Operation and Maintenance (O&M) of FTKs, including their refilling cost, cost of disinfection, minor remedial expenses and honorarium to GP Level co-ordinators is to be covered by community contribution at ₹1 per family per month. The amount so collected is to be deposited in the account of the Village Water and Sanitation Committee (VWSC) and accounted for in a separate ledger.

GoI released ₹17.90 crore during 2005-08 under NRDWQM&SP²³, of which, the State Government expended ₹5.36 crore towards purchase of 25312 FTKs and ₹2.95

¹⁹ Furnished only for the year 2011-12

²⁰ Targets for Bacteriological tests were given for only two years for 2010-11 and 2011-12

²¹ Lab started functioning in June 2011

²² Break-up for Chemical and Bacteriological tests was not given

²³ National Rural Drinking Water Quality Monitoring and Surveillance Programme

crore on purchase of 18,74,800 Bacteriological vials (HS2S). Further, ₹7.77 crore was incurred on training programmes under HRD activities. These FTKs were utilised by the GPs till the vials lasted, and thereafter, these remained idle due to non-refilling with chemicals. The ENC accepted the audit finding in this regard. Since the VWSCs were not constituted in any of the GPs under the purview of the test checked divisions, collection of contribution from the general public and crediting it to VWSC account would also not arise. Thus, besides defeating the objective of FTKs, the expenditure incurred on procurement of these units also remained unfruitful.

Government stated (October 2012) that pursuant to convergence of RWS with NRHM, the Medical and Health department has been handling the operation of the FTKs through Accredited Social Health Activist (ASHA) with effect from 2011-12. During the Exit Conference (January 2013), Government confirmed that VWSCs have not been constituted as yet and that, the mechanism of operating FTKs through the Medical and Health department was being reviewed, since it had not produced the desired results.

5.9.2.4 Testing Results

None of the test checked divisions, except Podili, could furnish the details of test results to Audit, which leads to the conclusion that 19 divisions have not carried out the required tests and/or the test results indicated presence of chemical and bacterial substances beyond the prescribed norms, which would render the source unsafe. In respect of Podili, it was observed that, 9327 (69 *per cent*) of the 13,516 bore wells were tested over a five year period of 2006-11, against the norm of testing of each water source at least once a year. The test results indicated that, 5408 sources (58 *per cent*) were unsafe, on account of excess presence of fluorides and Total Dissolved Solids (TDS). The EE of Podili attributed the shortfall in testing to inadequate budgetary release for O&M activities.

Government stated (October 2012) that most of the habitations contain both safe and unsafe sources of water, and that, only protected water was being used for human consumption and quality affected water was being used for domestic requirements. Audit could not verify the correctness of Government contention, since the details relating to the source of protected water supply were not furnished for scrutiny.

5.9.3 Operation and Maintenance (O&M) charges

Ten *per cent* of funds allocated under ARWSP/NRDWP are meant to be earmarked for meeting O&M expenditure on drinking water supply. Further, grants provided to PRIs based on the Finance Commission's recommendations should also be provided for O&M on drinking water supply schemes. These amounts were to be deposited in a corpus fund linked to the project operated by PRI itself. All water supply schemes within the GP are to be maintained by the GP and for multi-village or bulk water supply schemes the source, treatment plants, rising mains, etc., should be maintained by the Panchayat Raj Engineering Division (PRED) or the concerned agency, while the distribution and other components within the village are to be maintained by the GP.

State Government had not released its matching share corresponding to GoI grant (₹135.57 crore) for this component under NRDWP during 2009-12. While the entire fund released by GoI was stated to have been utilised by the Department, details of funds released under State plan and their utilisation were not available in the records provided to Audit.

Government stated (October 2012) that funds under NRDWP (O&M) would be released during the year to take up the repair works of the schemes.

5.10 Monitoring and Evaluation

5.10.1 Monitoring

Inspection/monitoring reports of the State level/district level authorities specified by the State Water Sanitation Mission/District Water Sanitation Mission were not made available for Audit scrutiny. In the absence of these details, the effectiveness of monitoring mechanism in implementation of the schemes could not be verified. However, scrutiny of the minutes of the State Level Scheme Sanctioning Committee meetings (SLSSC) (constituted in October 2009) revealed several drawbacks in the monitoring mechanism instituted for effective implementation of the water supply schemes as detailed below:

- The SLSSC held four meetings during 2009-12. However, during these meetings, the Committee deliberated mostly about sanctioning new schemes and ratification of irregularly sanctioned schemes/works by Government without the approval of SLSSC rather than on the progress of the works underway.
- The Vigilance and Quality control wings reviewed quality aspects of 4,561 works during 2008-12 (upto September 2012) and pointed out deficiencies in 761 works. These deficiencies were basically in the nature of selection of unfit source, defects in civil structure, lack of supervision, etc. Action was taken by the Department only with regard to six of these works and the deficiencies relating to the remaining 755 works were not yet addressed.
- Even though the ARWSP/NRDWP stipulated management of O&M of the completed projects by VWSCs, as brought out in paragraph 5.9.2.3, VWSCs have not been constituted as yet and the Department stated that it is maintaining these schemes on its own.

Government assured (October 2012) that adequate steps would be taken to ensure effective monitoring.

5.10.2 Evaluation of the programme

As per the ARWSP/NRDWP guidelines, evaluation studies are to be conducted by both the Central and State Governments through reputed organisations/institutions from time to time on implementation of the rural water supply programme. 100 per cent financial assistance would be provided by the Centre to the States for taking up such evaluation studies under Support activities component of NRDWP. Reports

of these studies should be made available to the Department and immediate corrective action should be initiated as a follow up to improve the quality of programme implementation.

However, no evaluation studies were conducted by the State Government on any of the water supply schemes as of June 2012. Under the Results Framework Document (RFD) introduced by GoI to measure the performance of the Ministries at the Centre, the Ministry of Drinking Water and Sanitation ranked (May 2012) the State Government in implementation of rural water supply schemes at 19th position. The ranking was given based on performance in achievement on various aspects such as augmentation of slipped back habitations; quality affected habitations; number of persons trained to monitor water quality using FTKs, number of water quality tests done; setting up of sub-district level laboratories; number of pipe water supply schemes handed over to Panchayats; number of VWSC members trained; etc.

Government stated (October 2012) that the department was monitoring the performance of EEs and SEs based on RFD, without, however, responding to evaluation studies conducted at State level.

5.11 Conclusion

Implementation of rural water supply schemes was adversely affected by poor financial management involving non-utilisation of allocated funds, non-release of the State's matching share, releases without component wise break-up, avoidable payment of interest, etc. Planning was not adequate as the State Government has not ensured preparation of annual action plans with community involvement. New projects were taken up before the completion of projects on hand and administrative approvals were accorded in violation of GoI norms. Commencement of works without proper investigation, defective designs, lack of co-ordination with the related departments, non-acquisition of land, etc. had resulted in non-completion of projects in a significant number of cases and idling of resources in several others. Where completed also, several schemes could not be energised, denying the benefit of drinking water to the targeted habitations. Tendering and contract management were marked by several irregularities, including excess payment/undue benefit to the contractors. While the reduction in NC habitations was impressive, the State has not paid adequate attention to sustainability of water sources, which led to several habitations slipping back. Water quality testing was inadequate and expenditure incurred in FTKs remained unfruitful.

5.12 Recommendations

- State share of matching funds should be released component wise to facilitate proper implementation of the planned schemes and evaluation of the programme.
- Government should ensure preparation of AAPs with inputs from the local level and ensure strict compliance with all the pre-requisites before according administrative sanction for schemes so as to avoid cost and time over run.

- Adequate emphasis should be placed on sustainability of water so as to minimise the possibility of more “slipped back” habitations.
- Targets for chemical and bacteriological testing for each water quality laboratory should be set individually, depending on the number of water sources falling within its jurisdiction. Further, Government should release adequate funds in a timely manner to ensure testing of all water sources at least once a year.
- Monitoring mechanism as stipulated in NRDWP guidelines should be strengthened to ensure that schemes are executed on time within the budgeted cost and the benefit of potable water is provided to all the habitations as envisaged.

Chapter-6

Compliance Audit Observations

Higher Education (Technical Education) Department

6.1 Functioning of Polytechnics

6.1.1 Introduction

Polytechnic is an institution that offers diploma courses for students after completion of secondary education, so as to equip them with adequate skills to meet industrial needs and obtain related placement. Admission to polytechnics is through a State level common entrance examination. As of September 2012, there were 298 (Government: 115; Private: 183) polytechnics in the State, with an annual intake capacity of 72,010 students.

Audit of 21 (*Appendix 6.1*) out of 115 Government Polytechnics was carried out during September 2011 to February 2012 and October 2012 covering the period 2008-12, with the objective of assessing requirement of additional polytechnics and their functioning in terms of adequacy of infrastructure, programmes and faculty, and effectiveness in terms of performance of students and ensuring their placements. Audit findings are given below:

6.1.2 Setting up New Polytechnics

State Government formulated guidelines in January 2008 for approval and setting up of new polytechnics. However, it did not specify the criteria for sanctioning a new polytechnic or the courses to be offered in it. During the period 2008-12, 52 new polytechnics were set up in the State. The new polytechnics were set up without carrying out any study or demand assessment, to determine courses to be offered and course-wise intake to be created in the area where these were set up. There was no evidence in the records made available to audit, to indicate that consultations were held with the industry partners to assess the demand for specific skills and the intake capacity required in various courses to meet such a demand.

Government stated (February 2013) that the new Government Polytechnics were established after considering the (i) skewed ratio of Graduate to Diploma Holder intake, (ii) demand for CEEP¹ exam, (iii) market demand for the courses, (iv) industry requirement of Diploma Holders and (v) access to Technical Education to rural people.

The reply is not acceptable as there was no evidence of conducting any assessment of course-wise requirement of polytechnic seats to be created to meet the industry requirement/market demand. The applications for CEEP are not trade specific and admissions to various trades in Polytechnics are given as per choice (place/course) in order of merit list of CEEP of the applicant. Further, Audit noticed the following:

- No action plan was prepared for setting up of new polytechnics.

¹ Common Entrance Examination for admission into Polytechnics

- While Government stated that new polytechnics were set up keeping in view the skewed ratio of engineers to diploma holders, the courses introduced in the new polytechnics did not match the seats available in various engineering courses. While there were more than one lakh seats available in 'Computer Science Engineering' and 'Information Technology' courses, sanctioned intake in relevant diploma courses in the new polytechnics was only 600, compared to more than 1600 each, sanctioned in traditional courses.
- During the academic year 2008-09, Government introduced 'Diploma in Textile Technology' (DTT) course in 'Obulavaripalli' (YSR (Kadapa) district), the first among the new polytechnics sanctioned (April 2008), with intake capacity of 60. It was however, observed that only seven students were admitted during 2008-09, of who, one student discontinued studies later. Simultaneously, the course was also introduced in Nagari (Pillaripattu, Chittoor district) polytechnic with the same intake capacity of 60, stating that there was heavy demand for the course in the area and acute shortage of technicians in the local industry. Audit however, observed that only 39 students were admitted in the course during 2008-09 and 27 of these discontinued studies later. Even during 2009-10, out of 18 students admitted, 12 students discontinued. This is indicative of the fact that courses were offered without assessing the requirement.
- Specific requests from industry were seen only in respect of 'Diploma in Computing and Commercial Practices' (DCCP) course for introduction in Visakhapatnam district.

6.1.3 Introduction of second shift in existing polytechnics

Apart from setting up 52 new polytechnics during 2008-12, Government also decided to enhance the intake of students through introduction of a second shift in 27 (June 2008: 11; July 2009: 16) existing polytechnics during 2008-12.

The Committee constituted by the Government to examine the proposals for introduction of second shift in Government polytechnics, recommended (November 2008) it in only seven² polytechnics. However, second shift was introduced in 16 polytechnics (including nine³ polytechnics where the Committee specifically advised not to introduce second shift) although the hostel facilities were poor and there was dearth of staff and infrastructure in these institutions.

Further, since All India Council of Technical Education (AICTE) did not approve the second shift in five⁴ polytechnics, the Commissioner had to stop admissions to these. Also, starting second shift without creating adequate infrastructure and manpower rendered the whole exercise futile.

² GPT at Guntur, Kothagudem, Nalgonda, Nandyal, Srikakulam, Vizianagaram and Government Institute of Electronics, Secunderabad

³ GPT at Adilabad, Gudur, Hyderabad, Narsipatnam, Nellore, Ongole, Siricilla, Wanaparthi and Zaheerabad

⁴ GPT, Srikakulam, GPT, Narsipatnam, GPT, Gudur, SG GPT, Adilabad and KDR GPT, Wanaparthi

Government attributed (February 2013) the non-approval of the five polytechnics by AICTE to belated submission of applications i.e., after the last date prescribed. It did not, however, state the reasons for introducing the second shift in the nine polytechnics which were specifically not recommended by the Committee.

6.1.4 Skewed ratio of Diploma and Graduate Engineers

As per the AICTE approved norms, the intake ratio of diploma to graduate engineers should be 4:1, which means that, for every four seats in diploma course, one engineering seat should be available. Contrary to these norms, the existing ratio was 1:4 between the diploma and engineering seats availability, which resulted in shortage of qualified technicians. Despite the Government sanctioning 52⁵ new polytechnics, the ratio remained static owing to simultaneous increase in the number of engineering colleges, as detailed below.

Table 6.1

Details	2008-09	2009-10	2010-11	2011-12
No. of Polytechnics	207	213	280	298
No. of Engineering Colleges	535	656	707	705
Intake capacity of Polytechnics	49405	63075	65530	72010
Intake capacity of Engineering Colleges	176512	226870	275750	304200
Intake Ratio (Diploma holder to Graduate Engineer)	1: 4	1: 4	1: 4	1: 4

Source: Outcome Budgets for Demand XIV presented to the State Legislature

Government stated (February 2013) that AICTE had been addressed to limit the intake in private un-aided Engineering colleges (Non-Accredited) to 420 seats and in Accredited colleges to 540, and not to sanction new Engineering colleges from 2013-14 academic year onwards.

6.1.5 Sub-Mission on Polytechnics under Coordinated Action of Skill Development

GoI introduced a centrally sponsored scheme in December 2008 called “Sub-mission on Polytechnics under Coordinated Action of Skill Development”, which involved 100 *per cent* direct central assistance for implementation of four components viz., (i) Strengthening of existing Polytechnics (Upgradation), (ii) Construction of Women’s Hostel, (iii) Community Development through Polytechnics (CDTP) and (iv) Establishment of Government polytechnics in underserved districts. GoI released ₹61.69 crore to the polytechnics in the State for implementation of these components during the period 2009-12 (released directly to principals: ₹22.24 crore; through State Consolidated Fund: ₹39.45 crore). As against this, only ₹11.44 crore (18 *per cent*) was utilised by the concerned polytechnics, and the remaining ₹50.25 crore was lying with

⁵ 2008-09 (33); 2009-10 (16); 2010-11 (1); and 2011-12 (3) - one polytechnic at Chinamerangi sanctioned in December 2011 did not commence in that year. Effectively, only 52 polytechnics were started during 2008-12

the Principals (₹12.80 crore) and State Government (₹37.45 crore). Government confirmed (February 2013) this position.

The status of implementation of various components of the scheme is given below.

Table 6.2

(₹ in crore)

Name of the component	Brief description	Funds released by GoI	Expenditure	Unspent balance
Up-gradation of Polytechnics	GoI released ₹24.40 crore to 57 Government polytechnics	2009-10: 2.80 2010-11: 3.00 2011-12: 18.60*	2.45	21.95
Construction of Women's hostel buildings	GoI sanctioned ₹one crore each to 46 Government/ Government aided polytechnics based on progress achieved.	2009-10: 5.40 2010-11: 4.50 2011-12: 9.20#	6.28	12.82
Community Development through polytechnics	GoI selected 48 Government polytechnics for surveys, skill development, production enhancement and technical support services to rural masses and slum dwellers.	2009-10: 4.82 2010-11: 1.72 2011-12: 3.65*	2.27	7.92
Establishment of Government Polytechnic in underserved districts	GoI sanctioned ₹12.30 crore (Civil works : ₹8 crore, Equipment : ₹4.30 crore) for Government polytechnic at Vikarabad (Ranga Reddy district)	2009-10: 2.00 2011-12: 6.00	0.44	7.56

* Though BRO was issued (September 2012), funds were not released by the State Government

State Government had not released

Scrutiny of records relating to the above components revealed the following:

6.1.5.1 Up-gradation of Polytechnics

Out of the 42⁶ institutes that received funds for implementation of the scheme during 2009-11, only 11 could utilise the funds (₹1.17 crore out of ₹1.20 crore released to them) towards purchase of equipment. Of the remaining 31 institutes, 15 expended ₹1.28 crore out of ₹2.30 crore released to them. 16 Polytechnics could not utilise any amount released to them. Thus, 58 *per cent* of funds (₹3.35 crore out of ₹5.80 crore) released during 2009-11 remained unutilised with the Principals due to delays in tendering process and the polytechnics continue to function with old and obsolete equipment.

Government stated (February 2013) that the un-utilised amounts would be spent by the end of March 2013.

⁶ Out of 44 institutes sanctioned, funds were not released to 2 institutes

6.1.5.2 Construction of Women's hostels

Out of the 46 women's hostels sanctioned⁷, the State Government awarded contracts for construction works of 36 to various agencies⁸. In respect of the remaining 10 hostels⁹, administrative sanction was awaited as of November 2012.

- Out of the 36 hostels, the works entrusted (prior to June 2010) to APHB (6 hostels) and GHMC (2 hostels) has not commenced as of September 2012 as these agencies expressed their inability to take up the works.
- In respect of women's hostel at Government Polytechnic, Proddatur, tenders have not been finalised as of November 2012.
- In respect of the remaining 27 hostels, works were in progress (December 2012). Though the works were to be completed before March 2012, they remained incomplete, as the State Government did not release the requisite funds on time despite the releases made by GoI.
- GoI sanctioned (August 2009) construction of a women's hostel in Government polytechnic for women in Hindupur at a cost of ₹one crore and released ₹20 lakh in the same month. After a gap of more than a year, in November 2010, the Commissioner directed the Principal for submission of plans. The latter however, intimated five months later (April 2011) that the polytechnic would not require any new hostel, as 14 rooms in the existing three storied hostel building (each with accommodation capacity of six to eight) were vacant. Despite this, the department went ahead with construction of hostel building and an amount of ₹14 lakh was incurred on the work (September 2012).

Government in its reply stated (February 2013) that the construction of new hostel was taken up, as the old hostel required repairs. The reply contradicts the view expressed by the Principal in April 2011 that the college would not require any new hostel building.

Audit observed that the works suffered from delays in finalisation of plans and approvals of layout plans, deviations to plans, delay in issue of instructions by the Commissioner (to Principals) regarding handing over of the lands, delay in placing the amounts with the executing agencies and executing agencies like GHMC, APHB not willing to take up works, etc. As a result, none of the envisaged Women's hostels was completed despite availability of funds. This not only deprived the girl students of the benefit of hostel facilities, but also resulted in the balance Central assistance of ₹27 crore not being released by GoI.

⁷ 2008-09: 13; 2009-10: 9; 2010-11: 14; and 2011-12: 10

⁸ APEWIDC (13), APMHIDC (14), AP Housing Board (APHB - 6), Greater Hyderabad Municipal Corporation (GHMC - 2), Panchayat Raj Engineering department (1)

⁹ Adilabad (1), East Godavari (1) Karimnagar (2), Nalgonda (1) Nellore (1), Prakasam (2), Visakhapatnam (1) and Warangal (1)

Government, while accepting the audit observations, stated (February 2013) that, the 27 hostel buildings would be completed by March 2013 and the remaining 19 hostel buildings by December 2013.

6.1.5.3 Community Development through polytechnics

GoI releases funds to the polytechnics for implementation of the Scheme of Community Development through Polytechnics, with a view to carrying out need assessment surveys and impart skill development training to the intended target groups, to provide technical and support services to rural masses and slums dwellers. During 2009-11, GoI released ₹6.54 crore directly to the polytechnics for implementation of this scheme. However, the Principals of the concerned institutes utilised only ₹2.27 crore, and the balance ₹4.27 crore was lying in their bank accounts as of September 2012. GoI released (March 2012) a further ₹3.65 crore to the State Government for onward release to the polytechnics, which was not released to the Principals as of September 2012.

Audit scrutiny in this regard revealed the following:

- In nine¹⁰ out of the 21 sampled polytechnics, ₹71.44 lakh (62 *per cent*) out of ₹1.16 crore remained unutilised in the bank accounts of the Principals concerned.
- The polytechnics had spent the recurring grants but could not utilise the non-recurring grants for want of specific permission from the Commissioner.

Scrutiny revealed that, while there were delays in tendering process at Principals level, there were delays at Commissioner level in according permissions. Government while accepting the audit observation, stated (February 2013) that the non-recurring grant would be utilised for purchase of need based equipment and would be spent periodically.

6.1.5.4 Establishment of Government Polytechnics in underserved districts

In order to stimulate the growth of polytechnics in the country, GoI provided a one time financial assistance to the State Government to meet the capital cost of establishing new polytechnics in the districts which do not have any Government/ Government aided polytechnics, and other underserved districts where it may not be easy to establish new polytechnics, under public-private initiative. Under this scheme, GoI sanctioned (July 2009) one polytechnic at Vikarabad in Ranga Reddy District at a cost of ₹12.30 crore. Any additional non-recurring expenditure is to be met by the State Government.

¹⁰ SGM GPT, Abdullapurmet: ₹7.24 lakh/₹13.25 lakh; JN GPT, Ramanthapur: ₹6 lakh/₹10.25 lakh; Institute of Printing Technology, Secunderabad: ₹6.77 lakh/₹13.75 lakh; GPT for women, Medak: ₹6.32 lakh/₹10.25 lakh; Andhra Polytechnic, Kakinada: ₹10.21 lakh/₹14.75 lakh; GPT for Women, Kakinada: ₹11.21 lakh/₹17.85 lakh; BR Ambedkar Model Residential Polytechnic, Rajahmundry: ₹4.43 lakh/₹10.25 lakh; GPT for Minorities, Kurnool: ₹15.25 lakh/₹15.25 lakh; Government Institute of Electronics, Secunderabad: ₹4.00 lakh/₹10.25 lakh

Audit observations in this regard are as following:

- State Government released (June 2011) ₹ two crore (out of ₹ eight crore received from GoI) to the executing agency viz., APMHIDC and the work was entrusted to the contractor in August 2011.
- Due to identification of faulty boundaries initially, site had to be re-surveyed (October 2011) and layout revised, causing delay in commencing the work. Revised drawings and structural designs were provided to the contractor only in April 2012. Though the work was scheduled to be completed by August 2012, as of December 2012, an amount of ₹1.99 crore was expended and the works are at various stages of completion¹¹.

In reply, Government assured (February 2013) that, the building would be completed by the end of March 2013 and that the equipment would be procured thereafter.

6.1.6 Deficient infrastructure

Scrutiny of the relevant records in the 21 test checked polytechnics revealed the following deficiencies with regard to availability of infrastructure:

- As per the AICTE norms for category (X) courses (Mechanical, Production, Civil, Electrical, Chemical, Textile, Marine, Aeronautical and allied courses of each) six laboratories and one workshop should be available. Progressive requirement, 2nd year onwards shall be calculated as 2+2 labs/course. In two polytechnics (Narayankhed and Narsapur), there were no laboratory/workshop facilities. In another 16 polytechnics, engineering facilities (i.e., workshop/labs etc.) were not available as per AICTE norms.
- In four polytechnics (Anakapalli, Sangareddy, Siddipet and Narayankhed), there were no library facilities. In 12 out of 21 polytechnics test checked, the post of Librarian was vacant.
- In 13 polytechnics, there was only one room as against the norm of two rooms.
- In four (Anakapalli, Medak, Narayankhed and Sangareddy) new polytechnics, computer laboratory facilities were not available.
- In eight out of 21 test checked polytechnics, the computer-student ratio was double the AICTE norm of 1:8. Further, out of 1269 computers available in 18 polytechnics, only 592 (46 *per cent*) were in working condition.
- In six polytechnics, LAN facility was not available. Internet facility was not provided to students in three colleges.
- In ESC Government polytechnic, Nandyal, machinery and equipment worth ₹23.85 lakh was non-functional.

¹¹ College building: First Floor roof slab laid; Laboratory block: Brick work in progress; Hostel building: Roof slab laid

- In four polytechnics (Narayankhed, Narsapur, Sangareddy and Srisailam), generator facility was not available. In GPT (Minorities), Kurnool, as against 50 KV capacity generator required, only 25 KV capacity generator was available.
- In three polytechnics (Anakapalli, Narayankhed and Sangareddy) there were no toilet facilities.

Government stated (February 2013) that some of the equipment required for the polytechnics had already been procured and the remaining equipment would be procured during 2013-14 and the institutions would have full infrastructure by the end of 2013-14.

- Government released (March 2009) ₹6.30 crore to 30 newly established polytechnics for procurement of laboratory equipment and library books. While these institutes procured the equipment/books worth ₹6.21 crore immediately, they had to store them in the neighboring polytechnics, since they did not have their own buildings. In 13 of these polytechnics, equipment/books worth ₹1.74 crore was lying in packed condition as of September 2012.
- Practical classes in respect of engineering subjects for the students of the new polytechnics are being conducted in the nearest polytechnic/ engineering colleges, which are at a distance of 30 to 100 km. As a result, these classes are being conducted once a month or during vacation. Thus, the students lacked the facility of simultaneous practical training.

Government while accepting the audit observation, attributed the non-utilisation of the equipment to space constraints and stated that the equipment would be installed in summer 2013 and the facility of simultaneous practical training would be provided thereafter.

6.1.7 Manpower

The polytechnics had a sanctioned strength of 8,301, out of which, 4,094 posts (49 per cent) were vacant as of September 2012. Scrutiny of records revealed that huge vacancies existed in the following categories of staff that were essential for functioning of the polytechnics.

Table 6.3

Name of the Post	Sanctioned strength	Existing	Vacancies (per cent)
Principal	111	85	26 (23)
Heads of Section	426	186	240 (56)
Senior Lecturers	514	338	176 (34)
Lecturers	2137	765	1372(64)
Senior Instructor	419	212	207 (49)
Administrative Officers	90	32	58(64)
Lab Attender	608	75	533(88)

Source: Records of Commissionerate of Technical Education

In the 21 test checked institutes, 30 out of 91 posts of Heads of Sections and 95 out of 435 posts of lecturers were vacant. As per AICTE norms, the teacher-student ratio should be 1:20. However, as against 842 faculty staff to be in position as per this norm, there were only 510 in 21 colleges test checked, leaving a shortfall of 332 (39 per cent).

While accepting the audit observation with regard to crippling vacancies in key cadres, Government stated (February 2013) that, eligible candidates were promoted to the posts of Heads of Sections, Senior Lecturers, Administrative Officers, etc. As regards the vacancies of the Senior Instructors, it was stated that there are no qualified candidates in the feeder categories to consider for promotion to the grade and as and when they become qualified, all these vacancies would be filled up. It was further stated that action to fill 376 vacancies in the cadre of Lab Attenders, etc. was in progress.

6.1.8 Student performance

The details of students who passed the polytechnic course during 2008-11 from Government polytechnics and those provided placement are given below.

Table 6.4

Year	No of students appeared in final exam#	Number of students passed	Pass percentage	No of students provided apprenticeship	No of industry partners	No of students provided employment
2008-09	7250	5798	80	1270	142	920
2009-10	8237	7278	88	1505	183	1120
2010-11	14409	11693	81	1897	202	1730
2011-12	18774	9317	50	Figures not furnished by the department		
	48670	34086	70	4672	527	3770

Source: Records of Commissionerate of Technical Education

Figures represent only Government polytechnics

There was a sudden decline in the pass percentage during 2011-12. Scrutiny revealed that the pass percentage in the final exams in new polytechnics (started from 2008-09) was far below that in the old polytechnics (existing before 2008-09). It was 54 per cent and 33 per cent in new polytechnics, against 85 per cent and 54 per cent in the old polytechnics during the years 2010-11 and 2011-12 respectively.

Out of the total 24,769 students who passed out during 2008-09 to 2010-11, only 4,672 (19 per cent) were provided apprenticeship and only 3,770 (15 per cent) were employed. This is an area of concern which has to be addressed at the earliest.

Government, while accepting the audit observation, attributed the poor participation in Apprenticeship training to candidates seeking higher education and their joining in Engineering colleges through the facility of lateral entry for better employment. It was also stated that measures have been initiated to strengthen the placement activities by involving industry in upgrading employability of the Diploma students. It was further

stated that, remedial classes were also being conducted to students and the results are expected to improve.

6.1.9 Conclusion

Audit of 21 (out of 115) Government Polytechnics revealed that there was no action plan for setting up of new polytechnics and the courses introduced did not match the seats available in various engineering courses. Second shift was introduced in polytechnics although hostel facilities were poor and there was dearth of staff and infrastructure in these institutions. Under the scheme of "Sub-mission on Polytechnics under Coordinated Action of Skill Development" only a meagre 18 per cent of GoI releases (₹11.44 crore out of ₹61.69 crore) made in 2009-12 was utilised by the concerned polytechnics, leaving the remaining funds unutilised with the Principals (₹12.80 crore/21 per cent) and State Government (₹37.45 crore/61 per cent). Audit observed deficiencies in the test checked polytechnics with regard to availability of infrastructure such as laboratory/workshop facilities, LAN facilities, non-functional equipment, toilet facilities, etc. Huge vacancies existed in the categories of staff that were essential for functioning of the polytechnics. Out of the total 24,769 students who passed out during the years 2008-09 to 2010-11, only 4,672 (19 per cent) were provided apprenticeship and only 3,770 (15 per cent) were employed. This is an area of concern which has to be addressed at the earliest.

Higher Education Department (Jawaharlal Nehru Technological University)

6.2 Delay in completion of Multipurpose Auditorium

Delay in providing drawings and designs by JNTU College of Engineering, Anantapur and change in designs mid-way, coupled with non-award of contract for completion of balance work resulted in unproductive expenditure of ₹1.87 crore in construction of multipurpose Auditorium, with time over run of six years and cost escalation by ₹3.19 crore as of October 2012

Jawaharlal Nehru Technological University (JNTU), accorded (April 2005) sanction for 'Infrastructure development' in JNTU College of Engineering, Anantapur¹² (College) at an estimated cost of ₹12.40 crore. The work involved, *among others*, construction of a multipurpose Auditorium in the College campus at a cost of ₹4.50 crore. Work was awarded (June 2005) to M/s Ramky Infrastructure Limited (contractor) after following due tendering process, with a stipulation to complete it within nine months i.e., by March 2006. While all the other works relating to infrastructure development of the College were completed by April 2008, Auditorium had not yet been completed as of November 2012.

¹² Now called JNTU, Anantapur



Dismantled RCC slabs and stage beam of Auditorium at JNTU, Anantapur (10 August 2012)

Audit scrutiny of the related records in the College in June 2012, revealed that the construction of the Auditorium was held up due to delay by the College in finalising the drawings and designs and handing them over to the contractor. While the work was awarded in June 2005, approved drawings and designs were supplied to the contractor only during August 2005 to September 2006.

Further, while the Agreement between the College and the contractor provided for RCC slabs and stage beam, the College decided (February 2007) to go in for light roof and truss, which involved dismantling of the existing structures. Since the designs for light roof submitted by the contractor in February 2007 and his request for adopting SSR 2007-08 for the balance work did not find favour with the College, the work was foreclosed (July 2007) after completion of about 40 *per cent*. Administrative approval was accorded (April 2011) by the competent authority for ₹5.82 crore to complete the balance work. However, as of June 2012, work was not tendered for and the Auditorium remains in an incomplete shape despite expending ₹1.87 crore.

JNTU, Anantapur stated (September 2012) that the works could not be taken up due to division of University (September 2008) from JNTU, Hyderabad involving distribution of grants, lack of budget allotment for this work to the new University (JNTU, Anantapur) and for want of technical approval by the building committee. The reply is not acceptable as the work was scheduled to be completed by March 2006 i.e., well before division of University. Moreover, the work was foreclosed in July 2007¹³, and the College had sufficient time to complete the work before division (September 2008) of the University.

Thus, delay in providing drawings and designs by the College and change in designs mid-way, coupled with non-award of contract for completion of the balance work resulted in unproductive expenditure of ₹1.87 crore, with time over run of six years and cost escalation by ₹3.19 crore as of October 2012.

The matter was reported to Government in August 2012 and despite issue of reminders (September 2012 and February 2013); their reply had not been received (February 2013).

¹³ Final payment made in May 2008

Youth Advancement, Tourism and Culture (PMU) Department

6.3 Five Star Hotel project at Shilparamam

Due to non-adoption of the prevalent market value while fixing lease rentals, there is a revenue loss of at least ₹29.36 crore for the lease period of 33 years thereby conferring an undue benefit to the developer to that extent

With a view to promote tourism, State Government decided (February 2005) to set up a five star hotel at Shilparamam, Hyderabad at an estimated cost of ₹80 - 100 crore under Public Private Partnership mode. Two parties viz., (i) Taj GVK Hotels & Resorts Limited and (ii) My Home Group (MHG) submitted (July 2005) offers to the Request for Proposal (RFP). Based on the evaluation of the bids by the Consultant, APITCO Ltd.,¹⁴ the project was awarded (March 2007) to MHG (Developer) on Build, Own and Transfer (BOT) basis for completion within 30 months.

Government allotted (May 2007) 4.337 acres of land at Shilparamam for the purpose on lease basis for a period of 33 years on payment of lease rentals at 5 *per cent* of the basic market value of the land during the first year and thereafter, at an annual increase of 5 *per cent* over the previous year lease rent. Further, the developer was required to pay an Additional Development Premium as per his offered amount or 3 *per cent* of gross receipts, whichever is higher, after the completion of the project.

Audit scrutiny revealed that as per Annexure-2 appended to the RFP, the certified basic market value of the land was ₹4,000¹⁵ per sq. yd. (prevailing in March 2005) and the rate was subject to any revision by the concerned authorities at the time of signing the agreement.

However, the lease agreement, which was signed in May 2007, incorporated the same value as mentioned in the RFP (i.e., ₹4,000 per sq. yd.) without considering the prevailing market value as on the date of agreement. The market value of the land at the time of signing the lease agreement was ₹15,000¹⁶ per sq. yd, which should have been considered for fixing lease rentals. Considering the huge difference of ₹11,000 per sq. yd. between the market value prevailing at the time of signing the agreement and that adopted by the department in the agreement, the State Government had forgone revenue of ₹92.29 crore¹⁷ for the entire lease period of 33 years.

The department replied (July 2012) that, it was clarified to the bidders in the pre-bid meeting, that the lease rentals would be 5 *per cent* of the **basic market value in force at the time of issuing the Letter of Award (LoA)**. The reply is not acceptable, since the LoA was issued in March 2006 and the market value prevailing at that time was ₹7,500 per sq. yd. and the rate was not used while concluding the agreement in

¹⁴ Formerly Andhra Pradesh Industrial & Technical Consultancy Organisation Limited

¹⁵ Lr. No. 75/OB/2005 dated 18 March 2005 of the Joint Sub-Registrar-1, R.O. (OB) Ranga Reddy District

¹⁶ As ascertained from the Joint Sub-Registrar-II, R.O., Ranga Reddy District

¹⁷ calculated at 5 *per cent* of value of the land 4.33 acres (1 acre = 4840 sq. yds.) at ₹11,000 (₹15,000 - ₹4,000) per sq. yd. with an annual increase at 5 *per cent* of the previous year lease rent

May 2007. Computing the lease rentals taking into account the prevailing market rate (i.e., ₹7,500 per sq. yd.) as on the date of LoA, the loss to Government would work out to ₹29.36 crore¹⁸.

Thus, due to non-adoption of the prevalent market value while fixing lease rentals, there is a revenue loss of at least ₹29.36 crore for the lease period thereby conferring an undue benefit to the developer to that extent.

Government admitted (November 2012) the lapse of adopting incorrect market rates while fixing lease rentals and stated that the developer had been directed to pay the difference of lease amount for the completed lease period and to conclude the Revised Lease Schedule Agreements at the earliest.

6.4 Bay Park Resorts project at Rishikonda

Non-allotment of full extent of agreed land to the Developer, coupled with lack of urgency and initiative in renegotiating DMA¹⁹ by the Department (consequent upon refusal of de-notification of 13 acres of forest land by MoEF in February 2009) resulted in the project not being completed even after the lapse of over 11 years, thereby defeating the objective of promoting the coastal city of Visakhapatnam as an international tourist destination

State Government awarded (November 2000) the Bay Park Resorts Project²⁰ to M/s Indo-American Hotels and Resorts (P) Ltd., (Developer) for development through Public Private Partnership (PPP) mode with the objective of promoting the coastal city of Visakhapatnam as an international tourist destination. The project involved provision of the following facilities by the Developer:

- ⇒ Construction of beach resort
- ⇒ Development of various tourist related facilities on the beach front like swimming pools, landscaping, sun bathing, water play systems, etc.

On its part, Government was to provide 50 acres of land, free from all encumbrances, charges and other liabilities, to the Developer on lease basis for 33 years.

As per the agreement, major obligations on the part of the Developer firm were:

- obtaining all clearances, licences and approvals (Government would facilitate in obtaining the same);
- payment of lease rent, from the date of handing over of land, at 5 per cent of the market value with an escalation of 5 per cent per annum;
- payment of additional consideration, on monthly basis, at 2 per cent on the gross receipts accruing from the project or ₹50,000 whichever is higher;

¹⁸ calculated at 5 per cent of value of the land 4.33 acres (1 acre = 4,840 sq. yds.) at ₹3,500 (₹7,500 - ₹4,000) per sq. yd. with an annual increase at 5 per cent of the previous year lease rent

¹⁹ Development and management Agreement

²⁰ on the Visakhapatnam-Bheemili road

- achieve financial closure within 120 days (i.e., by April 2001) from the date of agreement; and
- complete the project within 36 months i.e., by December 2003.

Audit scrutiny of the related records in the Project Monitoring Unit of Tourism Department and joint physical inspection of the site in March 2012 revealed the following:

- State Government had not ensured availability of proposed land before awarding the work to the Developer. As against the 50 acres of land to be provided to the Developer, it handed over 37 acres in March 2001 and the Developer was required to obtain clearance from the Ministry of Environment & Forests (MoEF) for the remaining 13 acres, which was located on the sea front. Despite pursuance by the Developer for about eight years to obtain clearance for the forest land, the MoEF refused (February 2009) permission for development of the beach front in the proposed 13 acres.
- Government and the developer mutually agreed (November 2001) to start the project within the available land and the total project as agreed upon was to be completed as and when the balance 13 acres were made available. Accordingly, the project cost, time schedules, etc. were required to be revised. This was not done. Neither project cost/time schedules were revised by the developer nor insisted by the department.
- State Government had not taken action to renegotiate the terms of the project pursuant to denial of permission by MoEF to develop forest land on the beach front for leisure and recreational activities.
- Government issued (December 2007) notice for termination of the Lease-cum-Development and Management Agreement (DMA) with the Developer in view of his failure to fulfill the obligations viz., in obtaining necessary clearances/approvals, achieving financial closure, completion of the project within the stipulated period, etc. as agreed to in the DMA. However, based on the request of the Developer, State Government extended (June 2010) the lease period of the project by seven years i.e., upto March 2014.
- While the Developer was given the full extent of 28 acres of land in March 2001 for development of cottages/resort, as of September 2012, he did not complete construction of even a single cottage. Similarly, although 9 acres (out of 22 acres) of land was handed over in March 2001 on the beach front, the Developer had not taken up any work with regard to provision of facilities.

The status of the project as of March 2012 is given below:

While the Government enunciated a policy for tourism development in 1998 (revised in 2010), it has not taken any measures to expedite the completion of this project, which has been identified as one of the important projects to be developed under PPP mode for tapping tourist potential; nor has it terminated the agreement with the

Developer despite inaction by the latter for over 7 years. It had merely let the initiative remain dormant, thereby letting the potentially revenue earning venture slip away for over 9 years. The Government has not displayed any urgency in completing the project and deriving the envisaged benefits.

Government in its reply (October 2012) admitted the lapse and attributed the delay in completion of the project to delay in obtaining applicable permits from various institutions²¹. However, the reply did not address the question as to why it did not renegotiate the terms with the Developer by re-scoping the project.

Thus, non-allotment of full extent of land to the Developer, coupled with lack of urgency and initiative in renegotiating DMA by the Department resulted in the project not being completed even after the lapse of over 11 years thereby defeating the objective of promoting the coastal city of Visakhapatnam as an international tourist destination.

Finance Department

6.5 Excess payments of dental treatment claims

Non-compliance with Government orders by the DDOs while admitting medical claims and failure of the treasury officers in exercising due diligence while passing the bills, resulted in excess payment of ₹1.06 crore

Government orders of April 2007 relating to medical reimbursement (dental treatment) claims stipulate that:

- ⇒ *Package rates prescribed in the Central Government Health Scheme (CGHS) rate list should be adopted for regulating the reimbursement of dental treatment claims of the State Government employees both in service/retired and their dependents for the treatment obtained in recognised private hospitals.*
- ⇒ *Employees should first approach Government Hospital for treatment. In case facilities are not available, they should approach any recognised hospital for treatment, with prior permission of the Government hospital duly obtaining referral letter.*
- ⇒ *Reimbursement of dental treatment claims to each of the employees or their dependents separately is limited to three times in the entire service or life subject to a ceiling limit of ₹10,000 each time. No relaxation is permissible in this regard.*
- ⇒ *Cosmetic dental surgery claims should not be reimbursed except in case of road traffic accidents involving surgery of upper and lower jaws.*

Audit scrutiny of vouchers²² relating to reimbursement claims of dental treatment revealed that 1,854 cases belonging to 34 Departments (covering 23 districts) were

²¹ Ministry of Environment and Forest, Visakhapatnam Urban Development Authority, Greater Visakhapatnam Municipal Corporation and Andhra Pradesh Pollution Control Board

²² in Central Audit

processed (March 2009 to March 2012) by the Drawing & Disbursing Officers (DDOs) without restricting the amounts to CGHS package rates, which resulted in an excess payment of ₹1.06 crore.

As per the codal provisions²³, detailed checks including the applicability of rules, etc. are to be exercised by the DDOs/treasury officers while passing the medical claims of employees. Audit noticed the following procedural lapses by DDOs/treasury officers while admitting the claims:

- In 993 cases (54 *per cent*) of the reimbursement claims, there was no mention about the number of occasions on which the claim (including the current one) was preferred in respect of the individual employees or their dependents separately. No mechanism was in place with the Departments or the Director of Medical Education to check the compliance of this condition. As a result, Audit could not verify whether the claims were restricted to three times throughout the service/ life of the employee as laid down in the extant orders.
- 226 claims (12 *per cent*) involving ₹19.92 lakh were admitted without referral letters from Government hospitals or referral letters were produced from hospitals other than the home district in which the officials were working.
- Eight claims in excess of the ceiling of ₹10,000 were admitted and payments made as per the bill amounts even though Government orders specifically stipulated that no relaxation should be made to reimburse the claims beyond ₹10,000.
- 27 claims relating to cosmetic dental surgery involving ₹2.35 lakh were admitted even though these did not involve road accidents.

Thus, non-compliance with Government orders by the DDOs while admitting the medical claims and failure of the treasury officers in exercising due diligence while passing the bills, resulted in excess payment of ₹1.06 crore.

Government, while admitting the lapses stated (January 2013) that although necessary instructions were issued in the Government orders of April 2007 to avoid misuse of the facilities, in practice, some individuals have been misusing the facilities. It was also stated that the department of Health, Medical & Family Welfare had been requested to initiate remedial/corrective action to control the misuse of medical reimbursement on dental treatment and that the Director of Treasuries & Accounts was instructed to issue necessary guidelines to all the treasury officers in the State to comply with the codal provisions while admitting the dental claims.

²³ AP Integrated Medical Attendance Rules, 1972

Labour, Employment, Training and Factories Department

6.6 Functioning of AP Building and Other Construction Workers' Welfare Board

Government of India enacted 'The Building and Other Construction Workers Welfare Cess Act, 1996' (Act) to provide for the levy and collection of a Cess on the cost of construction incurred by employers, with a view to augmenting the resources of the Building and Other Construction Workers Welfare Board (constituted under the Building and Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996). Based on the Central Act, the State Government enacted the AP Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996, framed Rules in 1999, and constituted the State Board in April 2007 with a Chairman, Secretary and 6 other members, for a period of three years.

The functions of the Board, *inter alia*, include assistance to a beneficiary in case of accident; pension payment to the beneficiaries who have completed the age of sixty years; loans and advances to a beneficiary for construction of a house; Group Insurance Scheme; financial assistance for the education of children; medical expenses for treatment of major ailments; maternity benefits; and other welfare measures and facilities as may be prescribed.

Audit scrutiny (August-September 2012) of the records of the Board since its inception, with a view to assessing the effectiveness of its functioning, revealed the following:

- (i) As per the Act, the Board should consist of a Chairperson, a nominee of the Central Government and upto fifteen members, as may be appointed to it by the State Government. The State Board was constituted only in April 2007 i.e., more than a decade after the Act was promulgated. After expiry of the initial term of 3 years of the Board in August 2010, only the Chairman was reappointed and no other member was nominated by the Government. There was no regular post of Secretary in the Board until 2 December 2012 and the Joint Commissioner, Labour, was acting as 'in-charge Secretary' till then.

Government while accepting the Audit observation assured (January 2013) that the full Board would be constituted soon.

- (ii) The Act stipulates that Cess should be levied and collected at a rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction²⁴ incurred by an employer. The Cess levied shall be collected from

²⁴ cost of construction shall include all expenditure incurred by an employer in connection with the building or other construction work but shall not include cost of land and any compensation paid or payable to a worker or his kin

every employer including deduction at source in relation to a building or other construction work of a Government or of a public sector undertaking or advance collection through a local authority where an approval of such building or other construction work by such local authority is required.

However, no mechanism was instituted by the Board to collect Cess from all the construction employers until June 2011. Thereafter, this task was entrusted to the officials of the Labour Department.

Government stated that notifications were issued appointing the Commissioner of Labour as Chief Inspector and appointing the assessing officers in August 2006 itself. While Audit agrees that these appointments were made, there was, nevertheless, no mechanism until June 2011 to collect Cess from the Construction employers.

(iii) During the period 2007-13 (upto August 2012), the Board had received Cess amounting to ₹851.36 crore by way of voluntary remittances from contractors through online process, deduction at the treasury and pay and accounts office on Government works. Out of this amount, ₹401.89 crore was transferred (January - July 2012) to Personal Deposit (PD) Account, and the balance ₹439.23 crore²⁵ was lying with the Board as of 31 August 2012. Further, the Board incurred an expenditure of ₹61.66 crore (including administrative expenses) during this period towards implementation of welfare schemes for the benefit of construction workers.

The year-wise details of Cess received and expenditure incurred are given below.

Table 6.5

(₹ in crore)

Year	Opening balance	Cess collected	Interest accrued	Total	Total Welfare expenses	Total Administrative expenses	Transfer of funds to PD account	Total	Closing Balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2007-08	Nil	15.58	0.05	15.63	0.15	0.11	Nil	0.26	15.37
2008-09	15.37	142.01	10.18	167.56	2.14	0.49	Nil	2.63	164.93
2009-10	164.93	201.30	19.60	385.83	5.47	0.63	Nil	6.10	379.73
2010-11	379.73	176.71	24.50	580.94	13.11	0.61	Nil	13.72	567.22
2011-12	567.22	213.48	NA	780.70	33.12	0.78	138.68	172.58	608.12
2012-13 *	608.12	102.28	NA	710.40	7.67	0.29	263.21	271.17	439.23
Total		851.36			61.66		401.89		

*(upto August 2012) NA: Not available

Source: Information furnished by the Board

²⁵ Fixed Deposit Receipts (₹351.12 crore) and SB Account (₹88.11 crore)

Audit observations in this regard are given below:

- Board did not have any details about the buildings sanctioned by the Government. There was also no mechanism for assessment, levy and collection of Cess and follow up action with the concerned authorities *viz.*, treasury officers, PAOs, local authority, etc., in this regard. No records were maintained by the Board to record the source of its receipts.
- There was no mechanism to obtain the details of construction cost in respect of the buildings for which approvals were given by Government, Public Sector Undertakings, Local Bodies and other agencies.

According to the Board, 14,647 establishments have been registered under the Act as of November 2012 including 654 Government and public sector establishments.

Government admitted that Board needed to improve its mechanism to monitor the collection of Cess by Government, Public Sector Undertakings, and Local Bodies and that it has to improve the maintenance of records and action was already initiated in the matter. It was also stated that orders were issued by the Government in December 2009 making the Government departments and Local Bodies responsible to collect Cess at the time of approving plans. Government however, did not offer any remarks with regard to depositing Cess funds in PD account without utilising the amount for the welfare of construction workers.

- (iv) Though the Board was constituted in April 2007, it commenced registration of workers only in August 2009 and started implementing the welfare measures from 2009-10 onwards through the Labour Department. As against 21 lakh construction workers existing as per the preliminary survey conducted in 2007, the Board registered 16.97 lakh workers (as of November 2012) and out of them, ID cards were issued to 12.89 lakh (82 *per cent*) workers.

Government in its reply (January 2013) attributed the delay in registration of workers to the writ petitions in the High Court and stated that vigorous publicity campaign was taken up as was required before implementation of the Act, and after that, registration of workers commenced. With regard to the issue of ID cards to workers, it was stated that the Board is in the process of computerising the activity and that, all registered workers would be issued cards soon. It was further stated that the process of computerising every activity, including online registration of workers, issue of ID cards, and speedy settlement of claims was underway.

- (v) Further, only five (out of nine major welfare schemes) are being implemented by the Board. The year-wise details of the number of beneficiaries and expenditure incurred on implementation of welfare schemes are detailed below.

Table 6.6

(₹ in lakh)

Welfare schemes	2009-10		2010-11		2011-12		2012-13 ^{\$}	
	No. of workers	Amount spent	No. of workers	Amount spent	No. of workers	Amount spent	No. of workers	Amount spent
Assistance in case of accident	14	27.00	16	21.00	244	397.00	59	89.75
Pension scheme (NPS Lite)*	Nil	Nil	96646	773.17	98516	788.13	NA	NA
Maternity benefit	239	11.95	1310	65.50	3760	188.00	1389	69.45
Provision/improvement of other welfare measures/facilities [#]	153	45.90	834	250.20	3066	918.05	1606	475.80
Medical expenses for treatment of major ailments	Nil	Nil	1	0.05	64	2.79	42	7.53
Total	406	84.85	98807	1109.92	105650	2293.97	3096	642.53

* implemented only in three districts as a pilot project (viz., Chittoor - 89,334 workers, Visakhapatnam - 6,185 workers, Warangal - 9,182 workers) during 2010-12

includes financial assistance in cases of natural death, funeral expenses and marriage gift

^{\$} upto August 2012 NA: Not available

Source: Information furnished by the Board

The remaining four schemes viz., (i) loans and advances for construction of a house; (ii) premia for Group Insurance Scheme; (iii) assistance for education of children; and (iv) loan or subsidy to a local authority or an employer were not yet implemented.

In its reply, Government stated that all the nine²⁶ schemes were being implemented by the Board. However, it is to be noted that four²⁷ (out of nine) schemes quoted by the Board/Government are only sub-schemes and formed part of the main schemes (under the Act and Rules) mentioned in Table 6.6.

(vi) Section 4 of the Act mandated the State Government to constitute a State Building and Other Construction Workers' Advisory Committee, to advise it on matters arising out of the administration of the Act. Although the State Advisory Committee for the Board was formed during June 2007 for a period of three years, it met only once (in August 2008) during the last five years. Further, the Committee was also not re-constituted after the expiry of its term in June 2010.

²⁶ Accidental Death Relief to Dependents, Partial/Permanent disability, Natural Death, Maternity Benefit, Funeral Expenses, Temporary Disability (due to Hospitalisation), NPS-Lite, Marriage Gift Scheme and Financial assistance to the dependents of Unregistered workers

²⁷ (i) Natural death, (ii) funeral expenses, (iii) marriage gift, and (iv) financial assistance to the dependents of unregistered workers

Government assured (January 2013) that steps are being taken to reconstitute the Committee.

As brought out above, absence of an appropriate mechanism to ensure that all the construction workers are identified and registered, and the correct amount of Cess is levied and collected from all the building construction employers resulted in the objective of setting up the Board not being fully achieved.



(VANI SRIRAM)

Principal Accountant General (G&SSA)
Andhra Pradesh

Hyderabad
The 25 March 2013

Countersigned



(VINOD RAI)

Comptroller and Auditor General of India

New Delhi
The 26 March 2013

Appendices

Appendix-1.1
(Reference to paragraph 1.6 page 4)

Department-wise break-up of outstanding Inspection Reports and Paragraphs

Department	Number of IRs/Paragraphs pending as of 30 September 2012	
	IRs	Paragraphs
Backward Classes Welfare	139	862
Consumer Affairs, Food and Civil Supplies	249	786
Finance	133	354
General Administration	115	453
Health, Medical and Family Welfare	926	7131
Higher Education	1340	7567
Home	383	1896
Housing	18	142
Labour, Employment, Training and Factories	497	1742
Law	429	1169
Minorities Welfare	34	122
Municipal Administration and Urban Development	342	3988
Panchayat Raj and Rural Development	767	6283
Planning	61	256
Revenue	141	1027
School Education	340	3007
Social Welfare	208	2044
Tribal Welfare	197	1343
Women, Child, Disabled and Senior Citizens	637	2374
Youth Advancement, Tourism and Culture	207	1049
Total	7163	43595

Appendix-1.2
(Reference to paragraph 1.6 page 4)

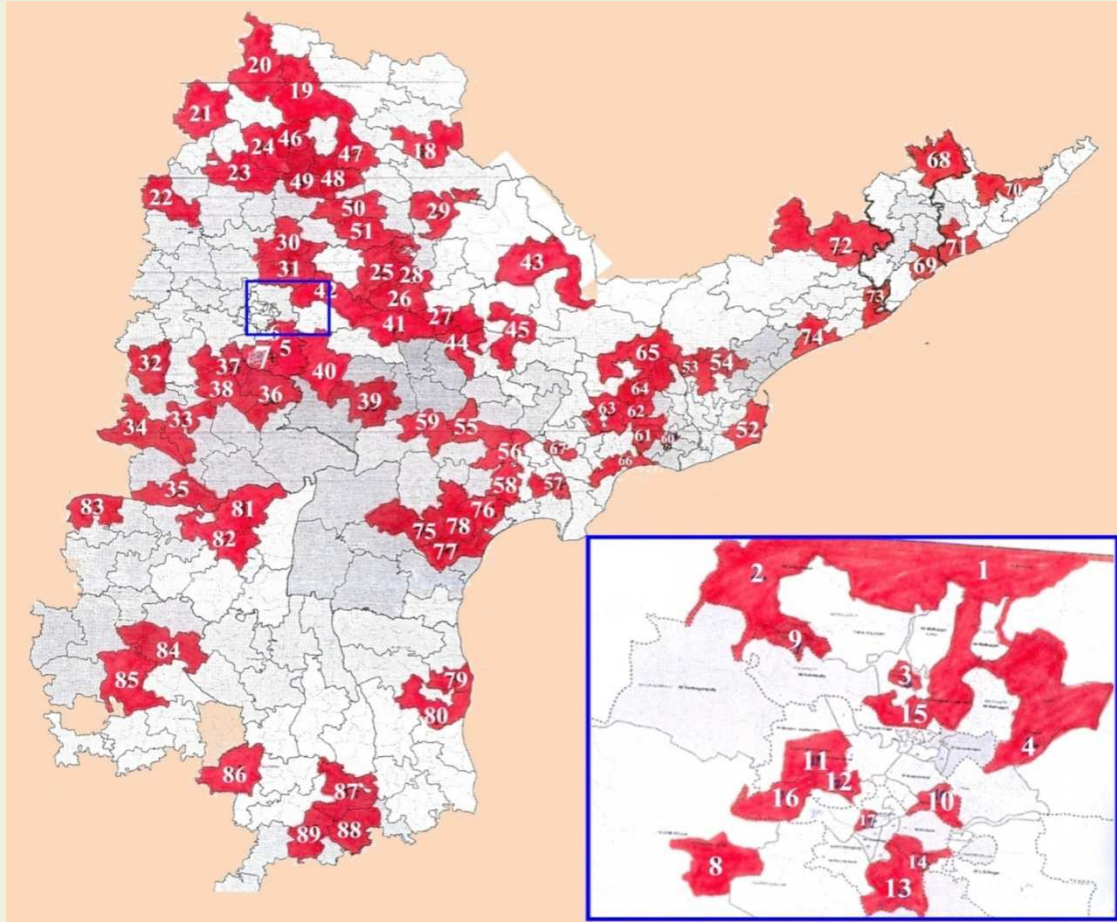
Position of Pending Explanatory Notes

Department	2005-06	2006-07	2008-09	2009-10	2010-11	Total
Consumer Affairs, Food & Civil Supplies	-	-	-	-	1	1
Industries & Commerce [#]	-	-	-	-	1	1
Home	-	-	-	-	1	1
Planning	-	-	-	-	1	1
Tribal Welfare	-	-	-	1	1	2
Youth Advancement, Tourism and Culture	1	2	2	1	1	7
Total	1	2	2	2	6	13

[#] In respect of Audit Report on Land Allotment

Appendix-2.1
(Reference to paragraph 2.5.1.1 page 21)

Details of Assembly Constituencies (in red colour) not having fire station



(Inset: position in Hyderabad and Ranga Reddy districts)

1 Medchal	19 Khanapur	37 Shadnagar	55 Pedakurapadu	73 Pendurthi
2 Kutbullapur	20 Bodh	38 Jadcherla	56 Tadikonda	74 Payakaraupet
3 Kukatpalli	21 Mudhol	39 Nagarjunasagar	57 Vemuru	75 Darisi
4 Uppal	22 Jukkal	40 Munugodu	58 Patthipadu	76 Parchur
5 Ibrahimpatnam	23 Nizamabad (Rural)	41 Thungathurthi	59 Gurazala	77 Santhanuthalapadu
6 LB Nagar	24 Balkonda	42 Aleru	60 Achanta	78 Addanki
7 Maheshwaram	25 Station Ghanpur	43 Pinapanaka	61 Undi	79 Kovvur
8 Rajendranagar	26 Palakurthi	44 Paaleru	62 Vunguturu	80 Sarvepalli
9 Sherilingampalli	27 Dornakal	45 Vyra	63 Denduluru	81 Nandikotkuru
10 Amberpet	28 Vardhannapet	46 Kortala	64 Gopalapuram	82 Panyam
11 Khairatabad	29 Bhupalapalli	47 Dharmapuri	65 Polavaram	83 Mantralayam
12 Nampally	30 Dhubbaka	48 Choppadandi	66 Pedana	84 Singanamala
13 Chandrayanagutta	31 Gajwel	49 Vemulawada	67 Penumaluru	85 Raaphadu
14 Yakutapura	32 Kodangal	50 Manakondur	68 Kurupam	86 Thambalapalli
15 Cantonment	33 Devarakadra	51 Husnabad	69 Nellimarla	87 Chandragiri
16 Karvan	34 Makthal	52 P Gannawaram	70 Pathapatnam	88 Gangadhara Nellore
17 Goshamahall	35 Alampur	53 Rajanagaram	71 Etcherla	89 Puthalapattu
18 Chennnur	36 Kalwakurthy	54 Jaggampet	72 Arakuloya	

Appendix-3.1
(Reference to paragraph 3.4.2 page 47)

Budget and Expenditure relating to scholarship schemes

(₹ in crore)

Year	Department	Budget allocation			Expenditure			Shortfall in utilisation of funds (-) / Excess (+)		
		MTF	RTF	Total	MTF	RTF	Total	MTF	RTF	Total
2008-09	SW	603	0	603	436	0	436	(-) 167	0	(-) 167
	TW	95	0	95	139	0	139	44	0	44
	BCW	341	627	968	325	478	803	(-) 16	(-) 149	(-) 165
	MW	83	35	118	87	60	147	4	25	29
	Total	1122	662	1784	987	538	1525	(-) 135	(-) 124	(-) 259
2009-10	SW	601	0	601	417	0	417	(-) 184	0	(-) 184
	TW	165	0	165	151	0	151	(-) 14	0	(-) 14
	BCW	445	850	1295	230	648	878	(-) 215	(-) 202	(-) 417
	MW	125	73	198	108	71	179	(-) 17	(-) 2	(-) 19
	Total	1336	923	2259	906	719	1625	(-) 430	(-) 204	(-) 634
2010-11	SW	378	516	894	197	594	791	(-) 181	78	(-) 103
	TW	111	171	282	67	195	262	(-) 44	24	(-) 20
	BCW	669	1494	2163	298	1362	1660	(-) 371	(-) 132	(-) 503
	MW	157	125	282	167	125	292	10	0	10
	Total	1315	2306	3621	729	2276	3005	(-) 586	(-) 30	(-) 616
2011-12	SW	342	534	876	92	218	310	(-) 250	(-) 316	(-) 566
	TW	93	267	360	64	132	196	(-) 29	(-) 135	(-) 164
	BCW	640	2551	3191	498	1886	2384	(-) 142	(-) 665	(-) 807
	MW	145	143	288	143	181	324	(-) 2	38	36
	Total	1220	3495	4715	797	2417	3214	(-) 423	(-) 1078	(-)1501
	G.Total	4993	7386	12379	3419	5950	9369	(-)1574	(-)1436	(-)3010

Source: Appropriation Accounts of Government of Andhra Pradesh for the relevant years. In respect of MW, figures include pre-matric scholarship scheme also

Appendix-3.2
(Reference to paragraph 3.6.5.1 page 66)

Absence of due diligence in scrutiny of applications by Verification Officers

S No	Requirement as per guidelines	Social Welfare	Tribal Welfare	BC Welfare	Minority Welfare	Total
		Number of students who did not fulfil the requirement				
1	Deviation in date of birth between SSC Memo and online Application	0	92	0	6	98
2	Bonafide certificates not signed by the Heads of Institutions	0	87	77	14	178
3	Discrepancies in exhibition of annual income (by Government employees)	3	40	3	4	50
4	Discrepancies like non-submission of proof of SB account, wrong figure of income of father, etc.	15	0	0	0	15
5	Not verified hard copy of application	32	0	289	183	504
6	Latest income certificates not attached	45	87	2	22	156
7	Verification Officer not signed in the form	93	117	161	0	371
8	No income certificate enclosed	0	7	0	129	136
9	Distance less than 5 Kms	0	0	0	131	131
10	Application not in correct form	0	0	0	5	5
11	Income exceeding eligibility criteria	0	0	0	69	69
12	No photograph on Scholarship application	0	0	0	2	2
13	Fees collected from students against amount from GOs	0	0	0	24	24
14	Difference in signatures on Income Certificates issued by Tahsildars	0	0	0	2	2
15	Applications without enclosures	0	153	0	1	154
16	Sanction of Pre-matric Scholarships of both (GoI and State) to same student	0	0	0	39	39
17	Photographs of students were not attested by the principals	0	0	549	0	549
18	Non-recommendation of facility to be provided to students by the VO	0	0	40	0	40
19	Against the students option of DS, VO recommended SMH not in order	0	0	188	0	188
20	Bonafide certificates not attached	0	175	80	0	255
21	Bonafide certificates not submitted in prescribed form	64	21	16	0	101
22	Admission number mentioned in the form and bonafide certificate differs	0	0	132	0	132
23	Non-signing by Field Officers and Copies of Ration card not enclosed	207	196	215	0	618
24	Name of the student did not figure in household supply card of his father	0	23	1	0	24
25	Difference in income mentioned in the form and the income certificate enclosed	6	0	479	0	485
26	Xerox copy of income certificate enclosed instead of original TC	0	131	16	0	147

S No	Requirement as per guidelines	Social Welfare	Tribal Welfare	BC Welfare	Minority Welfare	Total
		Number of students who did not fulfil the requirement				
27	Bank account not mentioned/copy of first page of SB Account not enclosed	78	468	443	0	989
28	Gap certificate not enclosed	0	89	1	0	90
29	Parents of students not signed in application form	0	0	2	0	2
30	Ration card did not contain name of student's father	0	26	0	0	26
31	Bank account number differs between the online number and copy of bank account passbook enclosed	12	53	0	0	65
32	Non-tallying of admission number mentioned in the bonafide certificate and application form	0	15	0	0	15
33	Distance Certificates not enclosed	57	244	0	0	301
34	SSC and Intermediate memos and TCs not enclosed	96	24	0	0	120
35	Parent's name not tallied	0	23	0	0	23
36	Caste certificates not enclosed	0	7	0	0	7
37	Students not signed the application form	0	5	0	0	5
Total		708	2083	2694	631	6116

Appendix-3.3
(Reference to paragraph 3.6.5.10 page 70)

**Variations in fee structure for same course (B.Com) offered
by different colleges of different Universities**

Course and year	Type of fee	OU	SVU	BRAOU	KU	AU
Government colleges						
B. Com.-1	Tuition fee	500	500	1100	970	700
	Special fee	0	285	300	400	500
	Other fee	0	400	0	60	500
	Total	500	1185	1400	1430	1700
B. Com-1 (Computers)	Tuition fee	500	6000	1100	3970	700
	Special fee	3000	3000	300	400	500
	Other fee	0	400	0	60	500
	Total	3500	9400	1400	4430	1700
Private Aided Colleges						
B. Com.-1	Tuition fee	1000	4000	1100	NA	700
	Special fee	0	3000	300	NA	500
	Other fee	0	400	0	NA	500
	Total	1000	7400	1400	NA	1700
B. Com-1 (Computers)	Tuition fee	1000	6000	NA	NA	700
	Special fee	3000	300	NA	NA	500
	Other fee	0	400	NA	NA	500
	Total	4000	6700	NA	NA	1700
Private Colleges						
B. Com.-1	Tuition fee	1000	1000	NA	4000	3500
	Special fee	515	285	NA	840	500
	Other fee	0	400	NA	300	500
	Total	1515	1685	NA	5140	4500
B. Com-1 (Computers)	Tuition fee	1000	6000	NA	6000	4000
	Special fee	3000	3000	NA	890	500
	Other fee	0	400	NA	2000	500
	Total	4000	9400	NA	8890	5000
Government Colleges						
B. Com.-2	Tuition fee	500	500	1300	970	700
	Special fee	0	285	450	400	500
	Other fee	0	400	0	0	0
	Total	500	1185	1750	1170	1200
B. Com-2 (Computers)	Tuition fee	500	6000	900	3970	700
	Special fee	3000	3000	900	400	500
	Other fee	0	400	0	0	0
	Total	3500	9400	1800	4370	1200
Private Aided Colleges						
B. Com.-2	Tuition fee	1000	1000	1300	NA	700
	Special fee	0	285	450	NA	500
	Other fee	0	400	0	NA	0
	Total	1000	1685	1750	NA	1200

Course and year	Type of fee	OU	SVU	BRAOU	KU	AU
B. Com-2 (Computers)	Tuition fee	1000	6000	NA	NA	700
	Special fee	3000	3000	NA	NA	500
	Other fee	0	400	NA	NA	0
	Total	4000	9400	NA	NA	1200
Private Colleges						
B. Com.-2	Tuition fee	1000	1000	NA	4000	3500
	Special fee	515	285	NA	840	500
	Other fee	0	400	NA	0	0
	Total	1515	1685	NA	4840	4000
B. Com-2 (Computers)	Tuition fee	1000	6000	NA	6000	4000
	Special fee	3000	3000	NA	890	500
	Other fee	0	400	NA	0	0
	Total	4000	9400	NA	6890	4500
Government Colleges						
B. Com.-3	Tuition fee	500	500	1300	970	700
	Special fee	0	285	450	400	500
	Other fee	0	300	0	0	0
	Total	500	1085	1750	1370	1200
B. Com-3 (Computers)	Tuition fee	500	6000	900	3970	700
	Special fee	3000	3000	900	400	500
	Other fee	0	300	6000	0	0
	Total	3500	9300	7800	4370	1200
Private Aided Colleges						
B. Com.-3	Tuition fee	1000	1000	1300	NA	700
	Special fee	0	285	450	NA	500
	Other fee	0	300	0	NA	0
	Total	1000	1585	1750	NA	1200
B. Com-3 (Computers)	Tuition fee	1000	6000	NA	NA	700
	Special fee	3000	3000	NA	NA	500
	Other fee	0	300	NA	NA	500
	Total	4000	9300	NA	NA	1700
Private Colleges						
B. Com.-3	Tuition fee	1000	1000	NA	4000	3500
	Special fee	515	285	NA	840	500
	Other fee	0	300	NA	0	0
	Total	1515	1585	NA	4840	4000
B. Com-3 (Computers)	Tuition fee	1000	6000	NA	6000	4000
	Special fee	3000	3000	NA	890	500
	Other fee	0	300	NA	0	0
	Total	4000	9300	NA	6890	4500

OU: Osmania University; **SVU:** Sri Venkateswara University; **BRAOU:** Dr. B.R. Ambedkar Open University; **KU:** Kakatiya University and **AU:** Andhra University

Appendix-4.1
(Reference to paragraph 4.2.3 page 78)

Status of projects selected for audit scrutiny

(₹ in crore)

S. No.		Name of the city	Name of the work	Component	GoI Approved cost	Releases	Expenditure	Status
Sewerage projects								
1	1	Hyderabad	Rehabilitation and Strengthening of Sewerage system in Old City area on South of Musi (Zone I in catchments S1 to S6, S12 and S14.)	UIG	148.81	48.36	112.10	Not completed
2	2	Hyderabad	Rehabilitation and Strengthening of Sewerage system in Old City Area on South of Musi (in Zone II in catchments S 7 to S11, S13 and S15)	UIG	251.25	50.25	138.70	Not completed
3	3	Hyderabad	Implementation of Sewerage Master Plan in Serilingampally Municipality forming part of Hyderabad Urban Agglomeration	UIG	200.38	40.07	104.15	Not completed
4	4	Hyderabad	Comprehensive Water Supply Distribution Network and Implementation of Sewerage Master Plan for identified priority zones of Rajendranagar Municipal Circle of GHMC	UIG	314.26	35.71	86.00	Not completed
5	5	Visakhapatnam	Providing Sewerage system to Central part of GVMC	UIG	244.44	128.32	189.11	Not completed
6	6	Visakhapatnam	Providing Sewerage System in Old City Area	UIG	37.08	22.30	35.95	Completed
7	7	Vijayawada	Providing underground drainage facilities to the unserved areas	UIG	56.56	33.93	66.22	Not completed

S. No.		Name of the city	Name of the work	Component	GoI Approved cost	Releases	Expenditure	Status
8	8	Vijayawada	Providing Sewerage to the Northern part of Vijayawada	UIG	178.15	43.29	60.55	Not completed
9	9	Karimnagar	Sewerage	UIDSSMT	62.37	45.54	44.91	Not completed
10	10	Kadapa	Sewerage	UIDSSMT	49.15	65.82.	63.32	Not completed
11	11	Yemminganur	Sewerage	UIDSSMT	39.83	28.84	27.89	Not completed
12	12	Narasaraopet	Sewerage	UIDSSMT	26.41	24.55	23.36	Not completed
13	13	Nizamabad	Sewerage	UIDSSMT	81.06	55.55	55.53	Not completed
14	14	Nalgonda	Sewerage	UIDSSMT	46.88	42.26	41.16	Not completed
15	15	Miryalaguda	Sewerage	UIDSSMT	34.93	29.95	29.70	Not completed
16	16	Nagari	Sewerage (ETP)	UIDSSMT	9.83	11.18	11.18	Not completed
Storm water drain projects								
17	1	Hyderabad	Remodeling of Storm Water Drainage – Murikinala Secondary Drains	UIG	42.31	10.57	16.15	Not completed
18	2	Hyderabad	Remodeling of Storm Water Drainage – Murikinala P11, P12	UIG	32.99	8.23	11.86	Not completed
19	3	Hyderabad	Remodeling of Storm Water Drainage – Kukatpally and Begumpet Nala	UIG	31.36	13.11	19.80	Not completed
20	4	Hyderabad	Balkapur Channel	UIG	35.79	12.16	21.28	Not completed
21	5	Hyderabad	Improvement of Storm Water Drainage in Zone 1 and Zone 2 of erstwhile MCH Area of Hyderabad	UIG	124.10	15.51	16.37	Not completed
22	6	Visakhapatnam	Regularisation of S.L.Canals	UIG	3.39	2.13	3.35	Completed
23	7	Visakhapatnam	Improvement of Yerrigedda storm water drain including bench drains	UIG	9.21	6.44	10.84	Completed
24	8	Visakhapatnam	Improvement of Storm water drains for Zone.VIII of Greater Visakhapatnam City (Gangulhedda and Yerrigada branch canals)	UIG	72.27	32.88	31.54	Not completed
25	9	Bapatla	SWD	UIDSSMT	48.96	42.36	42.36	Completed

S. No.		Name of the city	Name of the work	Component	GoI Approved cost	Releases	Expenditure	Status
26	10	Medak	SWD	UIDSSMT	2.62	3.15	3.15	Completed
27	11	Siddipet	SWD	UIDSSMT	9.84	10.25	10.25	Completed
28	12	Suryapet	SWD	UIDSSMT	24.64	15.33	9.73	Not completed
29	13	Miryalguda	SWD	UIDSSMT	34.35	24.19	10.99	Not completed
30	14	Nalgonda	SWD	UIDSSMT	35.86	27.71	23.03	Not completed
31	15	Anakapalli	SWD	UIDSSMT	22.22	13.96	13.80	Not completed
32	16	Nandyal	SWD	UIDSSMT	2.16	1.78	1.78	Completed
33	17	Chirala	SWD	UIDSSMT	9.68	8.99	8.99	Completed
Water supply projects								
34	1	Hyderabad	Krishna Drinking Water Supply Project - Phase II	UIG	606.50	303.25	606.50	Commissioned
35	2	Hyderabad	Refurbishment of existing feeder system including distribution network for 10 zones in Old Municipal Corporation of Hyderabad	UIG	232.22	46.44	120.00	Not completed
36	3	Visakhapatnam	Augmentation of Drinking Water supply to 32 Peripheral areas in GVMC	UIG	240.74	114.35	174.24	Not completed
37	4	Visakhapatnam	DPR for replacement of existing Thatipudi pipeline from Thatipudi reservoir to town service reservoir and pumping units	UIG	62.28	38.24	59.79	Completed
38	5	Visakhapatnam	Providing Water Supply pipeline from TSR to Yendada and Kommadi Junction for augmenting water supply	UIG	23.40	14.06	22.95	Completed
39	6	Visakhapatnam	Augmentation of drinking water supply to Gajuwaka area	UIG	39.76	18.09	35.73	Not completed
40	7	Visakhapatnam	Providing water supply distribution system to Gajuwaka area of GVMC (phase 2)	UIG	46.00	21.85	29.90	Not completed
41	8	Visakhapatnam	Refurbishment of comprehensive water supply in North Eastern Zone of Central Area of GVMC	UIG	190.18	86.53	72.31	Not completed

S. No.		Name of the city	Name of the work	Component	GoI Approved cost	Releases	Expenditure	Status
42	9	Visakhapatnam	Comprehensive water supply system in old city of GVMC	UIG	47.93	21.81	27.87	Not completed
43	10	Vijayawada	Providing Water Supply facilities in unserved areas of Vijayawada city	UIG	35.48	21.30	32.61	Commissioned
44	11	Warangal	Water Supply	UIDSSMT	164.46	164.00	164.00	Not completed
45	12	Wanaparthy	Water Supply	UIDSSMT	28.08	23.39	23.38	Completed
46	13	Anantapur	Water Supply	UIDSSMT	65.00	60.94	60.94	Commissioned
47	14	Chirala	Water Supply	UIDSSMT	6.19	5.75	5.75	Completed
48	15	Kadiri	Water Supply	UIDSSMT	45.46	61.51	61.51	Commissioned
49	16	Rayadurg	Water Supply	UIDSSMT	42.39	35.97	35.97	Commissioned
50	17	Mancherial	Water Supply	UIDSSMT	22.87	22.56	22.23	Not completed
51	18	Pithapuram	Water Supply	UIDSSMT	19.66	9.79	8.81	Not completed
52	19	Ramachandrapuram	Water Supply	UIDSSMT	11.62	9.66	9.66	Not completed
53	20	Sangareddy	Water Supply	UIDSSMT	14.12	20.57	20.07	Commissioned
54	21	Dharmavaram	Water Supply	UIDSSMT	59.45	55.03	53.43	Not completed
55	22	Kurnool	Water Supply	UIDSSMT	33.09	28.79	28.74	Commissioned
56	23	Bhongir	Water Supply	UIDSSMT	20.37	13.17	13.07	Commissioned
57	24	Eluru	Water Supply	UIDSSMT	59.59	69.12	68.96	Completed
58	25	Dhone	Water Supply	UIDSSMT	44.76	36.03	36.01	Not completed
59	26	Tanuku	Water Supply	UIDSSMT	14.14	12.06	11.53	Not completed
60	27	Ongole	Water Supply	UIDSSMT	15.54	17.23	17.22	Completed
61	28	Rajampet	Water Supply	UIDSSMT	34.13	34.45	34.45	Completed
62	29	Mahbubnagar	Water Supply	UIDSSMT	68.38	62.25	62.25	Commissioned
63	30	Nizamabad	Water Supply	UIDSSMT	35.92	41.61	41.61	Not completed
64	31	Kamareddy	Water Supply	UIDSSMT	22.35	15.44	15.33	Not completed
65	32	Narayanpet	Water Supply	UIDSSMT	9.03	9.03	6.74	Completed
66	33	Proddutur	Water Supply	UIDSSMT	16.80	21.78	21.82	Commissioned
67	34	Markapur	Water Supply	UIDSSMT	33.60	47.50	47.50	Commissioned
68	35	Kandukur	Water Supply	UIDSSMT	45.60	53.78	48.78	Completed
Housing and Infrastructure projects								
69	1	Hyderabad	Integrated Housing and Infrastructure Development Scheme, Hyderabad (49,000 houses)	BSUP	490.00	254.06	694.51	Not completed
70	2	Hyderabad	Construction of 4550 Houses and Provision of Infrastructure Facilities in Hyderabad	BSUP	124.06	63.17	86.67	Not completed

S. No.		Name of the city	Name of the work	Component	GoI Approved cost	Releases	Expenditure	Status
71	3	Vijayawada	Construction of Houses for rehabilitation of flood victims of river Krishna and Budameruvagu in VMC	BSUP	258.73	183.28	291.87	Not completed
72	4	Vijayawada	G+3 Group Housing in slums located in Circle-I of VMC	BSUP	190.88	45.43	45.54	Not completed
73	5	Tirupati	Construction of 4,087 houses and Provision of Infrastructure at Tirupati	IHSDP	55.36	38.40	40.85	Not completed
Urban Transportation								
74	1	Visakhapatnam	Bus Rapid Transport System (BRTS)	UIG	452.93	206.08	313.65	Not completed
Total					6352.19	3362.42	4919.85	

Source: State Level Nodal Agency

Appendix-4.2
(Reference to paragraph 4.3.2.3 page 81)

Analysis of implementation of the Public Disclosure Law by the ULBs/Parastatal Agency

Sl. No & Nature of information to be disclosed	Name of the Urban Local Body/Parastatal Agency				
	GHMC	HMWSSB	GVMC	VMC	TMC
1. Basic particulars of the Corporation	√	√	√	√	√
2. Statement showing the composition of the Corporation	√	√	√	√	√
3. Mode of accessibility of the minutes of the Corporation	√				√
4. Directory containing the designation of officers and employees	√	√	√	√	√
5. Particulars of officers who are competent to grant concessions, permissions, permits and authorisations for each branch of activity relating to the Corporation	√	√	√	√	√
6. Particulars of officers responsible for delivery of various services and their contact phone numbers	√	√	√	√	√
7. Financial statements of balance sheet, income and expenditure and cash flow	√			√	
8. Statutorily audited financial statements of the financial year					
9. Service levels being provided for each of the services	√	√	√	√	√
10. Particulars of all plans, proposed expenditure and actual expenditure on major services provided and activities performed			√	√	√
11. Details of subsidy programmes and the criteria and manner of identification of beneficiaries for such programmes.				√	√
12. List of beneficiaries of all welfare and subsidy programmes				√	
13. Particulars of Master Plan, Development Plan or any other plan concerning the development of Corporation area				√	√
14. Particulars of major works together with information on the value of works, time of completion and details of contracts			√	√	√
15. Income generated in the previous year from various tax and non-tax resources.	√		√	√	√
16. Taxes and Non-Taxes remained uncollected during the previous year	√		√	√	
17. List of defaulters who have to pay arrears of property tax exceeding one lakh of Rupees per annum	√		√		
18. Assigned revenues transferred from State Government					
19. Plan and Non-Plan grants released by the Government					

Sl. No & Nature of information to be disclosed	Name of the Urban Local Body/Parastatal Agency				
	GHMC	HMWSSB	GVMC	VMC	TMC
20. Grants released by the Government for implementation of the schemes, projects and programmes	√		√	√	√
21. Money raised through donations or contributions from the public	√		√	√	√
22. Annual Budget	√		√	√	√
23. Budget allocation for the welfare of Scheduled Caste, Scheduled Tribe, Women and Children and their utilisation					
24. Budget allocation for slum areas with the extent of utilisation in the previous year			√		

Appendix 5.1
(Reference to paragraph 5.2.3, page 119)

Status of projects selected for audit

	Name of the cheme	District	Name of the Grant in which scheme was sanctioned	Esti-mated Project cost (₹ in crore)	Name of the Division	Status	Expen-diture incurred upto 31.03.12 (₹ in crore)
1	CPWS Scheme to Allur Phase – II	SPS Nellore	ARWSP	5.00	Nellore	Not completed	1.05
2	CPWS Scheme to Jaladanki		12 th Finance Commission	6.00	Nellore	Not completed	6.72
3	CPWS Scheme to Kovur		NABARD	5.00	Nellore	Completed but not commis-sioned	5.00
4	CPWS Scheme to Indukurpet		12 th Finance Commission	5.00	Nellore	Commissioned	4.39
5	CPWS Scheme to Atmakur		Rajiv Palle Baata (RPB)	2.30	Nellore	Commissioned	1.53
6	CPWS Scheme to Udayagiri		NABARD	2.00	Nellore	Commissioned	1.54
7	CPWS Scheme to Sullurpet Phase – II		NABARD	5.00	Gudur	Commissioned	1.21
8	CPWS Scheme to Kota		SMP	7.00	Gudur	Commissioned	4.91
9	CPWS Scheme to Vakadu		12 th Finance Commission	6.00	Gudur	Commissioned	5.38
10	CPWS Scheme to Rapur		ARWSP	10.00	Gudur	Not completed	8.26
11	CPWS Scheme to Sullurpet		ARWSP	1.30	Gudur	Commissioned	1.14
12	CPWS Scheme to Medak and 46 problematic habitations of Medak Mandal	Medak	ARWSP	9.40	Medak	Commissioned	7.54
13	CPWS Scheme to Kodapaka and 13 other habitations		NABARD	4.30	Medak	Commissioned	2.89
14	CPWS Scheme to Bollaram to Jinnaram Mandal		ARWSP	1.60	Medak	Commissioned	Not furnished
15	CPWS Scheme to Gajwel, Narsapur, Ramayampet & Dommat (Phase –II)		HUDCO	45.00	Siddipet	Completed but not commissioned	45.00
16	CPWS Scheme to Dubbak & other habitations in Medak District		ARWSP	15.00	Siddipet	Commissioned	13.39
17	CPWS Scheme to Scarcity habitations in Ramayampet, Narsapur & other habitations in Medak District		ARWSP	12.00	Siddipet	Commissioned	9.04
18	CPWS Scheme to uncovered RIAD habitations in Hathnura, Narsapur, Jinnaram, Shivampet and Kowdipally mandals in Medak District		NABARD	10.00	Siddipet	Commissioned	8.76

	Name of the cheme	District	Name of the Grant in which scheme was sanctioned	Esti-mated Project cost (₹ in crore)	Name of the Division	Status	Expen-diture incurred upto 31.03.12 (₹ in crore)
19	Providing CPWS Scheme to uncovered habitations in Chegunta & Doulthabad Mandals in Medak District		NRDWP	15.00	Siddipet	Not completed	3.82
20	Providing CPWS Scheme to uncovered habitations in Narsapur, Kowdipally, Kucharam & Hathnura Mandals in Medak District		NRDWP	18.00	Siddipet	Not completed	2.98
21	Providing CPWS Scheme to uncovered habitations in Gajwel, Mulugu, Toopran and Wargal Mandals in Medak District		NRDWP	9.00	Siddipet	Not completed	1.24
22	CPWS Scheme to Gajwel, Narsapur, Ramayampet & Dommat (Phase -I)		HUDCO	55.00	Siddipet	Commissioned	55.00
23	CPWS Scheme to Tallur and other habitations	Prakasam	12th Finance Commission	9.00	Ongole	Completed but not commissioned	7.63
24	CPWS Scheme to Chundi and Cherlopalem villages and 25 other habitations		Sub-Mission Project (SMP)	8.00	Ongole	Commissioned	7.75
25	CPWS Scheme to scarcity habitations in Kandukuru Constituency and other habitations		ARWSP	10.00	Ongole	Commissioned	6.40
26	CPWS Scheme to C.S. Puram and other habitations		12 th Finance Commission	12.00	Podili	Not completed	73.47
27	CPWS Scheme to NSS habitations in Veligandla & pamur Mandals		12 th Finance Commission	30.00	Podili	Not completed	
28	Providing CPWS Scheme to Quality affected habitations in Pamuru, Veligandla, P.C. Palli & CS Puram Mandals		Revised Sub-Mission Project (RSMP)	49.00	Podili	Not completed	
29	Providing Pipeline to CPWS Scheme Erragudur from VBR Phase-I	Kurnool	ARWSP	4.15	Kurnool	Commissioned	3.13
30	Extension of CPWS Scheme to Gargeyapuram		NABARD	2.40	Kurnool	Commissioned	2.29
31	Providing pipeline from VBR to CPWS Scheme to Erraguduru & other habitations – Phase - II		NRDWP	8.00	Kurnool	Not completed	0.00
32	CPWS Scheme to Kolimigundla		NABARD	10.00	Nandyal	Commissioned	9.53
33	CPWS Scheme to Allagadda		NABARD	5.11	Nandyal	Commissioned	4.09
34	CPWS Scheme to Aspari (Alur)		HUDCO	11.50	Adoni	Commissioned	9.89

	Name of the cheme	District	Name of the Grant in which scheme was sanctioned	Esti- mated Project cost (₹ in crore)	Name of the Division	Status	Expen- diture incurred upto 31.03.12 (₹ in crore)
35	CPWS Scheme to Kuppagal		RPB	4.60	Adoni	Commissioned	4.60
36	CPWS Scheme to Kowthalam		12 th Finance Commission	4.00	Adoni	Commissioned	3.55
37	CPWS Scheme to Parkal and other Habitation in Warangal District	Warangal	Minimum Needs Programme (MNP)	9.00	Parkal	Not completed	4.83
38	CPWS Scheme to Thorrur		SMP	11.00	Thorrur	Commissioned	8.82
39	Integration of Drinking Water Supply System with Godavari Lift Irrigation Project (Devadula) Phase-I		State Plan Budget - 2009-10 Grant	125.00	Devadula	Not completed	87.55
40	CPWS Scheme to Venkatapur and 8 other habitations of sangam Mandal		Prime Ministers Grameena Yojana (PMGY)	5.00	Venkatapur	Not completed	4.32
41	CPWS Scheme to Kamareddy & 281 Villages	Nizamabad	HUDCO	140.00	Kamareddy	Not completed	114.50
42	CPWS Scheme to Nyalkal and other habitationsPhase- I II & IB		ARWSP	24.50	Nyalkal	Not Completed	16.28
43	CPWS Scheme to Balkonda - Phase-III		ARWSP	10.00	Balkonda	Commissioned	8.20
44	CPWS Scheme to Balkonda - Phase-II		NABARD	25.00	Balkonda	Commissioned	22.20
45	CPWS Scheme to Chandur and other habitations of Varni Mandal		NABARD and ARWSP	10.00	Chandur	Not completed	2.23
46	CPWS to Damarancha and other habitations in Nizamabad district		ARWSP	10.00	Damarancha	Commissioned	6.24
47	Husnabad & Chigurumamidi NSS	Karimnagar	12 th Finance Commission	15.00	Husnabad	Not completed	13.14
48	Gambheeraopet & Mustabad NSS		12 th Finance Commission	15.00	Karimnagar	Not completed	27.12
49	Ramadugu, Ambaripet, Kodimial, Lingapur & Boinpalli NSS		12 th Finance Commission	32.60	Karimnagar	Not completed	
50	Construction of irrigation tank at kothapally		Augmented Water Supply Programme (AUWSP)	2.09	Karimnagar	Commissioned	2.09
51	CPWS Scheme to Gangadhar and 35 other habitations of Gangadhara mandal		NABARD and PMGY	15.50	Karimnagar	Commissioned	12.97
52	Providing safe drinking water to Manthani town		AUWSP	2.41	Manthani	Commissioned	0.94
53	JCNR Drinking Water supply Phase-I, II, III, IV	Anantapur	HUDCO	508.00	Anantapur	Not completed	287.82

	Name of the cheme	District	Name of the Grant in which scheme was sanctioned	Esti- mated Project cost (₹ in crore)	Name of the Division	Status	Expen- diture incurred upto 31.03.12 (₹ in crore)
54	CPWS Scheme to Y.T. Cheruvu Phase I & II		HUDCO	12.50	Anantapur	Commissioned	10.29
55	Neelakantapuram Sreeram Reddy Drinking Water Scheme Phase I, II & III		ARWSP	581.00	Penukonda	Commissioned	409.58
56	Neelakantapuram Sreeram Reddy Drinking Water Scheme Phase IV		HUDCO		Kalyanadurg	Commissioned	
57	Pullalacheruvu	Prakasam	NABARD RIDF XII	16.90	Podili	Commissioned	11.77
58	KK Mitta & HM Padu, Phase-I		SMP	35.00	Podili	Commissioned	35.00
59	KK Mitta & HM Padu, Phase-II		SMP	17.00	Podili	Commissioned	15.40
60	Kurichedu		SMP	10.00	Kurichedu	Completed but not commissioned	6.79
61	Krishnagiri, Phase-I and II	Kurnool	HUDCO	18.50	Krishnagiri	Completed but not commissioned	14.67
62	Krishnagiri, Phase-III		HUDCO	13.50	Krishnagiri	Completed but not commissioned	6.40
63	Palair phase-I	Khammam	NABARD RIDF X	9.50	Palair	Commissioned	8.53
64	Palair, Phase-II		TFC	12.00	Palair	Commissioned	10.68
65	Palair, phase-III		ARWSP	15.00	Palair	Commissioned	10.88
66	Vattinagulapalli	Ranga Reddy	NABARD RIDF XII	2.50	Khairatabad	Completed but not commissioned	1.33
		Total		2120.16			1483.69

Appendix – 5.2
(Reference to paragraph 5.7.12.3, page 139)
Award of works in violation of tender condition

Sl. No.	Name of the work	Tender notice particulars	Agency	Tender particulars	Excess percentage for Part B (>20%)	Amount (₹ in crore)
1	JC Nagi Reddy Drinking water Supply Project, Phase II&III	Part A: ₹9194.63 lakh	M/s The Indian Hume Pipes Co.	Part A: +4.99% ₹9650.68 Lakh	8.60%	2.63
		Part B: ₹3065.58 lakh		Part B: +28.595%		
				₹3942.19 Lakh		
2	JC Nagi Reddy Drinking water Supply Project, Phase IV	Part A: ₹11357.98 lakh	M/s The Indian Hume Pipes Co.	Part A: +4.99% ₹11924.75 Lakh	13.98%	3.61
		Part B: ₹2582.36 lakh		Part B: +33.978%		
				₹3459.82 Lakh		
3	Sri Neelakantapuram Sri Rami Reddy Drinking water supply project Phase-IV	Part A: ₹8708.36 lakh	M/s L&T	Part A: +4.98% ₹9142.04 Lakh	7.99%	4.64
				Part B: +27.99%		
		Part B: ₹5812.12 lakh		₹7438.93 Lakh		
4	CPWSS to Kamareddy and other habitations	Part A: ₹6023 lakh	M/s Megha Engineering Infrastructure limited	Part A: +4.95% ₹6321 Lakh	9.63%	3.98
		Part B: ₹4132 lakh		Part B: +29.625%		
				₹5356 Lakh		
5	CPWSS to uncovered RIAD habitations in Hathnura, Narasapur, Jinnaram and Kowdipally mandals of Medak District	Part A: ₹528.52 lakh	Ch.V.V Subba Rao	Part A: +4.95% ₹554.68 Lakh	8.58%	0.24
		Part B: ₹804.56 lakh		Part B: +28.58%		
				₹909.64 Lakh		

Sl. No.	Name of the work	Tender notice particulars	Agency	Tender particulars	Excess percentage for Part B (>20%)	Amount (₹ in crore)
6	Providing CPWS Scheme to Rapur and other habitations in SPS Nellore District	Part A: ₹431.216 lakh	KL Sreedhar Reddy	Part A: +4.99% ₹ 452.78 Lakh	5.38%	0.15
		Part B: ₹278.46 lakh		Part B: +25.38%		
				₹ 349.13 Lakh		
7	Providing CPWS Scheme to Kota and other habitations in SPS Nellore District	Part A: ₹301.53 lakh	KL Sreedhar Reddy	Part A: +4.99% ₹ 316.58 Lakh	7.79%	0.15
		Part B: ₹186.34 lakh		Part B: +27.79%		
				₹ 238.12 Lakh		
8	Providing CPWS Scheme to Vakadu and other habitations in SPS Nellore District	Part A: ₹69.49 lakh	KL Sreedhar Reddy	Part A: +4.99% ₹ 72.96Lakh	4.55%	0.03
		Part B: ₹67.00 lakh		Part B: +24.547%		
				₹ 83.45 Lakh		
	Total					15.43

Appendix 6.1
(Reference to paragraph 6.1.1, page 149)

List of Polytechnics selected for audit

S No.	Name of polytechnic	Whether Old/New polytechnic
1	Government Polytechnic, Anakapalli	New
2	Government Polytechnic for Minorities, Kurnool	Old
3	ESC Government Polytechnic, Nandyal	Old
4	Government Institute of Printing technology, Secunderabad	Old
5	Andhra Polytechnic, Kakinada II	Old
6	DR BRAGMR Polytechnic, Rajahmundry	Old
7	Government Polytechnic, Siddipet	New
8	Government Polytechnic for Women, Medak	Old
9	Government Polytechnic, Masab tank, Hyderabad	Old
10	Government Polytechnic for Women, Bheemunipatnam	Old
11	Government Polytechnic for women(Minorities), Ranga Reddy	Old
12	Government Polytechnic, Narayankhed, Medak	New
13	Government Polytechnic, Sangareddy, Medak	New
14	GMR Polytechnic, Srisailam, Kurnool	Old
15	Government Polytechnic, Visakhapatnam	Old
16	JN Government Polytechnic, Ramanthapur, Hyderabad	Old
17	Government Institute of Electronics, Secunderabad	Old
18	Government Polytechnic, Narsapur, Medak	New
19	Govt Institute of Leather Technology, Hyderabad	Old
20	Government Polytechnic for women, Kakinada - 3	Old
21	SGM Polytechnic, Abdullapurmet, Ranga Reddy	Old

Glossary

A&E	:	Accounts and Entitlements
AAP	:	Annual Action Plan
AAY	:	Anthyodaya Anna Yojana
AB	:	Andhra Bank
ABCWO	:	Assistant Backward Classes Welfare Officer
ADFO	:	Assistant District Fire Officer
ADFS	:	Additional Director of Fire Services
AICTE	:	All India Council for Technical Education
AIEEE	:	All India Engineering Entrance Examination
AMC	:	Agricultural Market Committee
APEPDCL	:	Andhra Pradesh Eastern Power Distribution Company Limited
APEWIDC	:	Andhra Pradesh Education Welfare Infrastructure Development Corporation
APF&EO and LFR	:	Andhra Pradesh Fire & Emergency Operations and Levy of Fee Rules
APFSA	:	Andhra Pradesh Finance Service Act
APHB	:	Andhra Pradesh Housing Board
APMHIDC	:	Andhra Pradesh Health & Medical Housing and Infrastructure Development Corporation
APIIC	:	Andhra Pradesh Industrial Infrastructure Corporation
APSCHE	:	Andhra Pradesh State Council for Higher Education
APSCMFC	:	Andhra Pradesh State Christian Minority Finance Corporation Limited
APSHCL	:	Andhra Pradesh State Housing Corporation Limited
APSHPC	:	Andhra Pradesh Police Housing Corporation
APSMFC	:	Andhra Pradesh State Minority Finance Corporation Limited
APSWRJC	:	Andhra Pradesh Social Welfare Residential Junior College
APTRANSCO	:	Transmission Corporation of Andhra Pradesh Limited
APTWRJC	:	Andhra Pradesh Tribal Welfare Residential Junior College
APUFIDC	:	Andhra Pradesh Urban Finance & Infrastructure Development Corporation
ARWSP	:	Accelerated Rural Water Supply Programme
ATM	:	Automatic Teller Machine
AU	:	Andhra University
BAS	:	Best Available School
BC	:	Backward Classes
BCW	:	Backward Classes Welfare
BDS	:	Bachelor of Dental Surgeon
BG	:	Bank Guarantee
BIE	:	Board of Intermediate Education

BoQ	:	Bill of Quantities
BPL	:	Below Poverty Line
BRAOU	:	Dr. B.R. Ambedkar Open University
BRO	:	Budget Release Order
BRTS	:	Bus Rapid Transportation System
BSUP	:	Basic Services to the Urban Poor
BT Roads	:	Black Topped Roads
CAA	:	Constitutional Amendment Act
CAG	:	Comptroller & Auditor General of India
CAH	:	College Attached Hostel
CC Roads	:	Cement Concrete Roads
CCO	:	Chief Controlling Officer
CDP	:	City Development Plan
CDTP	:	Community Development through Polytechnics
CE	:	Chief Engineer
CED	:	Central Excise Duty
CEEP	:	Common Entrance Examination for admission into Polytechnics
CET	:	Common Entrance Test
CGG	:	Centre for Good Governance
CI	:	Cast Iron
CI pipes	:	Cast Iron Pipes
CINB	:	Corporate Internet Banking
CMH	:	College Managed Hostel
CMU	:	Central Monitoring Unit
CoT	:	Commissioner of Tenders
CP	:	Commissioner of Police
CPHEEO	:	Central Public Health Environment and Engineering Organisation
CPWS	:	Comprehensive Protected Water Supply
CRF	:	Calamity Relief Fund
CSMC	:	Central Sanctioning Monitoring Committee
CSS	:	Centrally Sponsored Scheme
CSW	:	Commissioner of Social Welfare
CTW	:	Commissioner of Tribal Welfare
DBCW	:	Director of Backward Classes Welfare
DBCWO	:	District Backward Classes Welfare Officer
DCB	:	Demand Collection and Balance
DCCP	:	Diploma in Computing and Commercial Practices
DDOs	:	Drawing and Disbursing Officers

DDP	:	Desert Development Programme
DFO	:	District Fire Officer
DFS	:	Director of Fire Services
DGFS	:	Director General of Fire Services
DI	:	Ductile Iron
DI pipes	:	Ductile Iron pipes
DO	:	Driver Operator
DPC	:	District Planning Committee
DPR	:	Detailed Project Report
DTT	:	Diploma in Textile Technology
EE	:	Executive Engineer
EIA	:	Environment Impact Assessment
ELSR	:	Elevated Level Storage Reservoir
EMD	:	Earnest Money Deposit
EMP	:	Environment Management Plan
ENC	:	Engineer-in-Chief
EoAT	:	Extension of Agreement Time
EPC	:	Engineering, Procurement and Construction
ETP	:	Effluent Treatment Plant
FC	:	Fully covered
FM	:	Fire Man
FOP	:	Fire Out-Post
FTKs	:	Field Test Kits
GHMC	:	Greater Hyderabad Municipal Corporation
GI	:	Galvanised Iron
GIS	:	Geographic Information System
GLSR	:	Ground Level Storage Reservoir
GoAP	:	Government of Andhra Pradesh
GoI	:	Government of India
GP	:	Gram Panchayat
GPS	:	Global Positioning System
GPT	:	Government Polytechnic
GRP	:	Glass Reinforced Plastic
GSI	:	Geological Survey of India
GVMC	:	Greater Visakhapatnam Municipal Corporation
HDPE	:	High Density Poly Ethylene
HMDA	:	Hyderabad Metropolitan Development Authority
HMWSSB	:	Hyderabad Metropolitan Water Supply and Sewerage Board
HUDCO	:	Housing and Urban Development Corporation Limited
I&CAD	:	Irrigation and Command Area Development

IBM	:	Internal Bench Marking
IEC	:	Information Education and Communication
IHSDP	:	Integrated Housing and Slum Development Programme
IRMA	:	Independent Review and Monitoring Agency
IT	:	Information Technology
JNNURM	:	Jawaharlal Nehru National Urban Renewal Mission
KIMS	:	Krishna Institute of Medical Sciences
KL	:	Kilo Litre
LA	:	Licencing Authority
LAN	:	Local Area Network
LFM	:	Leading Fire Man
LoC	:	Letter of Credit
lpcd	:	liters per capita per day
LPCD	:	Litres per capita per day
LS	:	Lumpsum
MA&UD	:	Municipal Administration and Urban Development
Mgd	:	Million Gallons per day
MGNREGS	:	Mahatma Gandhi National Rural Employment Guarantee Scheme
MIS	:	Management Information System
MLD	:	Million Litres per Day
MoA	:	Memorandum Of Agreement
MoRD	:	Ministry of Rural Development
MoUD	:	Ministry of Urban Development
MPC	:	Metropolitan Planning Committee
MPN	:	Most Probable Number
MPP	:	Mandal Praja Parishad
MS	:	Mild Steel
MS pipe	:	Mild Steel Pipe
MSB	:	Multi-storied Buildings
MSBIC	:	Multi-storied Building Inspection Committee
MT	:	Metric Tonne
NABARD	:	National Bank for Agriculture and Rural Development.
NAC	:	National Academy of Construction
NBC	:	National Building Code
NC	:	Not Covered
NHAI	:	National Highway Authority of India
NIMS	:	Nizam Institute of Medical Sciences
NOC	:	No Objection Certificate
NRDWP	:	National Rural Drinking Water Programme

NRDWQMSP	:	National Rural Drinking Water Quality Monitoring and Surveillance Programme
NRHM	:	National Rural Health Mission
NS canal	:	Nagarjuna Sagar Canal
NSG	:	National Steering Group
NSS	:	No Safe Source
O&M	:	Operation and Maintenance
OC	:	Occupancy Certificate
OHBR	:	Over Head Balancing Reservoir
OHSR	:	Over Head Storage Reservoir
PAG	:	Principal Accountant General
PC	:	Partially Covered
PH	:	Public Health
PHED	:	Public Health Engineering Division
PIU	:	Project Implementation Unit
PMES	:	Programme Monitoring and Evaluation System
PMU	:	Programme Management Unit
POL	:	Petrol, Oil and Lubricants
PRIs	:	Panchayati Raj Institutions
PTC	:	Pendurthi Transit Corridor
PWS	:	Pipeline Water Supply
QC	:	Quality Control
R&B	:	Road and Buildings
RFD	:	Results Framework Document
RFO	:	Regional Fire Officer
RIDF	:	Rural Infrastructure Development Fund
ROO	:	Reverse Osmosis Oxidation
RR Act	:	Revenue Recovery Act
RSF	:	Rapid Sand Filter
RWS	:	Rural Water Supply
RWSS	:	Rural Water Supply and Sanitation
SC	:	Scheduled Caste
SE	:	Superintending Engineer
SFAC	:	Standing Fire Advisory Council
SFO	:	Station Fire Officer
SLAC	:	State Level Advisory Committee
SLNA	:	State Level Nodal Agency
SRSP	:	Sriramsagar Project
SS	:	Summer Storage
SSR	:	Standard Schedule of Rates

ST	:	Scheduled Tribe
STC	:	Simhachalam Transit Corridor
STP	:	Sewerage Treatment Plant
STS	:	State Training School
SWD	:	Storm Water Drain
SWG pipes	:	Standard Wire Gauge pipes
TAG	:	Technical Advisory Group
TDS	:	Total Dissolved Solids
TMC	:	Tirupathi Municipal Corporation
TMC	:	Thousand Million Cubic Feet
TPIMA	:	Third Party Inspection And Monitoring Agency
UAs	:	Urban Agglomerations
UASB	:	Upflow Anerobic Sludge Blanket
UDAs	:	Urban Development Authorities
UGD	:	Under Ground Drainage
UIDSSMT	:	Urban Infrastructure Development Scheme for Small and Medium Towns
UIG	:	Urban Infrastructure and Governance
ULBs	:	Urban Local Bodies
VAT	:	Value Added Tax
VHF	:	Very High Frequency
VMC	:	Vijayawada Municipal Corporation
VPT	:	Visakhapatnam Port Trust
VQC	:	Vigilance and Quality Control
VSP	:	Visakhapatnam Steel Plant
VWSC	:	Village Water and Sanitation Committee
WSIS	:	Water supply implementation scheme
WTP	:	Water Treatment Plant
YSR	:	Yeduguri Sandinti Rajasekhar Reddy
ZP	:	Zilla Parishad

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