

# Chapter-3

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

---

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

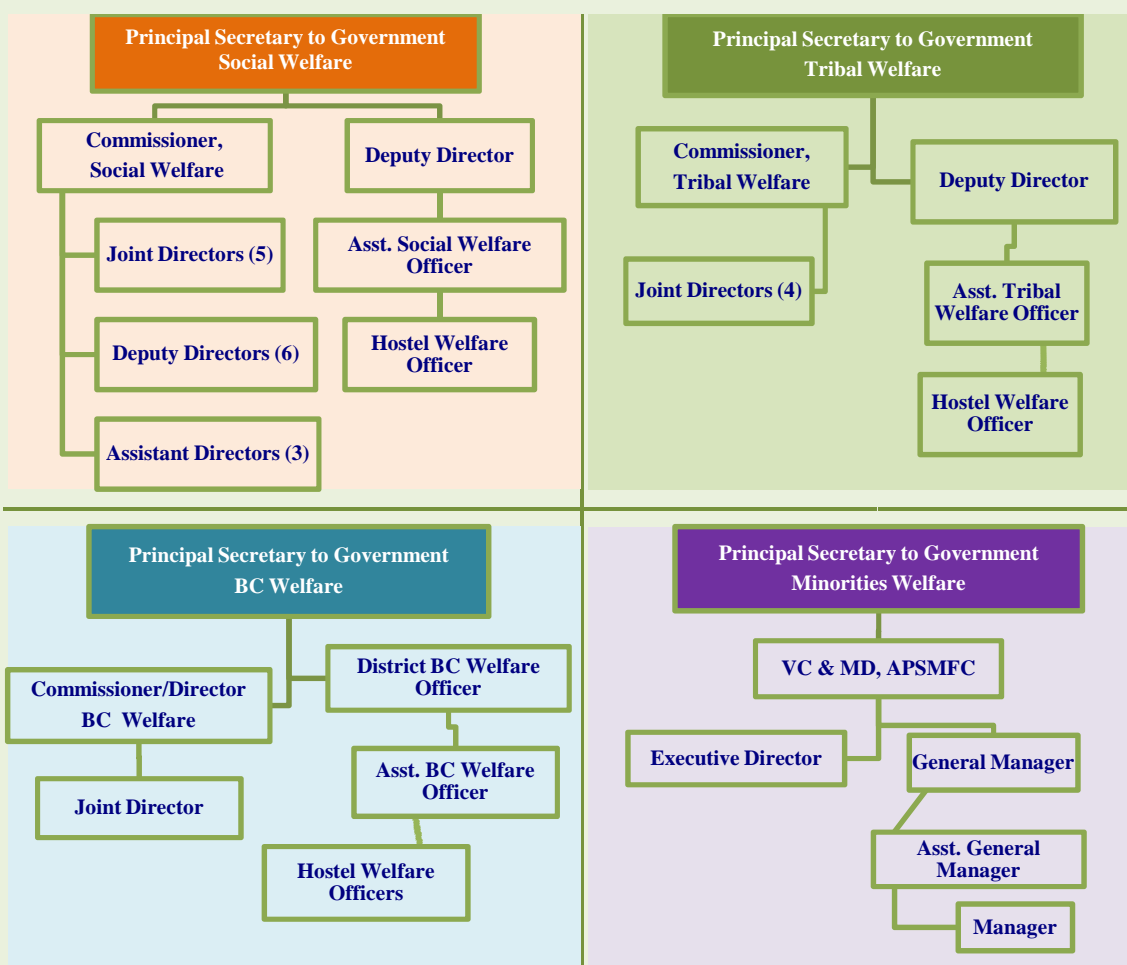


### 3.1 Introduction

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**

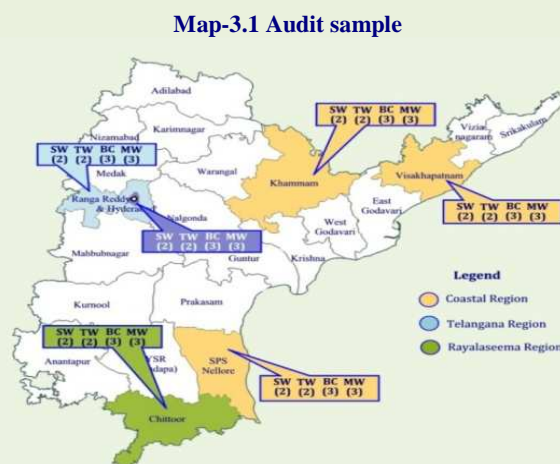
Pre-matric scholarships are sanctioned and disbursed manually and the process is currently being computerised. As regards post-matric scholarships, until 2007-08 these were sanctioned and disbursed manually. Thereafter, the entire process was automated. Therefore, Performance Audit of implementation 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 districts<sup>1</sup> 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.

---

<sup>1</sup>Chittoor, Hyderabad, Khammam, Ranga Reddy, SPS Nellore and Visakhapatnam

Audit objectives and methodology were discussed with the concerned Principal Secretary to the Government in an Entry Conference in September 2011 and their inputs were obtained. Audit findings were discussed with the Principal Secretaries and Commissioners of the Welfare departments in an Exit conference in February 2013 and their responses/written replies have been incorporated in the report at appropriate places.



Note: Figures in brackets are number of colleges under Social/Tribal/Backward Classes/Minorities Welfare departments

## 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 basis<sup>2</sup>. 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

<sup>2</sup> 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

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

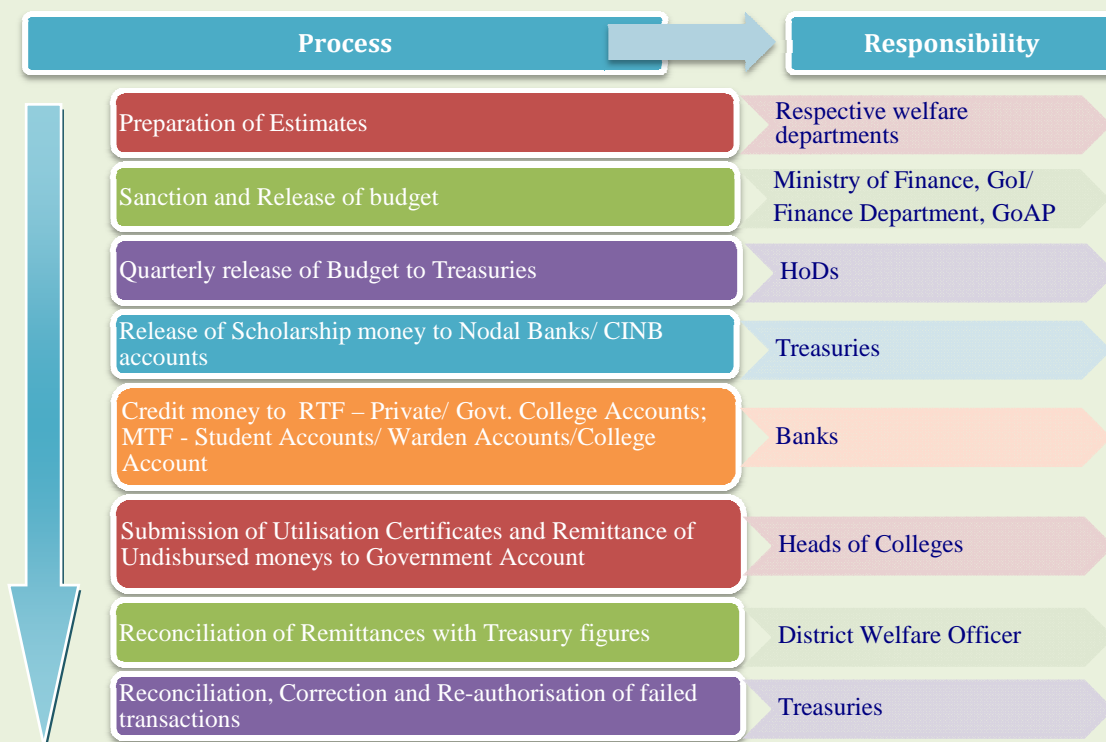
Funding pattern for implementation of various scholarship schemes is given below.

Name of the Scheme	Social Welfare	Tribal Welfare	BC Welfare	Minorities Welfare
<b>Pre-matric Scholarship</b>				
(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 <sup>3</sup> 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
<b>Post-matric scholarship</b>				
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

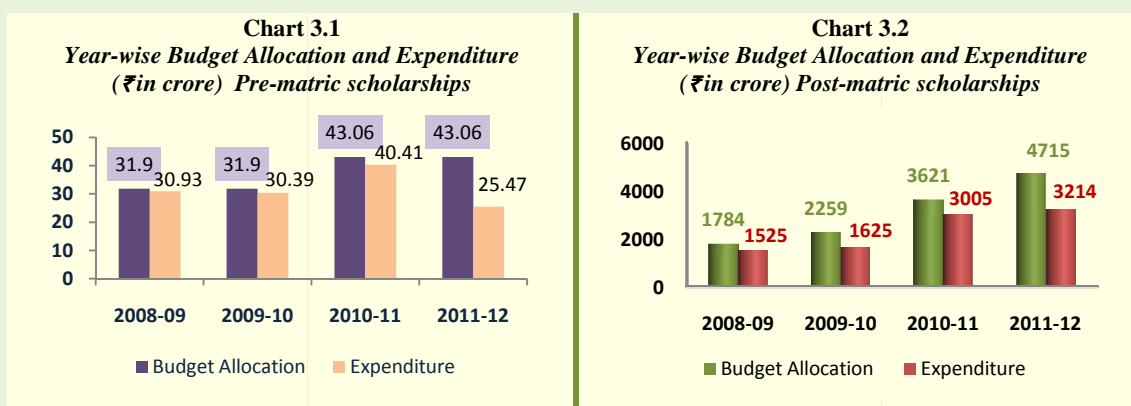
<sup>3</sup> Committed liability is the total expenditure incurred by the States in the terminal year of the X Five Year Plan (2006-07) under this CSS

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.



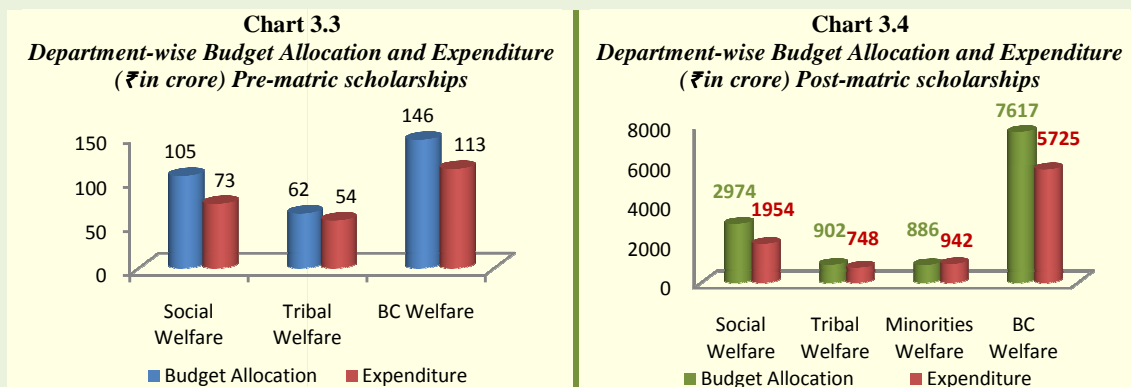
Source: Appropriation Accounts of Government of Andhra Pradesh for the relevant years

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 10<sup>th</sup> Five Year Plan, i.e., 2006-07 under this CSS would be the committed liability of the State for each year of the 11<sup>th</sup> 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%)
<b>Total</b>	<b>89.50</b>	<b>39.38</b>	<b>24.81</b>	<b>50.12</b>

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 CINB<sup>4</sup> accounts without utilisation, which crippled the implementation of the scheme as discussed below:

- Scrutiny of available information (furnished only by BC Welfare department<sup>5</sup>), revealed that **₹20.32 crore**<sup>6</sup> 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 crore**<sup>7</sup> 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 IFSC<sup>8</sup> 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

---

<sup>4</sup>Corporate internet banking

<sup>5</sup>Similar information was not furnished by Social, Tribal and Minorities Welfare Departments

<sup>6</sup>SW: ₹4.59 crore; TW: ₹2.80 crore; BC Welfare: ₹12.89 crore and EBC: ₹0.04 crore

<sup>7</sup>PD Accounts (₹56.71 crore) and in CINB accounts (₹99.80 crore)

<sup>8</sup>Indian 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 lakh<sup>9</sup> 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.

---

<sup>9</sup> 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 crore<sup>10</sup> (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.

---

<sup>10</sup> 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
<b>Total</b>	<b>1606</b>	<b>484</b>	<b>1122</b>

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'<sup>11</sup> 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

<sup>11</sup> 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)
<b>Total</b>	<b>888</b>	<b>133.20</b>	<b>133.20</b>	<b>133.20</b>	<b>44.40</b>	

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
<b>Total</b>		<b>30.52</b>	<b>30.52</b>	<b>7.58</b>	<b>2.46</b>

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 Government<sup>12</sup> 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

---

<sup>12</sup> 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"> <li>• Simplify sanction process</li> <li>• Timely sanction and disbursement so that students can withdraw money on 1<sup>st</sup> of every month</li> <li>• Enhance transparency and accountability in sanction and disbursement by placing the entire information in public domain</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate Internal controls</li> <li>• Incomplete data capture</li> <li>• Limitations in report generation</li> <li>• Lack of master table</li> <li>• Generated dummy bank account numbers</li> <li>• Generated incorrect budget figures</li> </ul>
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"> <li>• To overcome perceived problems of SBMS</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate validation controls</li> <li>• Incomplete data capture</li> </ul>

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 (Convener/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 instructions<sup>13</sup> 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.

---

<sup>13</sup> 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 orders<sup>14</sup> stipulated that students who secured a rank in GATE<sup>15</sup> 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**<sup>16</sup>.

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 orders<sup>17</sup> 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 students<sup>18</sup> 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**<sup>19</sup>.

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

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

<sup>15</sup> Graduate Aptitude Test in Engineering

<sup>16</sup> 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

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

<sup>18</sup> 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)

<sup>19</sup> 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
<b>Total</b>		<b>47.82 (3657)</b>	<b>19.37 (1063)</b>	<b>67.19</b>

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
<b>Total</b>	<b>2623</b>	<b>235.84</b>	<b>99.93</b>	<b>60.96</b>	<b>44.45</b>	<b>296.80</b>	<b>144.38</b>

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.

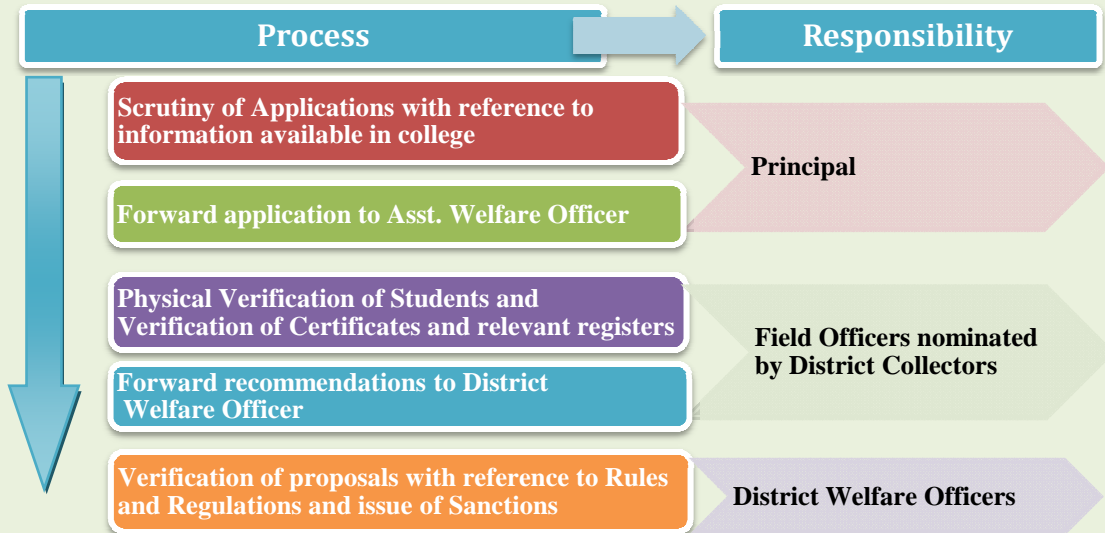
Table 3.10

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
<b>Total</b>					<b>1061.21</b>

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
<b>Total</b>	<b>1223</b>	<b>555.47</b>	<b>62.10</b>	<b>617.57</b>

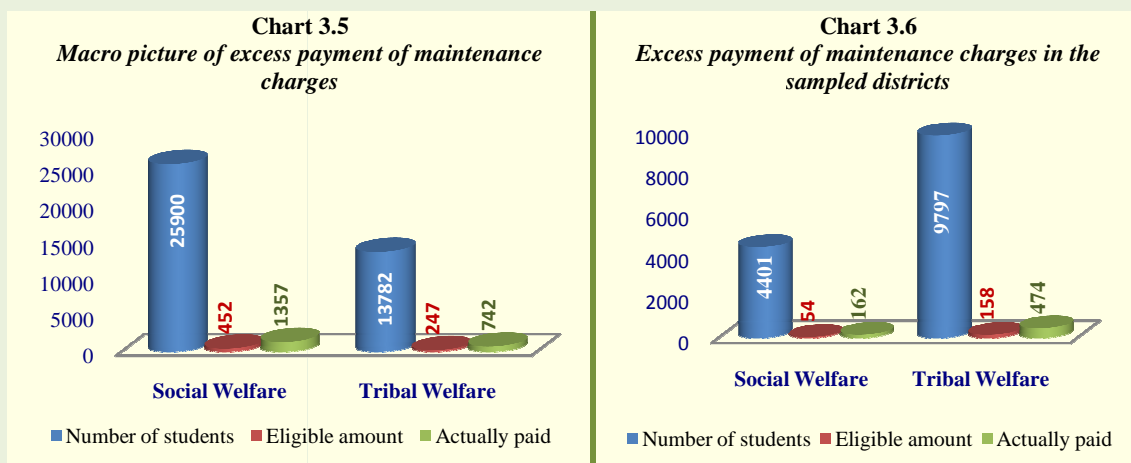
Source: Audit correlated the data furnished by APSCHE with that of ePASS application

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 1/3<sup>rd</sup> 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 orders<sup>20</sup> 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

---

<sup>20</sup>GO 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 instructions<sup>21</sup> (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

<sup>21</sup> 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 16,843<sup>22</sup> (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, APSCH<sup>23</sup>, and a final decision would be taken in due course.

<sup>22</sup> 16,406 cards as of 15 January 2013

<sup>23</sup> Andhra Pradesh State Council of Higher Education



## **3.7 Monitoring and Evaluation**

### **3.7.1 Monitoring by Task Force**

As per the guidelines<sup>24</sup>, 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.

---

<sup>24</sup> 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:

<b>Completion of course</b>	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.
<b>Success rate</b>	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.
<b>Increase in enrolment</b>	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.
<b>Retention of students</b>	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.