



**Report of the
Comptroller and Auditor General of India
on
General & Social Sector
for the year ended March 2013**



Government of Andhra Pradesh
Report No. 1 of 2014

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Preface

1. This Audit Report on Government of Andhra Pradesh, covering activities of Departments in General and Social Sector, has been prepared for submission to Governor under Article 151 of the Constitution.
2. This Report contains results of Performance Audit of *Implementation of Social Security Pensions* (Panchayat Raj and Rural Development Department); *Implementation of INDIRAMMA Housing Scheme* (Housing Department); *Functioning of Civil Supplies Department* (Consumer Affairs, Food and Civil Supplies Department) and Compliance Audit of *Infrastructure facilities in Schools* (School Education Department) and *Implementation of Indira Awaas Yojana* (Housing Department) in addition to seven other Audit paragraphs.
3. Comptroller and Auditor General's Audit Reports on State Finances and those relating to Local Bodies, Economic Sector, Revenue Sector and Public Sector Undertakings are presented separately.
4. Cases mentioned in this Report are those which came to notice in course of audit during 2012-13, as well as those which had come to notice in earlier years but were not dealt with in the previous Reports. Matters relating to period subsequent to 2012-13 have also been included wherever necessary. The Report has been finalised after considering responses of Government/Departments, wherever received.
5. Audit has been conducted in conformity with Auditing Standards issued by Comptroller and Auditor General of India.

Chapter-1

Overview

1.1 About this Report

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

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

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

This chapter, in addition to explaining planning and coverage of audit, provides a synopsis of important achievements and deficiencies in implementation of selected schemes, significant audit observations made during 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 last five years by Departments of Government of Andhra Pradesh falling within General and Social Sector is given below.

Table 1.1

(₹ in crore)

Sl. No.	Name of the Department	2008-09	2009-10	2010-11	2011-12	2012-13
A	General Sector					
1	Finance and Planning	19769.25	23079.94	28572.35	30529.86	33817.12
2	General Administration	594.14	717.03	444.09	705.90	584.68
3	Home	2536.26	3068.72	3916.43	4412.53	5084.74
4	Law	326.71	415.47	612.53	603.63	684.29
5	Revenue	1098.14	2132.93	1964.19	2412.21	2058.01
6	State Legislature	54.09	53.56	51.08	84.69	95.27
	Total (A)	24378.59	29467.65	35560.67	38748.82	42324.11

Sl. No.	Name of the Department	2008-09	2009-10	2010-11	2011-12	2012-13
B	Social Sector					
1	Backward Classes Welfare	1088.91	1181.74	1996.34	2758.53	3774.72
2	Consumer Affairs, Food and Civil Supplies	2771.67	2546.13	2415.79	2450.69	2792.38
3	Health, Medical and Family Welfare	3006.66	3323.02	4140.35	4980.25	5312.34
4	Higher Education	1334.60	1731.51	2551.16	2669.73	3238.25
5	Housing	4083.13	1398.34	1626.77	1743.33	1829.15
6	Labour, Employment, Training and Factories	325.36	287.43	347.29	465.67	474.33
7	Minorities Welfare	195.72	197.88	324.62	370.33	350.88
8	Municipal Administration and Urban Development	3527.45	3139.85	4054.53	4108.89	4268.07
9	Panchayat Raj [§]	3768.10	2758.32	3533.15	2987.51	3393.22
10	Rural Development [§]	2563.08	3159.24	3921.78	4855.68	5175.01
11	School Education	5827.19	6690.92	9906.66	12250.18	13263.24
12	Social Welfare	1448.93	1245.12	1776.64	1941.74	2224.99
13	Tribal Welfare	705.10	765.45	961.50	1143.23	1336.44
14	Women, Child, Disabled and Senior Citizens	1146.37	995.99	981.29	1513.03	2029.56
15	Youth Advancement, Tourism and Culture	139.27	101.29	188.18	214.38	258.89
	Total (B)	31931.54	29522.23	38726.05	44453.17	49721.47
	Grand Total (A+B)	56310.13	58989.88	74286.72	83201.99	92045.58

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

[§]Under one Secretariat department 'Panchayat Raj and Rural Development'

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

Under directions of the CAG, Office of the Principal Accountant General (General & Social Sector Audit), Andhra Pradesh conducts audit of 20 departments and local bodies/PSUs/autonomous bodies thereunder in the State.



Offices of the Accountants General, Andhra Pradesh

1.4 Authority for audit

Authority for audit by the CAG is derived from Articles 149 and 151 of Constitution of India and Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG conducts audit of expenditure of General and

Social sector departments of 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 the DPC Act, of other autonomous bodies which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in Auditing Standards and Regulations on Audit and Accounts, 2007 issued by the CAG.

1.5 Planning and conduct of audit

Audit process commences with assessment of risk of department/organisation/autonomous body/scheme, etc. based on expenditure incurred, criticality/complexity of activities, priority accorded for the activity by 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, frequency and extent of audit are decided and an annual audit plan is formulated to conduct audit.

After completion of audit of each unit, Inspection Report (IR) containing audit findings is issued to head of unit with a request to furnish replies within one month of receipt of 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 highest level in Government, are processed for inclusion in Audit Reports which are submitted to Governor of Andhra Pradesh under Article 151 of Constitution of India for causing them to be laid on the Table of State Legislature.

1.6 Response of departments to Audit findings

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

As of 30 September 2013, 6632 IRs containing 43,579 paragraphs pertaining to years up to 2012-13 were pending settlement as detailed below. Of these, first replies have not been received in respect of 501 IRs (6,125 paragraphs). Department-wise details are given in *Appendix-1.1*.

¹ Audit of (i) all transactions from Consolidated Fund of State, (ii) all transactions relating to 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 State Legislature in accordance with provisions of the respective legislations

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

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

Table 1.2

Year	Number of IRs/Paragraphs as of 30 September 2013		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
2009-10 and earlier years	5006	28388	206	3187
2010-11	996	7141	101	661
2011-12	484	4868	170	1352
2012-13	146	3182	24	925
Total	6632	43579	501	6125

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

As per instructions issued by Finance and Planning Department in November 1993, administrative departments are required to submit Explanatory Notes on paragraphs and reviews included in Audit Reports within three months of their presentation to Legislature, without waiting for any notice or call from Public Accounts Committee, duly indicating action taken or proposed to be taken. However, as of January 2014, 10 departments have not submitted Explanatory Notes in respect of 21 paragraphs/reviews that featured in Audit Reports for the years 2005-06 to 2011-12. Details are given in *Appendix-1.2*.

As per Finance Department's Handbook of Instructions and their U.O. dated 3 November 1993, all departments are required to send their response to draft audit paragraphs proposed for inclusion in Report of Comptroller and Auditor General of India, within six weeks of their receipt. During 2013-14, 13 draft compliance audit paragraphs and three draft performance audit reviews were forwarded to Special Chief Secretaries/Principal Secretaries/Secretaries of departments concerned, drawing their attention to audit findings and requesting them to send their response within six weeks. It was brought to their personal attention that in view of likely inclusion of these paragraphs in Report of Comptroller and Auditor General of India, which would be placed before State Legislature, it would be desirable to include their comments/responses to the audit findings. Despite this, three departments⁵ did not furnish reply to five draft compliance audit paragraphs as on the date of finalisation of this Report. Responses of departments, where received, have been appropriately incorporated in the Report.

1.7 Significant Audit observations

This Report contains findings of Audit from a test-check of accounts and transactions of eight departments of Government of Andhra Pradesh during 2012-13. Audit focus during the year has been primarily on evaluating implementation of specific

⁵ Home (1), Revenue (2) and School Education (2)

Government programmes and initiatives in Social and General sectors so as to aid Government in taking necessary corrective action to improve service delivery levels to citizens. Towards this end, three Performance Audit reviews of schemes/department and 13 draft compliance audit paragraphs have been issued to Government.

The three Performance Audits included in this Report are ‘Implementation of Social Security Pension Schemes’, ‘Implementation of INDIRAMMA Housing Scheme’ and ‘Functioning of Civil Supplies Department’. Common thread among these topics is the criteria adopted for selection of beneficiaries. Beneficiary selection was linked with below poverty line (BPL) status and for this purpose ration card issued by Civil Supplies Department, which is conclusive proof of status of family is made mandatory. In Andhra Pradesh, various types of ration cards viz., White card, Annapurna card, Antyodaya Anna Yojana card etc., represent BPL status.

Government, in 2005, adopted ‘Iris Biometric Technology’ for issue of ration cards. However, due to presence of bogus cards even after issue of iris based ration cards, Government decided (November 2008) to de-duplicate iris ration cards and weed out bogus cards to identify ineligible/bogus cards by integrating data at State level (including data in Civil Supplies, Pension and Housing databases) to provide ration and access to social security benefits like housing and pensions only to eligible citizens. Audit attempted to assess whether Civil Supplies database was cleansed as envisaged and whether selection and identification of beneficiaries under Social Security Pensions and Housing Schemes relying on Civil Supplies database was foolproof and legitimate. Audit findings relating to database analysis are included in respective Performance Audit reviews⁶.

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

1.7.1 Implementation of Social Security Pension Schemes

Social Security Pension (SSP) scheme is one of the primary components under National Social Assistance Programme (NSAP), a flagship programme introduced by GoI with an aim to provide social security to vulnerable sections of society, and was transferred to State Plan from 2002-03. In April 2006, State Government brought various pension schemes being implemented in State under single umbrella of Panchayat Raj and Rural Development (PR&RD) Department to bring about uniformity in sanction and disbursement of pension, and entrusted responsibility for release of funds and monitoring of SSP schemes to SERP⁷, an agency of PR&RD Department. Simultaneously, State Government started implementation of SSP schemes on saturation basis under INDIRAMMA⁸ programme. About 72.36 lakh persons in State were covered under various pension schemes of GoI and State as of March 2013.

⁶ Paragraphs 2.5.1, 3.5.1, 3.5.2, 3.6.1, 3.6.2, 4.6.1.3 and 4.6.1.4 of this Report

⁷ Society for Elimination of Rural Poverty

⁸ Integrated Novel Development in Rural Areas and Model Municipal Areas

Performance audit of implementation of SSP schemes in the State was taken up to assess whether system in place for identification, sanction and timely disbursement of pensions to all eligible beneficiaries was foolproof. Significant findings of this Performance Audit are summarised below.

Financial and Physical Performance

- *There was a spurt in number of pensioners during 2008-09 (23 lakh overall with 84 per cent increase in old age and widow pensioners) compared to 2007-08. There was also an increase of 342 per cent in disabled pensioners during 2009-10 compared to 2008-09 due to introduction of INDIRAMMA programme.*
- *Government has not prescribed any mechanism for operation of State Nodal Account (SNA), electronic transfer of funds to banks and retention of undisbursed funds by SERP. Also, no mechanism was prescribed by Commissioner, Rural Development for reconciliation of balances available with SERP.*
- *SERP had not maintained any record of its transactions, including Cash Book and had relied only on Bank Scrolls as a means of proof of its transactions/activities. Test-check of sampled units further revealed control failures viz., non-recording of receipts in Cash Book, non-reconciliation of Cash Book balances with bank balances, etc.*

(Paragraph 2.4)

- *Financial management was marked by operation of multiple bank accounts, non-receipt of utilisation certificates (for ₹751 crore) by District Rural Development Agencies (DRDAs) from implementing agencies, retaining/non-remitting unspent balances by Mandal Parishad Development Officers/Municipal Commissioners (₹2.18 crore) and DRDAs (₹14.53 crore), utilisation of GoI funds on State scheme, etc.*

(Paragraphs 2.6.1 to 2.6.3)

Identification of beneficiaries and sanction of pension

- *There was no clarity with regard to actual number of applications received, processed and number of people sanctioned pension, applications rejected and reasons for rejection/delays in sanctioning pension due to non-maintenance of relevant registers by majority of Unit Offices.*
- *Validation process of applications was outsourced to a private agency on nomination basis, without establishing any mechanism for verification and authorisation of pensions at Government level.*

(Paragraph 2.5.1)

- *Analysis of pensioners' database (December 2012) revealed that 10.62 lakh ration card numbers in database did not match with any of the data of BPL cards of Civil Supplies Department. Further, in respect of 5.54 lakh pensioners, ration card number was not even mentioned in database.*

(Paragraphs 2.5.1 and 2.5.1.1)

Disbursement of pensions

State Government decided (in 2007) to migrate to smart card based payment to bring in transparency in the system, plug lacunae in manual system, track transactions to ensure accountability and timely payment of pension to all genuine pensioners. In June 2011, PR&RD Department entered into an MoU with Department of Posts (DoP) to disburse pension through Point of Transaction Devices (PoTD) in Nalgonda and Nizamabad districts.

- *Objective of bringing transparency in payment of pension through smart card based payment could not be achieved to full extent even after lapse of five years as only 66 per cent of total pensioners were issued (February 2013) smart cards.*

(Paragraphs 2.5.3.1 and 2.5.3.3)

- *In Nalgonda district where disbursement was entrusted to DoP, Audit scrutiny revealed deficiencies like not recording details of finger print mismatch, death/temporary migration, non-release of arrears amount, non-appointment of additional Customer Service Providers, etc.*

(Paragraph 2.5.3.3)

- *Pension to persons with disability continued to be disbursed at ₹500 per month and decision of Government to disburse pension depending on degree/percentage of disability has not been implemented. This deprived pensioners with higher level of disability, of enhanced rate of pension.*

(Paragraph 2.5.3.4)

- *Test-check of paid acquittances revealed deficiencies like delay in disbursement, non-preparation of category-wise payment abstract, non-indication of date of death/permanent migration, manual mode payments to smart card holders on reasons of non-functioning of Smart Card, finger prints not accepted by machines, disbursement to persons other than actual pensioners, etc.*

(Paragraph 2.5.3.5)

Internal Controls and Monitoring

- *Internal controls relating to identification of beneficiaries, scrutiny of applications, sanction and disbursement of pension were inadequate leaving the system open for manipulation and denial of pension to vulnerable sections of society.*

(Paragraph 2.7)

- *Monitoring of sanction and disbursement of pensions was not effective and there was no internal audit wing in SERP to appraise schemes and flag areas of non-compliance with prescribed procedures.*

(Paragraph 2.8)

1.7.2 Implementation of INDIRAMMA Housing Scheme

In 2005, Government merged all State sponsored housing schemes (except Rajiv Gruha Kalpa and Rajiv Swagruha, which have no funding from State) and formulated an 'Integrated Novel Development in Rural Areas and Model Municipal Areas (INDIRAMMA)' housing scheme. INDIRAMMA housing is a flagship scheme of State Government and was launched in 2006 with objective of providing pucca houses to all Below Poverty Line (BPL) households in a phased manner within three years on saturation mode.

Performance Audit of implementation of INDIRAMMA was taken up to assess if all sanctioned beneficiaries are being provided with pucca houses as envisaged. Significant findings that emerged from this audit are summarised below.

Financial performance

- *Government had not released budgetary allocation in full in any of years during 2008-13 (total amount of short release during five year period: ₹2,754 crore). Shortfall in this regard ranged from 15 per cent (2012-13) to 36 per cent (2009-10).*

(Paragraph 3.3.2)

- *Though an amount of ₹3,322.35 crore was released to beneficiaries through Village Organisations (VOs)/Self Help Groups (SHGs) towards payment for construction, acquittances were obtained to extent of ₹3,061.14 crore as of February 2013 despite stoppage of offline payment system in December 2009.*

(Paragraph 3.8.1)

Planning

- *Due to not planning the data migration activities from offline mode to online mode adequately, comprehensiveness, correctness and completeness of existing data were not ensured. Consequently, data in current database lacks integrity and has several lacunae that resulted in excess payments.*

(Paragraph 3.4)

- *Unit cost fixed by Government was not sufficient to complete construction and poorest of poor were unable to cope with extra expenditure and mobilise additional amount. This was reflected in non-commencement of 12.87 lakh (20 per cent) houses (out of 64.32 lakh sanctioned) even after lapse of six years (as of 2012-13) from launch of scheme.*

(Paragraph 3.4.1)

Scheme Implementation

- *Although ration card issued by Civil Supplies Department is key for identifying beneficiaries for all social security schemes, this criterion was not considered in identifying beneficiaries for INDIRAMMA housing scheme up to Phase-I and*

only with effect from 2007-08 (Phase-II) was BPL ration card (white card) made mandatory for sanctioning houses. Audit observed irregular sanctions and resultant irregular payments in all the phases upto March 2013.

(Paragraph 3.5.1)

- *Irregularities in sanction of houses to beneficiaries such as houses sanctioned in the name of male beneficiaries, houses sanctioned to pink ration card holders (₹12.85 crore), post-facto sanction for already commenced houses (₹1,344.56 crore) were observed.*

(Paragraphs 3.6.1 to 3.6.3)

Disbursement and release of construction material

- *Out of 88 Nirmithi Kendras (NKs) which were established with objective of producing cost effective building material so as to reduce the burden of construction cost of weaker section houses, only 49 were functioning in the State as of March 2013. Audit also found cases of issue of cement over and above prescribed quantity/without following stage-wise procedure as prescribed in guidelines, and non-issue of cement even in cases where cement release orders were issued.*

(Paragraph 3.7.3 and Paragraphs 3.7.2.1 to 3.7.2.3)

Physical Performance

- *Houses under INDIRAMMA are to be completed within sanctioned year. Progress of construction within the same year in various phases was poor and progress in respect of Phase-III was negligible (less than one per cent). Government could not achieve the objective of ‘saturation concept’ even six years after launching scheme as construction of 33 per cent of houses was yet to be completed as of March 2013.*

(Paragraph 3.3.3)

Monitoring

- *Despite detecting ineligible beneficiaries through Integrated Survey (5,22,707 beneficiaries/amount involved: ₹485.19 crore) and Voluntary Disclosure Scheme (1,02,447 beneficiaries/amount involved: ₹36.86 crore), no follow-up action was taken by AP State Housing Corporation Limited/ Government to cancel sanctions and effect recovery of amounts released to such ineligible beneficiaries.*

(Paragraph 3.9)

1.7.3 Functioning of Civil Supplies Department

Activities of Civil Supplies Department include inter alia procurement of paddy at Minimum Support Price (MSP) through State agencies and Food Corporation of India (FCI); procurement of rice under mill levy for central pool; Public Distribution of essential commodities through Fair Price Shops (FPS); monitoring

of prices of essential commodities and market intervention operations for controlling open market prices, if need arises and administering affairs of AP State Civil Supplies Corporation (APSCSC), which acts as an agency of the Department in support of its activities.

Performance Audit of Civil Supplies Department was carried out to assess whether planning process was robust and effective with regard to MSP Operations and Public Distribution System to fulfil foodgrain requirements in the State, system for identification of beneficiaries for schemes under PDS was foolproof and ensured that the benefits reached the targeted population; institutional mechanism for lifting, transportation, storage, handling and distribution of essential commodities was economic, efficient and effective. Significant findings of this Performance Audit are summarised below.

Financial Management

- *During five year period of 2008-13, Department incurred a total expenditure of ₹12,862 crore, of which, ₹11,739 crore was spent for Subsidy on Rice, etc. and the balance ₹1,123 crore was expended on other activities of Department including establishment expenses.*

(Paragraph 4.3)

- *Funds kept in PD accounts meant for procurement of rice for Welfare Hostels (₹7.94 crore), Natural Calamity Relief (₹61.07 crore) and Consumer Welfare Fund (₹0.53 crore) lapsed due to non-utilisation.*

(Paragraph 4.6.5)

Planning

- *Number of BPL families identified by State (2.17 crore) was at variance with that adopted by GoI (25.05 lakh) and State has been issuing rice to BPL card holders at 20 kg per month per family against 35 kg per month per family allotted by GoI, and no rice was issued to APL families.*

(Paragraph 4.4)

Procurement of Food grains

- *Direct procurement of paddy by State during period 2008-13 was only 2 to 11 per cent (3 to 21 lakh MT). Consequently, public procurement remained low in the State compared to procurement by millers, leaving farmers at the mercy of latter.*

(Paragraph 4.5.1.1)

- *APSCSC could not ensure conversion of paddy into rice by millers within stipulated period resulting in avoidable payment of interest of ₹171 crore on cash credit during 2008-13.*

(Paragraph 4.5.2.2)

- *Delays in submission of Levy Sugar Price Equalisation Fund claims resulted in loss of ₹29.30 crore. Deficiencies in agreements concluded with MMTC for importing palmolein oil resulted in excess payment of ₹35.90 crore.*

(Paragraphs 4.5.3.2 and 4.5.3.3)

Public Distribution System

- *There was no system for logging receipt of applications from people for sanctioning ration cards, verification and issue of cards, and/or reviewing the status at periodical intervals and deletion of cards where household crosses the BPL threshold. This led to existence of bogus cards with consequential avoidable burden of ₹1,136 crore on State exchequer (to end of March 2013) towards subsidy on food grains and other commodities released on bogus/ineligible cards.*
- *IT Audit of department's data (December 2012) inter alia revealed that (a) there were 13.63 lakh null iris BPL ration cards (b) declared annual family income was more than the prescribed ceiling and (c) 93,012 BPL cards (out of 191.65 lakh cards scrutinised) contain duplicate photographs (subsidy burden involved during 2008-13: ₹52.62 crore).*

(Paragraphs 4.6.1.3 and 4.6.1.4)

- *Uneconomic movement of food grains from farther depots to Mandal Level Stockist (MLS) Points due to non-availability of stock at designated godowns resulted in additional expenditure of ₹37.79 crore during 2008-12.*

(Paragraph 4.6.6.1)

- *Rationalisation of FPS was not done. There were 16,653 FPS having BPL cards more than prescribed maximum ceiling. Audit also noticed deficiencies in functioning of FPS such as non-issue of commodities in first week of month, non-display of information with regard to entitlement of commodities under each category, stocks of essential commodities allotted and their availability and non-maintenance of Complaint Registers, etc.*

(Paragraphs 4.6.8.2 and 4.6.8.3)

Monitoring

- *Monitoring mechanism relating to Public Distribution System was inadequate, with the Food Advisory Committees and Price Monitoring Committees failing to meet at prescribed intervals and monitor the availability and prices of essential commodities.*

(Paragraph 4.7.1)

- *Cent per cent physical verification of stocks was not conducted in all MLS points at regular intervals.*

(Paragraph 4.7.3)

1.7.4 Compliance Audit Observations

1.7.4.1 Infrastructure facilities in schools

Right of Children to Free and Compulsory Education (RTE) Act, 2009 imposes upon State Government, the duty of providing infrastructure including school building with basic amenities to every child. Government of Andhra Pradesh enacted (April 2010) 'The Andhra Pradesh Right of Children to Free and Compulsory Education Rules, 2010' to achieve this objective.

Although 96 per cent of schools in the State are housed in their own buildings, test-check of 154 schools in six districts revealed that proper infrastructure in terms of adequate number of classrooms, barrier free access, separate toilets for girls and common toilets, safe drinking water, etc. were not provided in many of the schools as per norms stipulated by Government of India and as enshrined in RTE Act 2009.

(Paragraph 5.1)

1.7.4.2 Implementation of Indira Awaas Yojana

GoI launched (1996) Indira Awaas Yojana (IAY) with objective of helping in construction/upgradation of dwelling units of rural BPL households belonging to SC/ST communities, freed bonded labourers, minorities and other non-SC/ST rural households, widows and next-of-kin of defence personnel/paramilitary forces killed in action residing in rural areas (irrespective of their income), ex-servicemen and retired members of paramilitary forces.

Audit of implementation of IAY revealed that beneficiaries in the two test checked districts (Khammam and Karimnagar) are not aware of IAY and IAY logo is not displayed in any of the houses constructed with IAY funds since the scheme is merged with State sponsored INDIRAMMA scheme. There were gaps in information with regard to usage of funds or number of houses constructed with funds provided by GoI with regard to IAY. Permanent waitlist for selection of beneficiaries as per guidelines was not prepared. There were lacunae relating to process for validation of beneficiaries, with differences between Civil Supplies database and Housing database.

(Paragraph 5.2)

1.7.4.3 Delay in completion of houses under Flood Housing

To mitigate hardship of people whose houses have collapsed or been damaged during floods in September - October 2009 in Guntur, Krishna, Kurnool, Nalgonda and Mahbubnagar districts, Government accorded sanction for construction of 1,00,000 houses (finally sanctioned and taken up: 31,991 houses) as a special package. Houses sanctioned as a mitigation measure for flood affected families, were not fully completed and where completed, could not be occupied due to non-provision of infrastructure facilities, depriving beneficiaries of benefits of permanent shelters, even after lapse of more than four years since floods had rendered them homeless.

(Paragraph 5.3)

1.7.4.4 Accountal of examination fee

Government (School Education Department) conducts various recruitment tests/ Common Entrance Tests (CET) for admission to various courses. Commissioner and Director of School Education (Commissioner) is responsible for conducting these examinations through Conveners appointed for each such examination. Audit scrutiny revealed that unspent balances of ₹53.62 crore were lying with the Commissioner outside the Government account and contrary to codal provisions, exam fees collected was appropriated to an extent of ₹2.45 crore towards departmental expenditure. (Paragraph 5.4)

1.7.4.5 Irregularities in alienation of land

Government alienated (March 2010) 640.17 acres of land situated in Chittoor and Gudipala mandals of Chittoor district in favour of a Medical College for purpose of starting its second campus to host a super speciality hospital, medical college, pharmacy college, nursing college, dental college and institute of public health and bio-medical engineering college, besides a full-fledged residential campus, hostels and related social infrastructure. While allottee was yet to pay land cost of ₹2.82 crore to Government, District administration refunded ₹1.67 crore to the College (for payment of compensation to encroachers) in violation of Government directions thereby extending undue benefit to the College. (Paragraph 5.5)

1.7.4.6 Alienation of Government land to unauthorised occupant

Failure of District Administration, Chittoor to protect Government lands from encroachment resulted in loss of ₹57.56 lakh to Government. (Paragraph 5.6)

1.7.4.7 Irregular payments towards hiring of vehicles

Government imposed ban (January 1994) on purchase of vehicles by Government departments and Government affiliated organisations and allowed hiring of vehicles in cases of extreme necessity subject to compliance with certain conditions. Failure of Heads of Offices in ensuring compliance with Government orders and non-exercise of adequate checks by Drawing Officers and Treasury Officers before sanction and admission of claims resulted in irregular payments towards hiring of vehicles. (Paragraph 5.7)

1.7.4.8 Delay in construction of prisoners ward at Institute of Mental Health, Hyderabad

Government of India, Ministry of Health and Family Welfare provided (September 2005) a one-time grant-in-aid for upgradation of Institute of Mental Health, Hyderabad under National Mental Health Programme so as to have criminal ward on par with facilities in jails i.e., high rising walls with solar fencing and inbuilt closed circuit cameras, etc. Due to delays at every stage of construction and non-availability of adequate funds, construction of prisoners ward was not completed even after lapse of seven years, rendering expenditure of ₹1.05 crore unfruitful. (Paragraph 5.8)

1.7.4.9 Undue benefit to service providers of Fire Outposts

State Government decided (January 2004) to establish 21 Fire Outposts in 12 districts on outsourcing basis and entrusted maintenance of 19 Outposts in 11 districts to service providers selected through open tender process for each outpost. Payment of enhanced maintenance cost of Fire Outposts retrospectively to service providers without addressing deficiencies identified earlier amounted to undue benefit of ₹1.37 crore to them without any improvement in fire and disaster preparedness of the State. (Paragraph 5.9)

Chapter-2

Performance Audit of Implementation of Social Security Pension Schemes

**Panchayat Raj and Rural Development
Department**

2.1 Introduction

Government of India (GoI) introduced the National Social Assistance Programme (NSAP) as a centrally sponsored scheme in August 1995, to provide social security to vulnerable sections of the society, particularly those living below the poverty line (BPL). It is one of the flagship welfare schemes of the GoI that comprises several social welfare benefit schemes, viz., National Old Age Pension Scheme (NOAPS), National Family Benefit Scheme (NFBS), National Widow Pension Scheme (NWPS), National Disability Pension Scheme (NDPS) and Annapurna Scheme.

NSAP was transferred to the State Plan with effect from 2002-03 and since then funds are being provided by GoI to the States as Additional Central Assistance (ACA) to implement this programme. The responsibility for identification of beneficiaries, sanction of benefits and their disbursement has been vested with State Governments. With the rate of NOAPS being increased to ₹200 per month with effect from 1 April 2006 from ₹75 per month per beneficiary and the introduction of two new Pension Schemes, one each for widows (NWPS) and disabled (NDPS) in February 2009 allowing ₹200 per month per beneficiary, the NSAP emerged as one of the most important social security programmes.

2.1.1 Overview of Pension Schemes in Andhra Pradesh

In April 2006, State Government brought all the pension schemes being implemented in the State under the single umbrella of the Panchayat Raj and Rural Development (PR&RD) Department to bring about uniformity in sanction and disbursement of pension and entrusted the responsibility for release of funds and monitoring of the schemes to the Society for Elimination of Rural Poverty¹ (SERP), an agency of the PR&RD Department. Simultaneously, State Government introduced Integrated Novel Development in Rural Areas and Model Municipal Areas (INDIRAMMA) programme to develop basic infrastructure facilities in villages and towns on saturation basis (**Saturation** implies that no eligible person/area is left out from the ambit of the schemes covered by the programme). Social security pension is one of the important components of INDIRAMMA programme.

The details of pension schemes being implemented in the State are tabulated below, along with the eligibility criteria and scale of pension.

Pension Category	Eligibility		Amount to be paid per month (₹)
	Up to March 2011	From April 2011	
Government of India			
NOAPS	65 years and above	60-79 years	200
		80 years and above	500
Widow Pension	40-64 years	40-59 years	200
Pension to persons with disability	18-64 years	18-59 years	200
	Disability (>40 per cent)	Disability (>40 per cent)	

¹ SERP is an independent autonomous body registered under Public Societies Act, established with the objective of poverty reduction through social mobilization and improvement of livelihoods of rural poor in the State

Pension Category	Eligibility		Amount to be paid per month (₹)
	Up to March 2011	From April 2011	
Government of Andhra Pradesh			
Old Age Pension	65 years and above		200
Widow Pension	Irrespective of age		200
Pension to persons with disability	No age limit Disability (>40 per cent)		500
Weavers Pension	Minimum age: 50 years Should belong to Weavers' Society and be associated with weaving		200
Toddy Tappers	Minimum age: 50 years Should belong to Toddy Tappers' Cooperative Society/an individual tapper under Tree for Tapper scheme		200
Pension to AIDS patients	Below 65 years		200
Dr. YSR Abhaya Hastham ²	18-50 years Should be an active member in an active Self Help Group for minimum one year		500

Common eligibility requirements:

The beneficiary should be a

- member of a BPL family
- local resident of the district
- not covered under any other pension scheme

As per records of SERP, about 72.36 lakh³ persons in the State are covered under various pension schemes of GoI and State as of March 2013.

2.2 Organisational set up

All Social Security Pension (SSP) schemes in the State are implemented by PR&RD Department. Principal Secretary to Government, PR&RD Department is responsible for overall implementation of SSP schemes. He is assisted by Commissioner for Rural Development (CRD), Chief Executive Officer (CEO), SERP, Director, Self Help Group (SHG) and other staff. Within SERP, SSP Cell under Director (SHG) is implementing SSP schemes in the State.

2.3 Audit Framework

2.3.1 Audit objectives

Performance audit of implementation of SSP schemes was carried out to assess whether,

- the system of identifying targeted beneficiaries/pensioners under each scheme was in place and was working efficiently;

² Dr. YSR Abhaya Hastham scheme (introduced in November 2009) was integrated with Social Security Pension schemes in September 2011

³ (i) Under GoI: Old age pensions: 11.36 lakh; Widow pensions: 4.21 lakh; Disabled pensions: 0.42 lakh (ii) Under State scheme: Old age pensions: 31.53 lakh; Weavers pension: 1.45 lakh; Widow pensions: 13.57 lakh; Disabled pensions: 8.42 lakh; Toddy Tappers: 1 lakh; Anti Retroviral Therapy pensions: 0.40 lakh

- scheme funds were optimally utilised for the benefit of targeted beneficiaries/pensioners and there was no diversion of funds;
- the department was sensitive to the inherent risks associated with its activities and had devised and put in place adequate system of internal controls;
- PR&RD Department/SERP was able to monitor and provide support to pensioners and periodically reviewed the impact of its activities and took remedial measures wherever required; and
- grievance redressal mechanism was in place and was working effectively.

2.3.2 Audit Criteria

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

- Scheme guidelines and instructions issued by GoI and State Government from time to time;
- Annual Plans of the State, Budget and Outcome Budgets of PR&RD Department; and
- Andhra Pradesh Financial Code.

2.3.3 Audit Scope and Methodology

Performance audit of implementation of SSP schemes⁴ was carried out between May 2012 and February 2013 and covered transactions relating to sanction and disbursement of pension under NSAP (GoI), INDIRAMMA pension to old age persons, widows, disabled persons, toddy tappers and AIDS patients (State schemes) during 2008-13.

An Entry Conference was held with the Principal Secretary to the Government, PR&RD Department and Addl. CEO, SERP in June 2012 wherein audit objectives, methodology, scope, criteria and audit sample were explained and agreed to. Audit methodology involved scrutiny of records and files relating to the schemes in Secretariat, Commissionerate, SERP and selected offices of Project Director, District Rural Development Agencies (DRDAs), Mandal Parishad Development Officers (MPDOs), Municipal Commissioners (MCs), Gram Panchayats, Wards etc. Audit findings were discussed with the Principal Secretary, PR&RD Department and the CEO, SERP in Exit Conference in November 2013. The replies of Government as well as its view expressed in the Exit Conference have been incorporated at appropriate places in the report.

⁴ This review does not cover implementation of Dr. YSR Abhaya Hastham scheme for SHG women since it is different from other pension schemes. Under the scheme equal contribution from beneficiary as well as from Government are taken and periodically transferred to LIC of India. The corpus thus generated till the age of 60 years will be used for giving monthly pension on crossing 60 years of age. The scheme also includes death and disability insurance cover including scholarship to the children of the women

2.3.3.1 Sample size

Pilot study of implementation of the schemes was carried out in Ranga Reddy district in May 2012. Apart from that, two districts each were chosen from the three regions of the State (Coastal Andhra⁵, Telangana⁶ and Rayalaseema⁷) for audit scrutiny based on their budgetary allocations and backwardness indices. Further, field study was carried out in integrated tribal development agency area of Paderu (Visakhapatnam district). In each district, 25 per cent mandals and urban local bodies were selected for audit based on the number of pensioners. Thus, out of 425 field units in the eight test checked districts, 103 units (**Appendix-2.1**) were selected for field audit. Audit also analysed the database of pensions maintained by the PR&RD Department and correlated findings from this analysis with substantive check of records at unit level.

In addition, audit teams interacted with 6,572 beneficiaries at random from among the beneficiaries who were at the units for drawing pension (category-wise and district-wise details are given in **Appendix-2.2**) and their feedback with regard to beneficiary identification, pension sanction, and disbursement processes of SSP schemes was obtained. Discussions were held with the departmental authorities/SERP at various levels.

Audit findings are discussed in the succeeding paragraphs.

2.4 Financial and Physical Performance

SERP is the nodal agency for implementation of SSP schemes in the State. CRD as the Chief Controlling Officer, draws funds from Government account and places them at the disposal of SERP for further release to banks and other Pension Disbursing Authorities (PDAs) for disbursement to beneficiaries.

Year-wise details of budgetary allocation and expenditure incurred on pension schemes during the five year period 2008-13 are given below.

Table – 2.1: Year-wise budget and expenditure

(₹ in crore)

Year	GoI release	State allocation including GoI release	Expenditure	Unutilised funds
2008-09	157.16	1609.90	1603.00	6.90
2009-10	309.07	2036.62	1875.07	161.55
2010-11	331.13	1931.97	1910.72	21.25
2011-12	331.13	1950.84	1950.24	0.60
2012-13	637.70	2188.23	2188.23	0
Total	1766.19	9717.56	9527.26	

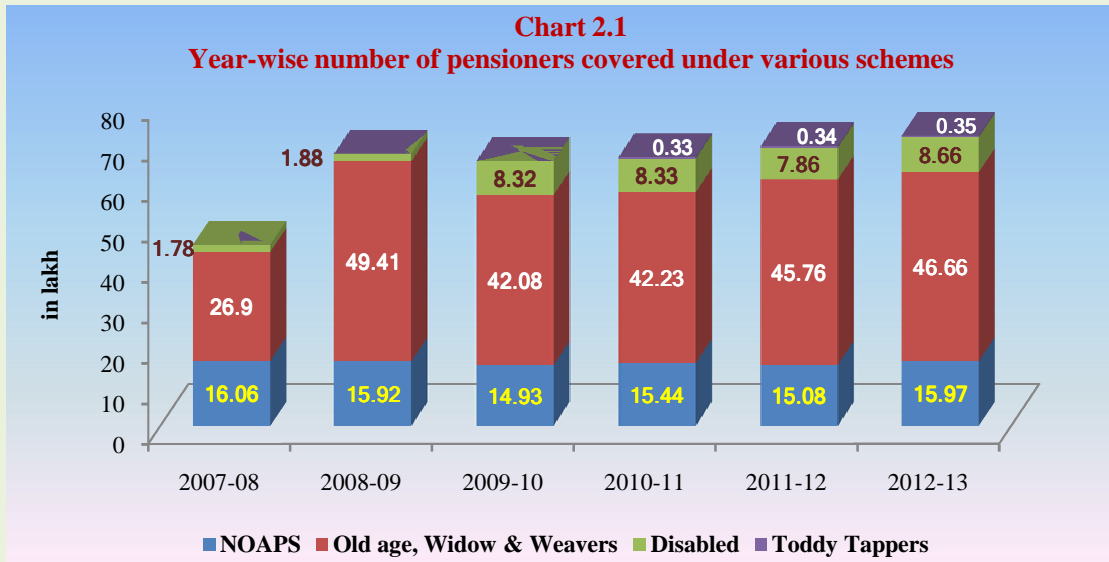
Source: Appropriation Accounts of respective years and information furnished by SERP

⁵ SPS Nellore and Srikakulam

⁶ Mahubnagar and Nalgonda

⁷ Anantapur and Chittoor

Among the pension schemes implemented by State Government, major coverage was under INDIRAMMA old age and widow pensions (65 per cent), NOAPS (22 per cent) and disabled pensions (12 per cent). Year-wise details of pensioners covered under various schemes are given below.



Source: Outcome budgets of Rural Development Department

Note: Number of pensioners for the year 2012-13 is up to January 2013

Financial and physical progress in implementation of various pension schemes are discussed below:

- There was an increase of 80 per cent in budgetary allocation and 93 per cent in expenditure during 2008-09 over 2007-08 and a spurt in number of pensioners also during 2008-09 (23 lakh overall with 84 per cent increase in old age and widow pensioners) compared to 2007-08. Disabled pensioners increased by 342 per cent during 2009-10 compared to 2008-09. Government in its reply (August 2013) confirmed that after the introduction of INDIRAMMA scheme in April 2006 and initiation of the mass contact programme ‘Rachabanda’ in 2011 where pension applications were received directly by Panchayat Secretary at Village level and MPDO at mandal level from applicants through these programmes, number of pensioners increased by 52.83 lakh. Government attributed increase in disabled pensions to conversions from old age and widow categories to disabled category pensions on account of increase in the scale of pension (₹500 per month). This was also confirmed by Principal Secretary during Exit Conference.
- Savings of ₹182.80 crore during 2009-11, were attributed (June 2013) by CRD to non-release of funds on account of budget freeze imposed by Government. Saving of ₹19.20 crore during these two years under the category ‘AIDS patients’ was attributed to non-completion of the selection process of beneficiaries.

- Expenditure during 2011-12 and 2012-13 matched budget and there were neither excesses nor savings. This was due to drawal of the entire budget provision by CRD on a monthly basis and booking it to expenditure irrespective of the actual disbursement of pension amount during the month. This was facilitated by bringing the SSP schemes under the so-called '**green channel**' services with effect from July 2011 under which funds were released on annual basis irrespective of periodic utilisation of funds. Finance Department issued (July 2011) orders prescribing the periodicity of submission of bills for payment and the respective departments were made responsible for smooth implementation of programmes without any hindrance.

However, Audit noted that Government has not so far prescribed any mechanism for such control in the operation of State Nodal Account (SNA), electronic transfer of funds to banks and retention of undisbursed funds by SERP. Also, no mechanism was prescribed by CRD for reconciliation of balances available with SERP. In this backdrop, drawal of funds by CRD for disbursement of pension and booking the amount to expenditure without expending it have resulted in funds remaining outside Government account and without reconciliation (₹153.29 crore as of March 2013). Further, reconciliation between SNA and the participating banks is also not taking place.

- Audit scrutiny revealed that SERP had not maintained any record of its transactions, including Cash Book and had relied only on the Bank Scrolls as a means of proof of its transactions/activities. There were six⁸ other units out of the test checked 103 units, which had also not maintained Cash Books.
- Test check of 103 units further revealed several control failures. Illustrative instances are listed below:
 - ⇒ Receipts were not recorded in the Cash Books of 84 out of 103 units (82 per cent);
 - ⇒ Balances in the Cash Books were not reconciled with bank balances in 86 units (83 per cent);
 - ⇒ There were delays in submission of Utilisation Certificates in 21 units (20 per cent).

Government replied (August 2013) that necessary controls would be instituted with regard to these issues. During Exit Conference, Government while admitting that non-maintenance of Cash Book by SERP and other unit offices was an important lapse, assured that the department would examine the funds flow and the infirmities would be addressed through linkage to Aadhaar.

⁸ Malkajgiri and Dharmavaram municipalities, Duttaluru, Kattangur, Mellacheruvu and Valigonda mandals

2.5 Programme Implementation

2.5.1 Identification of Beneficiaries

As per operational guidelines⁹, eligible pensioners have to be identified in the Gram Sabhas or Ward Sabhas (stages in sanction and the concerned authorities in Gram Sabhas/Ward Sabhas are given in *Appendix-2.3*). Audit scrutiny of records in 103 units and interaction with the beneficiaries revealed that process of identification was not followed in 22 test checked units. Authorities¹⁰ responsible for scrutiny and identification of the applications did not exercise the required checks i.e. availability of valid ration cards, proof of age and death certificate of spouse (in case of widow pension). Validation of applications which is an elaborate five-step process (*Appendix-2.4*) involving verification with respect to the ration cards of the applicants as well as the existing pensioners' databases so as to avoid duplication was outsourced to a private agency in 2010 on nomination basis, without establishing any mechanism for verification and authorisation of pensions at Government level.

In 89 test checked units, there was no mechanism even to inform the applicants about the sanctioning of their pensions. Instances were found of male pensioners receiving widow pension, women whose husbands were alive receiving widow pensions, old age pensions given without any proof of age, more than one pension being sanctioned to the same individual, ineligible persons receiving pension, pension applications being accepted/rejected without the prescribed endorsements and various other irregularities (details in *Appendix-2.5*).

Data in the pension system is dynamic and keeps changing. Analysis of the database for the months of May and December 2012 revealed a number of irregularities. Some of these are detailed below.

2.5.1.1 Mismatch between Pension database and Civil Supplies database

Pension schemes are available only to BPL population who possess 'white' ration cards¹¹; which is a primary condition for eligibility of pension. In respect of 5.54 lakh (out of 71.12 lakh) pensioners, the ration card number was not even included in the pension database. It was further found that 10.62 lakh ration cards (out of the remaining 65.58 lakh) in the pensioners' database did not match with the corresponding ration card data/BPL data¹² of the Civil Supplies Department. During beneficiary survey also, Audit noticed that the ration card numbers/names did not tally in 52 cases with ration card details (where ration cards were brought voluntarily by pensioners).

⁹ GO Ms. No. 83 dated 27 March 2006 of Panchayat Raj & Rural Development (RD. II) Department

¹⁰ Panchayat Secretary and Mandal Parishad Development Officer in rural areas, Bill Collector and Municipal Commissioner in urban areas

¹¹ For the APL families, pink ration cards are used

¹² contained in the WAP, YAP, AAP, TAP, RAP, ICFS cards databases of Civil Supplies Data

2.5.1.2 Sanction of pensions to ineligible persons under Old Age and Weavers category

The minimum age stipulated for sanctioning old age pension is 60 years for GoI scheme i.e. NOAPS and 65 years for State scheme i.e. INDIRAMMA. However, there were 5,754 persons who were sanctioned pension under NOAPS whose age was less than 60 years and 17,462 persons drawing pension under INDIRAMMA scheme, whose age was less than 65 years. Further, Weavers pension was sanctioned to 244 individuals in Chittoor district, who had not crossed the mandatory age limit of 50 years.

2.5.1.3 Sanction of more than one pension to same beneficiary/double drawals

Analysis of pension database further revealed 24,595 cases in the State (16,418 in the sampled districts) where more than one pension was sanctioned to the same individual on the same ration card. During test-check, 151 cases of double drawal were noticed in 10 unit offices¹³.

2.5.1.4 Other inconsistencies in the database

- There are 14,225 Pink Ration Card holders *i.e.* members of APL families, who are not eligible for pension, but were nevertheless getting pension as of December 2012. State Government had already paid ₹19.63 crore in this regard and will have to incur an amount of approximately ₹3.41 crore annually on this account. SERP replied (March 2013) that instructions would be issued to remove such ineligible pensioners.
- There are 4,786 pensioners whose age was indicated as '0' in the database. Further, widow pensions were sanctioned to 4,543 males.

From the above, it is clear that the mechanism in place for scrutiny of applications for sanction of pensions suffers from several shortcomings. During Exit Conference, Government stated that it would strengthen the validation controls at input level and also informed that the details of sanctions would be published in GP offices. With regard to database irregularities, Government stated that instructions have been issued in August 2013 to the Project Directors of DRDAs for conducting enquiries on the issues raised by Audit and to take necessary steps for rectification. During Exit Conference, Government further stated (November 2013) that there were multiple databases available in the Department and that action would be taken to integrate all such databases and prepare a Master database.

2.5.2 Pending applications

State Government sanctioned pensions on saturation basis under INDIRAMMA programme in three phases up to 2008-09. Thereafter, fresh sanctions were limited to the vacancies caused due to death of pensioners. Fresh applications were accepted by the Government in 'Rachabanda-II' (November 2011) public interaction programme.

¹³ Guduru (1), Vangara (2), Kothuru (5), Polaki (10), Srikakulam MC (9), Laveru (7), Chintapalli (39), Koyyuru (4), G.K. Veedhi (63) and Yerpedu (11)

During the period August 2010 to April 2012, 30.03 lakh applications were received by the MPDOs/MCs for sanction of pension. Of these, 17.89 lakh applicants were found eligible after validation/de-duplication process. However, about 25 per cent (4.45 lakh) of these applicants were yet to be sanctioned as of March 2013. Further, during test check (in Ranga Reddy, Srikakulam and SPS Nellore districts), ***Audit observed that there were several bundles of applications lying in the offices of MPDOs/MCs awaiting scrutiny and processing for sanction of pension. Since these bundles were yet to be opened, and no registers were maintained to log these applications, Audit is unable to quantify the number of such pending applications.***

Government replied (August 2013) that pensions to the eligible 4.45 lakh applicants has been sanctioned from July 2013 onwards.

However, further verification in the pilot district (Ranga Reddy) revealed that actual disbursement of pension did not take place even as of October 2013 due to non-release of funds. During Exit Conference, Principal Secretary also highlighted the issue of verification of applications and need to quickly process these.

2.5.3 Disbursement of Pension

2.5.3.1 Smart Card System

Social security pensions were being disbursed manually up to 2007-08 through Panchayat Secretaries and Self Help Groups. Manual payment is fraught with the risk of disbursement to ineligible/incorrect persons, misappropriation of money owing to drawal of pension in respect of dead pensioners etc. As part of its initiative to ensure timely payment of pension and to bring in transparency and accountability into the system, Government decided (2007) to migrate to smart card based payment through bio-metric authorisation on the lines of disbursement of wages under MGNREGA which was entrusted to 10 banks on consent basis. These banks were required to complete enrolment of pensioners, issue smart cards and commence disbursement of pension through use of smart card/bio-metric authorisation within six months from the date of entrustment. PR&RD Department signed MoUs with 10 banks (between July 2008 and February 2010) for an initial period of three years on payment of two per cent of disbursement value per month as service charges. However, no penalty clause was included in the MoUs with banks to take care of timelines for enrolment and disbursement.

Later, in June 2011, PR&RD Department signed a similar MoU with the Department of Posts (DoP) of GoI. State Government paid an amount of ₹32.02 crore to the 10 banks¹⁴ and DoP as service charges as of August 2013. Comparative picture of all the three modes in disbursement of pensions is given in **Appendix-2.6**. Audit observations in this regard are as follows:

- Validity of MoU had expired for four banks (*viz.*, Axis Bank, Union Bank of India, APGV Bank and State Bank of India) in March/April 2012 but they were

¹⁴ Union Bank of India, ICICI Bank, ING Vysya Bank, State Bank of Hyderabad, Axis Bank, APGV Bank, Corporation Bank, Andhra Bank, Punjab National Bank, and Indian Bank

allowed to continue their operations. On this being pointed out in Audit, PR&RD Department re-entered into MoU with Axis Bank and terminated MoU of the other three banks.

- As per the MoU, the Department was to provide valid and complete data in electronic form to banks and DoP which in turn should undertake necessary field level enrolment of beneficiaries by capturing 6/10 finger prints, photo and personal details. While the implementing agencies (banks/DoP) were to have completed the process of enrolment and issued smart cards within six months, as of February 2013 (i.e. after the lapse of five years), only 47.15 lakh pensioners (66 *per cent*) out of 70.96 lakh pensioners were issued smart cards.
- PR&RD Department reviewed the performance of banks and decided (March 2013) to delist four banks¹⁵ due to poor performance and allotted these areas to DoP. The enrolment already completed by these four banks was not utilised and the DoP was required to re-enrol the pensioners allotted to it in the areas where these four banks were operating earlier. Pending completion of enrolment process, pension is being disbursed manually and the number of carded pensioners has gone down to 43.61 lakh (from 47.15 lakh) and 31.43 lakh (42 *per cent*) pensioners were yet to be enrolled as of August 2013. The objective of introducing smart card based payments is thus not achieved fully since almost about half the number of pensioners is being disbursed pension manually. Therefore, Audit cannot vouchsafe the correctness of amounts disbursed manually.
- As per the MoUs, banks and DoP were to procure Point of Sale (PoS) devices to implement the smart card project and engage women from Self Help Groups (SHG) as service providers. Government decided (January 2010) to sanction an amount up to ₹20,000 for procurement of a PoS device by SHG women and released (March 2010 to October 2011) ₹14.85 crore to banks for procurement of 7,425 PoS devices. However, PR&RD Department did not enforce the condition of engagement of SHG women as Customer Service Provider (CSP)¹⁶ and this provision in fact, was not incorporated in the MoUs entered into during the above period. Subsequently (March 2013), two banks which received ₹10.04 crore (Andhra Bank: ₹5.14 crore and State Bank of Hyderabad: ₹4.90 crore) from the Government in this regard were delisted. As there was no binding clause in MoUs with regard to ownership of these devices in the event of de-listing of bank, Government was not in a position to utilise these devices after de-listing of banks which rendered the amount wasteful.

Government in its reply confirmed (August 2013) that four banks were delisted from the project due to non-performance and non-compliance to Aadhaar requirement and their unwillingness to continue in the project. During Exit Conference, Government responded that PoS device was the property of banks

¹⁵ Andhra Bank, State Bank of Hyderabad, ING Vysya Bank and Indian Bank

¹⁶ 231 male members were engaged as CSP in the test checked Srikakulam district

and further stated that a decision was taken to appoint Village Organisation (VO) as the CSP to bring more control in the system.

- Disbursements are being made through carded-but-manual (CBM) mode due to non-functioning of PoS terminals, non-reading of finger prints etc. The average CBM payments ranged up to 21 *per cent* (Axis Bank). The disbursing banks are required¹⁷ to refund the money paid manually to Government, where smart card system has been operationalised. It was observed from the records (for the period February - September 2012) produced to Audit, that the amount recoverable by Government from the banks on this account stood at ₹88.15 crore.

Government stated (August 2013) that notices for remittance of amount were issued (amount not specified) to the banks concerned but it did not furnish the details of recovery. During Exit Conference, Government stated that service delivery by banks was poor and assured that suitable clauses would be incorporated in the MoUs with banks to take care of timelines for enrolment and disbursement.

2.5.3.2 Smart Card project in Chittoor district

Implementation of smart card project was taken up in 48 (out of 66) mandals and all the eight municipalities of Chittoor district in July 2008 and six banks were entrusted with the task. Audit scrutiny of disbursement of pension in this district revealed the following:

- As per Government orders, all the mandals are to send the pension payment details to DRDA to enable the latter to provide a consolidated position to the Government on a monthly basis. However, DRDA, Chittoor did not have any information with regard to the number of pensioners who were paid through smart card/carded-but-manual/manual mode in the district.
- There were delays in disbursement of pension ranging from 4 to 34 days, non-completion of enrolment and non-resolution of problems pertaining to electronic benefit transfer (EBT) payments by the banks.
- DRDA finally switched over to manual mode of payment in June 2012 and the smart card based payment was limited to only six mandals and the eight municipalities.
- Even in these six mandals, enrolment process was not completed and disbursement to non-carded beneficiaries ranged between 3 *per cent* (Karvetinagaram) to 84 *per cent* (Vedurukuppam). In respect of municipalities, it ranged between 8 *per cent* (Pungunur) to 22 *per cent* (Tirupati).

While the banks were yet to complete the enrolment of all the pensioners in the smart card system, Government entrusted the task of pension disbursement through smart card system to DoP in Chittoor district in March 2013. Even before ensuring that a

¹⁷ Circular No. 1417/RD_SHG/EBT/2010 (dated 31 August 2010) of Commissioner, PR&RD Department

minimum gestation period is provided to DoP for enrolling the pensioners, Government selected Chittoor as one of the five districts for pilot implementation of Aadhaar based enumeration with effect from May 2013 without setting up any linkage between the two (DoP and Aadhaar) or devising a way forward to utilise the work done by the banks or DoP in this regard.

With regard to non-adoption of data of banks by DoP, Government, during Exit Conference, responded that PoT device was the property of banks and that there is no option but to go through the process again. Inadequate planning and absence of a proper roadmap to operationalise the technological advancements have led to a situation where Government is having to duplicate the process with new service providers. This adversely impacts the timely disbursement of pension to the targeted beneficiaries since they are being paid through manual mode and in the absence of proper data/details with DRDAs, the reliability of such payments is open to question.

Regarding Aadhaar seeding, Government stated (November 2013) that VOs were instructed to collect Aadhaar details from each beneficiary and document them and that the process of this documentation would be completed in two to three months time.

2.5.3.3 Payment through Department of Posts (DoP)

Disbursement of SSP was entrusted in Nalgonda district to DoP during 2011. Out of about four lakh pensioners, as of March 2013, 3.77 lakh were enrolled for payment through bio-metric authorisation and of the 59 mandals in the district, in 53 mandals pension is being disbursed through 'Point of Transaction Devices' (PoTD) with effect from June 2011. Audit scrutiny in this regard revealed the following:

- DoP enrolled 14,132 messengers/nominees for receiving pension on behalf of the actual pensioners. As per the extant procedure¹⁸, this is permitted after following a prescribed procedure for verification. Audit could not verify compliance with the prescribed procedure since the necessary details were not provided to it.

State Government instructed (January 2013) that adequate number of additional CSPs should be positioned in 12 GPs along with machines for disbursement of pensions to 20,826 pensioners by 30 January 2013. However, additional CSPs were not appointed (as of March 2013) to make payment of pensions.

- Disbursing officials/CSPs were not recording the details of finger print mismatch, temporary migration, death, etc., in PoTD. Due to this, payment in subsequent months was affected in respect of people who could not get pension during a month for various reasons.
- Pensions to 60,685 new pensioners enrolled biometrically were not disbursed between July and October 2011 for want of sanction of arrears from SERP and the amount of undisbursed pension aggregated to ₹2.90 crore.

¹⁸ Circular number 2672/RD-SHG/EBT/2011, dated 7 June 2011 of Commissioner, RD

- CRD released (March 2011) a refundable advance of ₹2.22 crore to DoP as initial deposit for opening of 4.44 lakh savings bank accounts (at ₹50 per account) for INDIRAMMA pension beneficiaries¹⁹ of Nalgonda and Nizamabad districts. The amount was paid from MGNREGA Administration funds. The advance was to be recovered from first five monthly pensions (at ₹10 per month) i.e. by August 2011 from the pension amounts for refunding it to CRD. Although, Government requested (August 2011) DoP to open zero balance accounts for these pensioners there was no progress in this regard even after lapse of a year. Audit observed that Government had not recovered the amount of ₹2.22 crore (to be recovered by August 2011) from DoP even as of March 2013.

2.5.3.4 Non-disbursement of disability pension based on measure of disability

State Government enhanced (November 2008) the rate of pension to ₹500 to disabled pensioners from the level of ₹200 per month and introduced a slab system for payment of pension at the rate of ₹500, ₹600 and ₹700 in three disability categories viz., (i) 40 - 60 per cent, (ii) 61 - 80 per cent and (iii) 81 per cent and above respectively. However, SERP did not sanction pension to disabled persons in relation to the percentage of disability even though it started screening for the extent of disability right from January 2010 through a 'Software for Assessment of Disability for Access, Rehabilitation & Empowerment' (SADAREM). The 2008 decision of the Government to pay pension in proportion to the percentage of disability has thus not been implemented even as of August 2013 due to non-issue of orders by Government. This adversely affected the pensioners with higher level of disability who were needy of enhanced amount of pension. During Exit Conference (November 2013), Government confirmed non-payment of disabled pension at enhanced rate.

2.5.3.5 Paid acquittances

Audit reviewed paid acquittances for the month of June (paid in July) 2012 in the sampled 103 unit offices, and observed deficiencies like non-preparation of abstracts, non-indication of dates of disbursement, temporary/permanent migration, death, delays in disbursement, CBM payments, etc. Scrutiny also revealed the following:

- Abstracts of payment were not prepared and signed by PDAs in 90 out of 103 units. As such, details of category-wise payments made and the amounts refunded are not ascertainable.
- In 99 units, dates of disbursement were not indicated by PDAs. There were also cases where names of some pensioners were not printed in the acquittances (noticed in 47 out of 103 units) due to technical snag. As the CSP was making payments as per the printed acquittances, Audit could not secure assurance whether payments were being made to right persons.

¹⁹ Nalgonda: 2,57,443; Nizamabad: 1,86,846

- Date of death and temporary/permanent migration was not indicated in 63 units. Mentioning of dates is crucial for timely stoppage of pension, determine arrears portion, etc. In three mandals (Madakasira, Parigi and Hindupur) of Anantapur district, Audit noticed five cases of unauthorised drawal of pension amount of deceased pensioners. The MPDOs of Parigi and Hindupur confirmed (September 2012/March 2013) audit finding and stated that instructions have been issued to CSPs for recovery of the amounts paid.
- Acquittances were not signed by MPDO/MC and his/her staff in support of their supervision (in 45 units).
- In 60 units, thumb impressions were taken without indicating names of the pensioners.
- In 26 units, payments to smart card holders were made manually on reasons of non-functioning of smart card, finger prints not accepted by the machines etc.
- In Nalgonda district where disbursements are made through post offices, filled acquittances are not being submitted to MPDOs (13 units).
- There were discrepancies in gender of pensioners (52 units).
- In Shamshabad mandal (Ranga Reddy district), it was observed in 13 cases that pensions were being disbursed to persons other than actual pensioners and the acquittances contained signatures of persons other than the beneficiaries.
- In Malkajgiri circle of GHMC²⁰, bank accounts are opened for individual pensioners and monthly pension amount was credited to the bank accounts. Therefore, there were no acquittances in this circle. Review of bank scrolls in the office of Malkajgiri Municipal Commissioner indicated that there were inordinate delays (ranging between 82 and 87 days) in crediting the amount to individual accounts of pensioners.
- GHMC, Malkajgiri circle has been making pension payments to two to three beneficiaries with a single account number having same residential address (in 78 out of 1,567 cases) and the name of actual beneficiary was not found in the data maintained by the circle. In 225 cases, pension was paid to two or more beneficiaries residing in one house.
- In Shamshabad mandal, disbursement was not being made during the designated period (1 to 5 of every month). Pensions for the months of March, April and May 2012 were disbursed after a delay of four days. Pensions for October 2011 and January 2012 were disbursed after a delay of 30 days.

²⁰ Greater Hyderabad Municipal Corporation

Government stated (August 2013) that MPDOs/Municipal Commissioners are scrutinising the paid acquittances regularly. The reply is not correct as observed by Audit in the test checked units. Government further stated that the synchronised data was being shared with SSP server. However, suitable mechanism is to be put in place for SERP to check compliance with this requirement. Government, during Exit Conference, assured to examine the issue and explore the possibility of checking the data on real time.

2.5.3.6 Results of beneficiary survey

Results of Audit interaction with beneficiaries (6,572) in the test checked units are given below:

- ⇒ In respect of thirty two *per cent* of beneficiaries', age indicated in the ration card did not match with that mentioned in the acquittances/database.
- ⇒ Twenty *per cent* of beneficiaries expressed satisfaction about method of disbursement.
- ⇒ Nineteen *per cent* of beneficiaries stated that their pension was sanctioned after multiple attempts.
- ⇒ Sixteen *per cent* of beneficiaries stated that there were delays in payment of pension.

2.6 Financial Management

2.6.1 Electronic Fund Management System (e-FMS) and submission of Utilisation Certificates (UCs)

Pension disbursement procedure was modified with effect from January 2012 with the introduction of electronic fund management system (e-FMS) where funds were directly released to the designated functionaries from SERP's State Nodal Account (SNA) of identified banks. The undisbursed funds were to be refunded to the banks and the amount is to be adjusted by SERP while releasing pension for the subsequent month. Banks in turn are required to submit utilisation certificates (UCs) to SERP to claim the commission payable to them. Audit observations in this regard are as follows.

Funds released to PDAs (MMSs/MPDOs/Mandal Coordinators) are shown in financial statements of DRDAs as "Advances to sectoral officers" and are adjusted on receipt of UCs with refund of undisbursed pension.

As of March 2012 (accounts for subsequent period were not compiled), the test checked DRDAs were to receive UCs for about ₹751 crore²¹ which remained outstanding in their books. In the case of Chittoor district, UCs for ₹4.66 crore released to three RDOs *viz.*, Chittoor, Tirupati and Madanapalli prior to 2006-07 were still awaited. Further, annual accounts of DRDA, Chittoor revealed negative balances (₹1.25 crore) against the implementing agencies, which casts doubts on utilisation and refund of undisbursed funds.

²¹ Anantapur: ₹7.24 crore; Chittoor: ₹137.38 crore; Mahbubnagar: ₹192.54 crore; Nalgonda: ₹3.05 crore; Ranga Reddy: ₹3.14 crore; SPS Nellore: ₹7.76 crore; Srikakulam: ₹73.80 crore; and Visakhapatnam: ₹325.90 crore

Further, as per the guidelines (March 2006), CEO, SERP was expected to send quarterly UCs to State Government and annual comprehensive reports on evaluation studies during the review period for the amounts disbursed towards SSP schemes. Scrutiny of records in PR&RD Department did not evidence any proof of receipt of quarterly UCs from SERP.

UCs submitted to GoI did not conform to the prescribed format in GFR-19A. This was crucial as it would reveal the checks exercised by the grantee (State in this case) to ensure that the expenditure conformed to the stated objectives.

Government stated (August 2013) that annual audit (by the Chartered Accountants appointed by SERP) in the test checked districts was awaited and that UCs were being submitted in the format prescribed by GoI. Audit scrutiny, however, revealed that the said format did not conform to the format (Form-19A) prescribed in the General Financial Rules. During Exit Conference, Government assured a relook into the issue.

2.6.2 Operation of multiple bank accounts

With the introduction of e-FMS, Government designated SBH as Nodal Bank for proper utilisation and streamlining of fund flow to DRDAs. Audit observations in this regard are as follows:

- SBH, Adarshnagar Branch opened (November 2011) Savings Bank (SB) Account in the name of CEO, SERP which was a SNA for release of funds to all PDAs in violation of Government orders to open head-wise accounts. As such, details of category-wise pension releases and the expenditure particulars are not ascertainable.
- SERP also opened (February 2012) a separate SB account with SBH, Adarshnagar Branch in the name of CEO, SERP, for crediting undisbursed funds by Unit Officers. To the end of March 2013, the balance in this account was ₹153.29 crore. With regard to utilisation of undisbursed funds, SERP stated (March 2013) that it had no specific plans for utilisation of undisbursed pension and that, it would be utilised for release of pensions sanctioned over and above the allocated pensions.
- DRDAs and MPDOs (33 units) continued to operate multiple bank accounts and have also retained unspent/undisbursed funds with them instead of transferring the balances to SNA as required. In the test checked units, funds aggregating ₹2.18 crore (61 units) were not remitted to DRDA/SERP by the respective MPDOs/MCs. Further, test checked DRDAs retained an aggregated amount of ₹14.53 crore²² as of March 2012 (accounts for subsequent period were not yet compiled) without refunding the balances to SERP although the DRDAs were divested from financial management of SSP scheme funds with effect from January 2012.

²² Anantapur: ₹0.90 crore, Chittoor: ₹1.83 crore, Mahbubnagar: ₹3.20 crore, Nalgonda: ₹2.76 crore, Ranga Reddy: ₹2.49 crore, SPS Nellore: ₹0.04 crore, Srikakulam: ₹1.66 crore and Visakhapatnam: ₹1.65 crore

Government stated (August 2013) that instructions would be issued to close multiple accounts and to maintain single account.

2.6.3 Utilisation of GoI funds provided under NOAPS

With effect from April 2011, GoI lowered the eligible age for sanction of pension under NOAPS from 65 to 60 years and instructed State Government to identify the beneficiaries in the age group of 60 - 64 years. Further, GoI enhanced pension amount to ₹500 for pensioners above 80 years of age. In this background, State Government brought Abhaya Hastham (AH) scheme into the fold of SSP schemes and identified only women beneficiaries (4,14,692) in the age group of 60 - 64 years, who were already drawing pension under AH scheme. State Government sanctioned (September 2011²³) NOAPS to these persons thereby reducing its burden to the extent of ₹149.29 crore during the period September 2011 to February 2013 (around ₹8.30 crore per month) in payment of AH pension.

Thus, State Government instead of identifying and sanctioning pension to all the eligible beneficiaries (both men and women) in the age group of 60 - 64 years, is utilising GoI funds towards meeting its own top-up requirement for AH pensions. Further, State Government is not making pension payment at enhanced rate (at ₹500 per month) to the pensioners above 80 years.

While confirming utilisation of GoI funds, CRD stated (January 2013) that top-up requirement on State Government was reduced accordingly. SERP confirmed (March 2013) non-payment of enhanced rate of pension due to involvement of huge budgetary allocation owing to sanction of pensions on saturation mode. However, since it is a conscious decision of State Government to sanction pension on saturation mode it should provide adequate funds to meet its objective rather than diverting GoI funds released for specific purposes.

2.7 Internal Controls

As brought out in the foregoing paragraphs, internal controls relating to identification of beneficiaries, scrutiny of applications, sanction of pension, and disbursement of pension amount were inadequate leaving the system open for possible manipulation and denial of pensionary benefits to vulnerable sections of society.

Significant areas of inadequate internal controls are given below.

Identification of beneficiaries	Sanction of pension	Disbursement of pension
<ul style="list-style-type: none"> Absence of uniform format for applying for pension Inadequate scrutiny of applications by Panchayat Secretaries with regard to eligibility of applicants 	<ul style="list-style-type: none"> Non-communication of sanction of pension to the beneficiary could lead to possible misappropriation of pension amount 	<ul style="list-style-type: none"> Drawal of cash by Mandal Coordinator from district Headquarters and physical transportation to mandal headquarters

²³ GO Ms. No. 314, dated 7 September 2011 of PR&RD Department

<ul style="list-style-type: none">• Absence of scrutiny at the level of Mandal Parishad Development Officers (MPDOs) and consequent uploading of incorrect data with regard to age• The details of applicant, as given in the application forms are not validated against the civil supplies database, which contains the details of all the BPL families	<ul style="list-style-type: none">• Absence of mechanism to fix responsibility on the MPDO for furnishing incorrect particulars of applicant• Absence of mechanism for checking the receipt of all required documents from the applicants	<ul style="list-style-type: none">• Disbursement by CSPs through manual override citing non-functional PoS devices, non-matching finger prints, cases of lost smart cards, etc.• Absence of internal reconciliation within the MPDOs about details of undisbursed funds
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2.7.1 Non-compliance with Government instructions

Government ordered²⁴ (December 2011) that all MPDOs and Municipal Commissioners (Unit Officers - UOs) should ensure that signed acquittances are obtained from all villages before 10th of each month for updating the disbursement data electronically in the facility provided for this purpose on or before 15th of each month. Further, Unit Officers were also instructed to arrange for periodic reconciliation of SSP accounts and monthly internal audits.

Scrutiny of records in the sampled units revealed the following:

- UOs did not maintain any Registers to watch submission of paid acquittances by Customer Service Providers (CSPs).
- UOs were not scrutinising the signed acquittances for identification and verification of temporary migrations, deaths, conversions to Abhaya Hastham, etc., and instead they were relying on the inputs of Mandal Coordinators (appointed by banks).
- CSPs were not completing the abstract of disbursements and break-up of category-wise undisbursed pensions and resultantly, blank abstracts were being submitted by Mandal Coordinators to UOs. In the absence of this information, the correctness of the amounts remitted is not susceptible of verification by MPDOs.

SERP accepted (March 2013) that due to delays in submission of acquittances by banks, there was little time left with MPDOs for their scrutiny.

Apart from the activities relating to identification of beneficiaries, sanction of pension and their disbursement, there were control failures in financial transactions and accountal of receipts, non-reconciliation of balances etc., as brought out in paragraph 2.6.

2.8 Monitoring

Monitoring is important to ensure success of implementation of any welfare programme, especially when there is involvement of private parties, banks and other stakeholders in delivery of required services. Audit observations with regard to monitoring are as follows.

²⁴ GO Ms. No. 380, PR & RD Department dated 1 December 2011

2.8.1 State Level Vigilance and Monitoring Committee

A State Level Vigilance and Monitoring Committee was constituted in October 1995 to review the implementation of all centrally sponsored rural development programmes. To assess the implementation of schemes and flow of funds at various levels including allocations, releases, utilisations of unspent balances, meeting of the Committee is required to be convened once every quarter. The present committee was re-constituted in January 2010 and a review of the records of SERP revealed that the Committee met only twice²⁵ during the period April 2010 to September 2012 (as of date of audit) against the requirement of 10 meetings and mainly discussed the issue of payment of pension at enhanced rate to octogenarian pensioners relating to NSAP apart from the issues pertaining to other centrally sponsored rural development programmes.

2.8.2 Audit of SSP schemes

In the test checked DRDAs, annual audit by Chartered Accountants was completed up to 2011-12. However, quarterly audit of SSP schemes was not conducted at any level in the State, though it was ordered by Government in October 2009. Scrutiny of records in the test checked districts revealed that the instructions of Government in this regard were not translated into action by DRDAs as not a single DRDA compiled accounts on a quarterly basis. Similarly, despite specific orders from Government in December 2011, no arrangements were made by MPDOs for internal audit of social security pensions as of March 2013. Moreover, there is no Internal Audit wing in SERP to appraise the schemes and flag areas of non-compliance with prescribed procedures.

While confirming non-conduct of audit at quarterly intervals, SERP stated (July 2012) that a panel of Chartered Accountants was communicated to all the DRDAs to take up annual audit.

2.8.3 Grievance redressal mechanism

The online grievance redressal mechanism introduced by SERP in September 2012 is in its nascent stage. Grievances²⁶ numbering 10,178 were addressed against 16,460 grievances and the remaining 6,282 grievances were returned to DRDAs as of January 2013. It was however, observed that only MPDOs and DRDAs can access the system and the pensioners have no way of logging in their complaints online.

Further, in the test checked units (except 16 units in Nalgonda district where DoP is the banker), information about the names and telephone numbers of CSPs and Mandal Coordinators were not displayed in the offices of GPs and MPPs. Similar information along with details of banks and service providers was also not displayed in the test checked DRDAs.

²⁵ 18 October 2010 and 25 August 2012

²⁶ viz., restoration of cancelled pensions to temporary and permanent migrants, transfers from one place to another

Government replied (August 2013) that grievances could be registered at Gram Panchayat level through Rural Development call centre (1800 200 4455 - toll-free number). It was further stated that a community entitlement based mobile application is proposed for collecting the grievances and new applications for sanction of pensions from village level.

2.9 Conclusion

While around 72 lakh people have been covered as of March 2013 under various pension schemes by State Government, there was no clarity with regard to the actual number of applications received, processed and number of people sanctioned pension, applications rejected and reasons for rejection/delays in sanctioning pension, since the relevant registers were not maintained by the Unit Offices.

The objective of bringing transparency in payment of pension through smart card based payment could not be achieved to full extent even after lapse of five years as only 66 per cent of the total pensioners (February 2013) were issued smart cards.

Scrutiny of acquittances by MPDOs/MCs was inadequate and there were deficiencies like non-preparation of abstracts, non-indication of dates of disbursement, temporary/permanent migration, death, delays in disbursement, CBM payments, etc. Financial management was marked by operation of multiple bank accounts, retaining/non-remitting unspent balances by MPDOs to DRDAs and DRDAs to SERP, non-submission of UCs by implementing agencies etc. Record maintenance was poor and weak internal controls left gaps and vulnerabilities in the system. Monitoring of sanction and disbursement of pensions was not effective and there was no internal audit wing in SERP to provide assurance about the extent of compliance with the applicable rules and procedures in implementing the pension schemes.

Government replied (August 2013) that it had initiated several measures to sanitise the pensioners database and ensure proper identification of the beneficiaries through Aadhaar seeding. During Exit Conference in November 2013, Government admitted that there were clear disconnects and while reiterating the steps taken to streamline the system, assured corrective action on all the issues raised by Audit.

2.10 Recommendations

- Cleansing of database of SSP schemes should be completed on priority in a time-bound manner so as to eliminate ineligible pensioners from the system and suitable mechanism should be evolved to cross-verify the data of eligible beneficiaries at Government level.
- Government should enforce its decision to disburse pensions through smart card and institute suitable mechanism to ensure this.
- Proper maintenance of scheme-wise and category-wise application registers and other prescribed registers by Unit Officers should be ensured.

- Steps should be taken for disbursement of disability pension based on the degree of disability as envisaged.

The recommendations were discussed in the Exit Conference and accepted by Government. Government also assured that appropriate steps would be taken to strengthen the system further.

Chapter-3

Performance Audit of Implementation of INDIRAMMA Housing Scheme

Housing Department

3.1 Introduction

3.1.1 Overview of housing schemes

Government of Andhra Pradesh has been implementing various schemes for providing houses to weaker sections of the State over the last three decades. Details of such schemes sponsored by State as well as Government of India (GoI) are given below.

State schemes	GoI schemes
Rural Permanent housing	Indira Awaas Yojana (IAY)
Urban Permanent housing	Rajiv Awaas Yojana
Flood housing	Integrated Housing and Slum Development programme (IHSDP)
Rajiv Gruha Kalpa	Integrated Housing scheme for Beedi workers
Rajiv Swagruha	Valmiki Ambedkar Awaas Yojana

Funding pattern and implementation strategy for all the above schemes vary. In 2005, Government merged all the State sponsored housing schemes (except Rajiv Gruha Kalpa and Rajiv Swagruha, which have no funding from State) and formulated an ‘Integrated Novel Development in Rural Areas and Model Municipal Areas (INDIRAMMA)’ housing scheme. INDIRAMMA housing is a flagship scheme of the State Government and was launched in 2006 with the objective of providing *pucca* houses to all Below Poverty Line (BPL) households in a phased manner within three years on saturation¹ mode.

Salient features of INDIRAMMA housing scheme

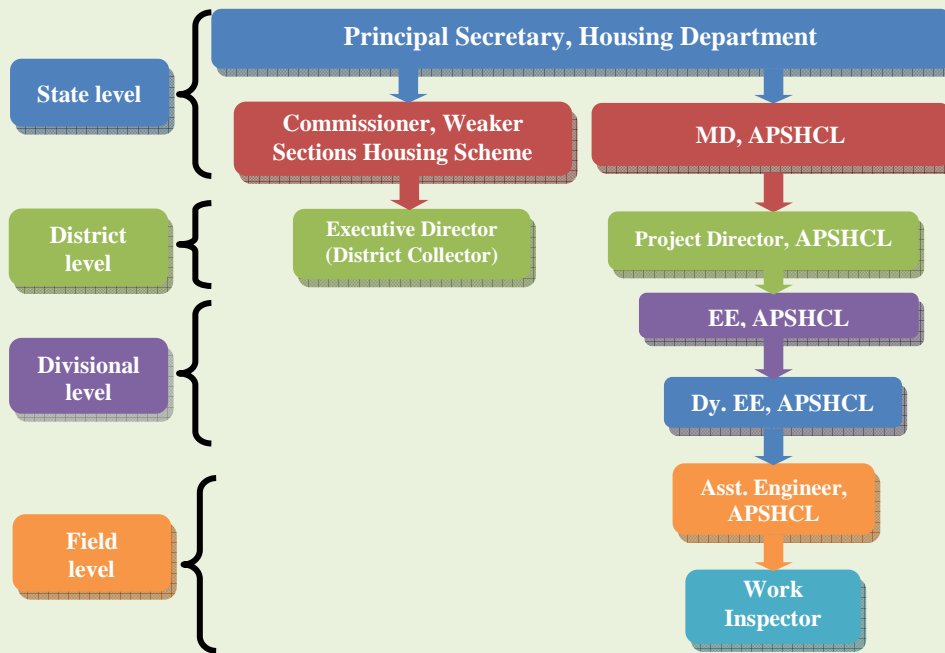
- ⇒ All BPL families without permanent house are eligible under the scheme
- ⇒ Families should not have benefitted under any other housing scheme
- ⇒ Houses should be constructed by beneficiaries themselves on self-help and mutual help basis
- ⇒ Financial assistance in the form of subsidy and loan is provided by Government
- ⇒ In addition to financial assistance, Andhra Pradesh State Housing Corporation Limited (APSHCL) provides technical assistance along with cement and building material at concessional rate

3.1.2 Organisational set-up

Principal Secretary, Housing Department is the administrative head for overall implementation of INDIRAMMA. Commissioner, Weaker Sections Housing Scheme is coordinating officer and APSHCL is the nodal agency for execution of the scheme.

¹ Saturation implies that no eligible person/area is left out from the ambit of the schemes covered by the scheme

Organisational chart for implementation of INDIRAMMA housing scheme is given below.



3.2 Audit Framework

3.2.1 Audit objectives

Objectives of Performance Audit are to assess whether,

- the department/APSHCL adopted robust planning process to provide *pucca* houses to targeted population;
- sufficient financial resources were provided in State budget for implementing the schemes;
- system of identifying targeted beneficiaries under each scheme was in place and was working efficiently;
- loan recovery mechanism of APSHCL was adequate and functioning efficiently; and
- internal control mechanism in the department including monitoring of implementation was adequate and working effectively.

3.2.2 Audit Criteria

Audit findings were benchmarked against criteria sourced from the following:

- Scheme guidelines issued from time to time and relevant Government orders, circulars;
- Targets fixed by Government;
- Andhra Pradesh Financial Code; and
- Budget allocations under different housing schemes

3.2.3 Audit Scope and Methodology

Performance Audit of INDIRAMMA was carried out between November 2012 and June 2013 and covered implementation of the housing scheme during 2008-09 to 2012-13. Entry conference was held with Secretary to Government of Andhra Pradesh, Housing Department and Managing Director, APSHCL in November 2012 to apprise them about the objectives, scope, criteria and methodology of audit and obtain their inputs.

Audit methodology involved scrutiny of records and files relating to the scheme in offices of Principal Secretary, Housing Department at Secretariat, Commissionerate, APSHCL, Project Directors (PD) of Khammam, Krishna, Kurnool, Nalgonda, Ranga Reddy, Vizianagaram and YSR Kadapa districts. In addition, one office of Executive Engineer (EE) and two offices each of Deputy Executive Engineer (Dy.EE) and Assistant Engineer (AE) in each of sampled districts were selected for scrutiny. Further, Audit analysed data relating to scheme as provided by APSHCL (as of March 2013). Audit findings were discussed in Exit Conference with Secretary, Housing Department, MD, APSHCL and other departmental officials in December 2013. Replies of Government have been incorporated at appropriate places in the report.

3.2.3.1 Sample size

Pilot study was conducted in Ranga Reddy district and based on findings, two districts each were chosen from three regions of the State (Coastal Andhra², Telangana³ and Rayalaseema⁴) for detailed audit scrutiny as shown alongside. Offices of EE, Dy.EE and AE were selected on simple random sampling method in seven test checked districts. Further, two mandals were chosen from each district and one village was chosen from each mandal on random sampling basis for detailed audit scrutiny. Apart from these 14 villages, seven tribal/flood affected villages were also selected for detailed audit scrutiny. Audit interacted with 30 beneficiaries in each village and carried out a joint physical inspection of 30 houses (at various stages of construction) in each village belonging to these beneficiaries (total 733 houses in the sampled districts).



Significant Audit findings are discussed in the succeeding paragraphs.

3.3 Financial and Physical performance

3.3.1 Funding Pattern

INDIRAMMA housing scheme involves funding from State Government in the form of subsidy, loan component and beneficiary contribution. Changes to the unit cost of

² Krishna and Vizianagaram districts

³ Khammam and Nalgonda districts

⁴ Kurnool and YSR Kadapa districts

houses and quantum of funding from Government during the review period are detailed below.

Table 3.1

Details of Government Order		Unit Cost (₹)	Subsidy (₹)	Loan (₹)	Beneficiary contribution (₹)
GO 34 dated 4 December 2007	Rural	25000	7000	17500	500
	Urban	40000	3000	35000	2000
GO 41 dated 27 November 2008	Rural	31200	13200	17500	500
	Urban	43000	6000	35000	2000
GO 15 dated 28 May 2011	Rural	45000	13200	31300	500
	Urban	55000	6000	47000	2000

Source: Government orders issued from time to time relating to unit cost

3.3.2 Budget and Expenditure

Funds for implementation of INDIRAMMA, both in respect of loan and subsidy, are provided by State Government in its regular annual budget. Budget allocation *vis-à-vis* expenditure on this scheme during the period 2008-09 to 2012-13 is given below.

Table 3.2

(₹ in crore)

Year	Budget provision	Releases	Expenditure
2008-09	5075.00	3511.28	3969.86
2009-10	956.25	612.05	1421.72
2010-11	1121.25	931.82	764.64
2011-12	1510.87	1082.44	1200.32
2012-13	1523.80	1296.08	1513.29
Total	10187.17	7433.67	8869.83

Source: Budget and releases are as per Appropriation Accounts of the relevant years. Expenditure is as reported by APSHCL

As can be seen from above table, Government had not released budgetary allocation in full in any of the years during 2008-13 (total amount of short release during the five year period was ₹2,753.50 crore). Shortfall in this regard ranged from 15 *per cent* (2012-13) to 36 *per cent* (2009-10). During Exit Conference, Secretary, Housing Department stated that last quarter budget was invariably not received in most of the years. There was excess expenditure over releases during the years 2008-09, 2009-10, 2011-12 and 2012-13 which were met from savings of previous years (2006-07 and 2007-08⁵). MD, APSHCL stated that unit cost was disbursed with reference to progress of construction from time to time and hence did not rule out the possibility of funds lying unutilised with APSHCL. Audit noticed that substantial unutilised balances⁶ were actually lying in the Personal Deposit account as at the end of the financial years 2008-09 to 2012-13.

⁵ Balance in PD account as of 1 April 2008: ₹1200 crore; Banks: ₹487.42 crore

⁶ 2008-09: ₹785.68 crore, 2009-10: ₹75.63 crore, 2010-11: ₹297.05 crore, 2011-12: ₹138.58 crore and 2012-13: ₹12.94 crore

3.3.3 Physical Performance

Houses under INDIRAMMA are to be completed within the sanctioned year. Status with regard to sanction and construction of houses under the scheme is given below.

Table 3.3

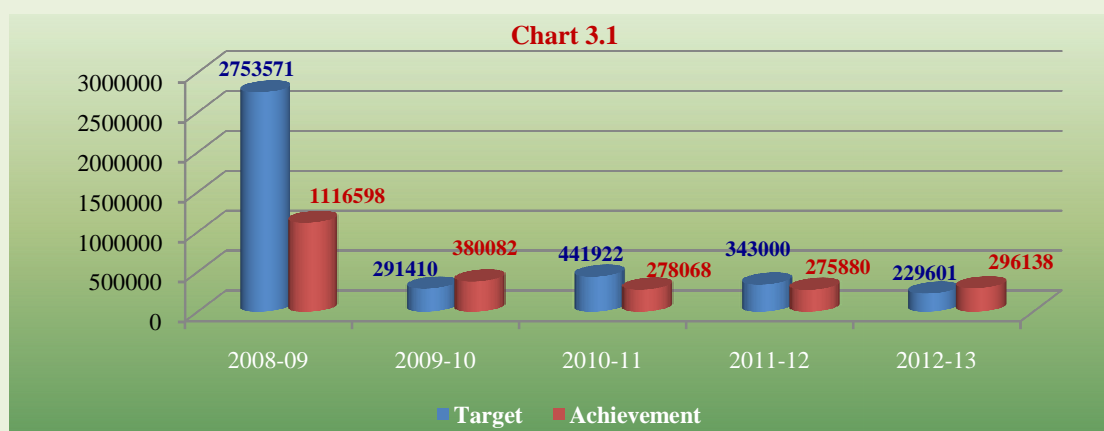
Phase of sanction	Year of sanction	No. of houses sanctioned	No. of houses completed	No. of houses yet to be completed
Phase-I	2006-07	19,24,480	16,26,572	2,97,908
Phase-II	2007-08	20,14,740	14,54,535	5,60,205
Phase-III	2008-09	15,59,523	8,34,319	7,25,204
Rachabanda*	2010-11	3,50,957	2,52,667	98,290
Rachabanda-I	2011-12	5,29,367	1,38,452	3,90,915
Rachabanda-II	2012-13	53,039	11,765	41,274
Total		64,32,106	43,18,310	21,13,796

Source: Information furnished by APSHCL

*A State Government scheme intended for redressal of public grievances and taking administration to the door steps of the people

As can be seen above, Government could not achieve the objective of ‘saturation concept’ even six years after launching scheme as construction was yet to be completed in 33 per cent of houses as of March 2013.

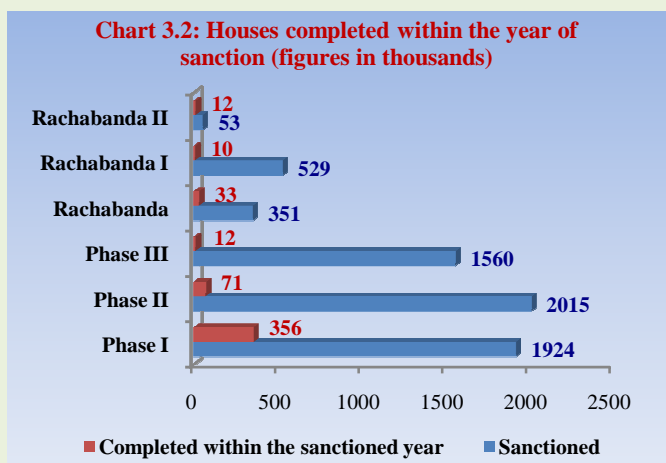
Progress in construction of houses *vis-à-vis* the targets including those sanctioned in Rachabanda during the period 2008-13 is given in the chart below.



Source: Information provided by APSHCL

It can be seen from above data that only 23.47 lakh out of 40.60 lakh sanctioned houses were completed and nearly 42 per cent of houses remained incomplete during the period 2008-13. Target fixed for year 2008-09 was higher this year because it also covered the houses sanctioned for first two phases which were sanctioned in 2006-07 and 2007-08 respectively and pace of construction could not cope with such high target, as shown in Chart 3.2.

Progress of construction within the same year in various phases was poor and progress in respect of Phase-III was negligible (less than one per cent). Out of 64.32 lakh houses sanctioned in all phases, as of March 2013, only 4.93 lakh houses (7.66 per cent) were completed in the year of sanction.



Source: Information provided by APSHCL

delay in completion of houses. With regard to delays in construction of nearly 42 per cent of sanctioned houses, MD, APSHCL stated during Exit Conference that progress of construction was inter-linked with financial ability of beneficiary to mobilise extra funds and that, his organisation does not have the legal right to force the beneficiaries to complete the construction. MD further stated that APSHCL could not ensure quality of construction, adoption of type design, adherence to the time schedule prescribed for completion of construction, etc. as it was acting as a facilitator and not as a provider.

3.4 Planning

While State Government has been implementing housing schemes for over three decades, it carried out a multi-disciplinary survey for identification of beneficiaries only in 2005 before launching INDIRAMMA and held the data so collected, offline.

Later, in March 2008, State Government entrusted responsibility of developing an online database and its maintenance to Centre for Good Governance⁷ (CGG). However, due to not planning the data migration activities from offline mode to online mode adequately, comprehensiveness, correctness and completeness of existing data were not ensured. Consequently, data in current database lacks integrity and has several lacunae that resulted in excess payments as brought out in paragraph 3.5.1.

Government stated (October 2013) that some errors have crept in while migrating data from offline to online mode and stated that corrective action has been taken subsequently, by verifying records maintained by field staff. Government however, did not specify details of action taken in respect of deficiencies specifically pointed out by Audit with regard to eligibility criteria.

⁷ Centre for Good Governance (CGG) was established for research, provision of professional advice and conducting change management programmes in Government departments

3.4.1 Unrealistic Unit Cost

The unit cost of INDIRAMMA houses has been revised from time to time and was enhanced to ₹45,000 in 2011-12. MD, APSHCL stated (July 2011) that even on a conservative estimate, an amount of ₹400 per sft is required for constructing (225 sft) houses under INDIRAMMA scheme which implies a unit cost of ₹90,000.

Thus, unit cost fixed by Government was not sufficient to complete construction and poorest of poor were unable to cope with extra expenditure and were unable to mobilise additional amount. This was reflected in non-commencement of 12.87 lakh (20 per cent) houses (out of 64.32 lakh sanctioned) even after lapse of six years (as of 2012-13) from launch of scheme.

Government replied (October 2013) that there was a wide gap between unit cost and actual cost of construction of houses.

3.5 Scheme Implementation

3.5.1 Selection of Beneficiaries

The procedure to be followed for selection of beneficiaries was detailed in Government order dated 6 December 2005. Pursuant to this order, a multi-disciplinary team comprising Village Revenue Officer, Panchayat Secretary, Mandal Revenue Officer, Mandal Parishad Development Officer and Assistant Engineer (Housing) carried out a survey at village level and compiled data of people who did not own a house. This data was uploaded on to the Department web site in March 2008.

As per guidelines of scheme, any family with income up to ₹20,000 and ₹28,000 (revised to ₹60,000 and ₹75,000 in July 2008) in rural and urban areas respectively, should be considered BPL for the purpose of sanctioning a house under INDIRAMMA and all such families were to be provided houses in a phased manner on saturation basis (Phase-I: 2006-07, Phase-II: 2007-08, Phase-III: 2008-09). Although ration card issued by Civil Supplies Department is key for identifying beneficiaries for all social security schemes, this criterion was not considered in identifying beneficiaries for INDIRAMMA housing scheme up to Phase-I and only with effect from 2007-08 (Phase-II) was BPL ration card (white card) made mandatory for sanctioning houses.

Since ration card number was not built as a unique number comprising 15 digit alphanumeric characters (as is the case with normal ration card), numerous data errors crept in the system. Audit scrutiny of Housing database relating to all phases of implementation of scheme (from Phase-I to Rachabanda-II), and its comparison with Civil Supplies database revealed irregular sanctions and resultant irregular payments as detailed below:

- There was mismatch between two databases with regard to 6.64 lakh ration card numbers. Total amount paid to beneficiaries covered under these ration cards up to 31 March 2013 was ₹1,611 crore.

- Out of a total of 64.32 lakh beneficiaries in the database, 14.89 lakh beneficiaries were registered in system with junk numbers (WAP0/WAP01290/Null numbers etc.) in place of valid ration card number. They were paid ₹3,782 crore for construction of houses as of March 2013 (3.72 lakh cases in seven sampled districts involving an amount of ₹656.09 crore).
- Scrutiny of ration cards data pertaining to sanction of houses from Phase-II onwards (when ration card was made mandatory) revealed that 3.5 lakh beneficiaries without valid ration card number were paid an amount of ₹838.32 crore (for the period 2007-08 to 2012-13).
- Though income limit of ₹60,000 and ₹75,000 for rural and urban areas was prescribed for determining eligibility of beneficiaries, there were 5,384 beneficiaries cases in database who have declared income more than ₹75,000.

Government accepted (October 2013) that rations cards were not made mandatory while registering beneficiaries. During Exit Conference (December 2013), MD, APSHCL stated that Government has issued orders not to insist on ration card for identification of beneficiaries in Phase-I of 'INDIRAMMA' housing scheme in view of the fact that several BPL families did not possess a ration card. Therefore, Government relied on eligibility certificates issued by Revenue authorities. Government however, assured that Project Directors would be instructed to revalidate beneficiaries data and rectify mistakes. During Exit Conference, MD, APSHCL admitted to presence of junk data in housing database and stated that updation of ration card database with Aadhaar linkage has commenced and the process would be completed within the next three to four months.

3.5.2 Poor validation controls

There were numerous irregular sanctions and payments due to poor validation controls in housing system. Audit analysis of database revealed the following:

- While scheme guidelines envisaged sanctioning only one house per family (in the name of female member), analysis of data relating to seven test checked districts revealed that 4,335 beneficiaries were sanctioned amounts for construction of houses more than twice.

Since payment is linked to stage of construction of house, Audit is unable to determine exact amount yet to be released to these beneficiaries in absence of complete details relating to status of construction.

- Fourteen beneficiaries were sanctioned (Phase-III) two houses each in Khanapur Havely in Khammam district duly entering particulars with slight changes either in name of beneficiary or father/husband in each case. Government confirmed the lapse and assured action in this regard.

- During physical verification of houses in sampled villages, Audit noticed that two houses were sanctioned to the same beneficiary/family in five⁸ cases.
- Physical verification of houses in test checked districts revealed that three out of 31 houses verified in Elichetladibba village, Nagayalanka mandal (Krishna district) have been constructed as a single unit instead of two. Likewise, one house was found in MR Apparao colony, Nuzvidu (Urban) mandal of Krishna district.

Government stated (October 2013) that cases pointed out by Audit would be verified and rectified.

3.5.3 Incomplete details in applications

Application for sanction of house should be accompanied by copies of ration card, patta/possession certificate, proof of residence in kutcha/semi permanent house and family photograph. Audit verification of 4,457 applications in sampled districts revealed the following:

- A large number of applications were not backed by copy of ration card, signature or individual photos of beneficiaries etc., as detailed below.

Table 3.4

District	Total applications verified	Applications lacking				
		Ration card	Photo of beneficiary	Old house photo	Land details	Certification of MRO on possession certificate
Khammam	131	31	68	42	63	81
Krishna	1357	461	221	640	0	0
Kurnool	581	254	393	412	0	58
Nalgonda	400	4	201	0	400	4
Ranga Reddy	1141	35	371	168	965	295
Vizianagaram	205	2	127	158	100	14
YSR Kadapa	642	85	147	489	0	1
Total	4457	872	1528	1909	1528	453

Source: Verification of beneficiary applications in sampled districts

Government assured (October 2013) that deficiencies pointed out by Audit would be rectified.

- One of the controls for ascertaining authenticity of a beneficiary is obtaining photograph of beneficiary concerned, photograph of *kutcha* house possessed by beneficiary along with her/his photograph and photograph relating to stage-wise status of completion of *pucca* house. Audit analysis of database revealed that in 53.09 lakh (out of 64.32 lakh) cases, such photographs (beneficiaries with *kutcha* house) were not available in system. Similarly, in 45.95 lakh cases, photographs with Basement level (BL) progress and in 29.79 lakh cases, photographs with progress up to roof cast (RC level) were not available in system. There were cases, where unrelated photographs like screen savers, pets etc., were uploaded.

⁸ Kesavapur (1) in Nalgonda district; Laxminagaram (1), Veldurthi (1) and Laddagiri (1) in Kurnool district and Elichetladibba (1) in Krishna district

- Stage-wise photographs were not uploaded in respect of 3,061 houses in Srikakulam (1,400) and Mahbubnagar (1,661) districts. Despite this, Government permitted (January 2011) release of amounts (₹14 crore) to those beneficiaries. APSHCL attributed non-uploading of photographs to frequent transfers of AEs in above districts.

Government stated (October 2013) that some clerical errors have crept in while uploading data into system and that districts have been authorised to verify and edit photographs available in system. It was assured by Government that Project Directors would be advised to complete the process immediately.

- Further, during execution, photograph in digital format at every stage (kutcha house, BL and RC) of construction should be uploaded to server. Guidelines envisage that payments should not be made without uploading stage-wise photographs of construction. However, software has no provision to stop processing application and making payments, where stage-wise photographs were not uploaded to server. There were cases in sampled districts where either photographs were not uploaded or uploaded photographs pertained to only one stage of construction, as detailed below.

Table 3.5

District	Total No. of houses verified	No photo	No Kutcha house photo	No BL photo	No RC photo	Incorrect/ irrelevant photo
Khammam	102	4	2	8	2	0
Krishna	103	9	37	12	4	0
Kurnool	125	54	94	96	91	3
Nalgonda	90	6	41	50	4	2
Ranga Reddy	84	7	51	56	30	33
Vizianagaram	90	0	3	12	0	8
YSR Kadapa	139	9	61	84	37	1
Total	733	89	289	318	168	47

Source: Verification of online profile of selected beneficiaries in sampled districts

BL: Basement level and RC: Roof Cast

3.6 Sanction of houses

3.6.1 Houses sanctioned in the name of male beneficiaries

As per INDIRAMMA guidelines, allotment of dwelling units should be only in name of female member of beneficiary household. Alternatively, it can be allotted in the name of both husband and wife.

Contrary to guidelines, it was observed that dwelling units were allotted to male members in 7.11 lakh (11 per cent) houses (out of 64.32 lakh sanctioned). Nalgonda district topped the list with 23 per cent followed by Kurnool (22 per cent), Ranga Reddy (19 per cent) and Vizianagaram (14 per cent) districts.

Government stated (October 2013) that in some cases pattas were issued in name of male member as it is time consuming to get patta transferred in joint name of wife and husband and that payments were made with intention of not depriving the beneficiary from receiving payment. It was however, assured that instructions would be issued to districts to take corrective action.

3.6.2 Houses sanctioned to pink ration card holders

Houses under INDIRAMMA should be sanctioned only to BPL families as per scheme guidelines.

Audit scrutiny of housing database revealed that 4,754 beneficiaries holding pink ration cards (APL families) were sanctioned houses under this scheme involving an expenditure of ₹12.85 crore (1,182 cases involving ₹2.33 crore in sampled districts). In fact, out of these 4,754 beneficiaries, only 675 were valid ration card holders as verified from Civil Supplies database.

Government accepted (October 2013) that there were instances where pink cards were issued to BPL families by revenue authorities in some districts due to ban on issue of white ration cards. However, Government has not provided details of such cases for further verification by Audit.

3.6.3 Post-facto sanction for already commenced houses

As per Government orders, only beneficiaries residing in *kutcha* houses/ semi-permanent houses should be selected and extended financial assistance. Further, progress of each stage⁹ of construction should be monitored by department and payment released accordingly.

Government however, deviated from its own guidelines and accorded (July 2010) sanction for release of payments for 4,70,571 houses which were under construction/completion stage, under Rachabanda programme. Hence, condition as to whether beneficiary resided in *kutcha* house could not be verified. Similarly, since the construction has already started without getting the approval, stage-wise progress of construction could also not be watched by Department. As of March 2013, payments were released to the extent of ₹1,344.56 crore to 3,22,362 houses (completed: 2,51,876; at various stages: 70,486).

As payments were made to finished/semi finished houses, verification by field staff as to genuineness in selection of beneficiary (whether resided in *kutcha* house/hut) before sanction of pucca house and stage-wise progress of construction was also not possible. Thus, chances of selection of ineligible beneficiaries cannot be ruled out. During Exit Conference, MD, APSHCL stated that *post-facto* sanction (as a one time measure) for already commenced houses was the fallout of decision of the Government. Government orders were however, in violation of its own guidelines issued under 'INDIRAMMA' scheme.

⁹ Below Basement Level, Basement Level, Lintel Level, Roof Level and Roof Cast

3.7 Disbursement and release of construction material

3.7.1 Payments not based on Measurement Books

As per scheme guidelines, construction of houses should be periodically reviewed by concerned Dy. EE and AEs and progress of stage-wise construction should be recorded in Measurement Book (MB). Based on particulars recorded in MB, stage-wise payments are to be released to beneficiary.

Test-check of MBs in 666 cases in sampled districts revealed that an amount of ₹1.91 crore was released in 586 (88 *per cent*) cases without recording measurements. Audit also noticed that, except in Khammam and Vizianagaram districts, measurement of work was not recorded in MBs by divisions in any of sampled districts.

Government stated (October 2013) that earlier orders (wherein payments to the beneficiaries were based on verification certificates issued by MHOs) had been withdrawn and currently payments were being made only after recording in measurement books. It was however, assured that findings of Audit would be circulated to all PDs for strict implementation and maintenance of Measurement books.

3.7.2 Provision of Cement

Apart from financial assistance in the form of loan and subsidy to construct houses by beneficiaries themselves, under INDIRAMMA scheme, Government also provides building materials like cement, RCC door frames and window frames to beneficiaries at lower than market rates by procuring cement centrally from manufacturers. Godowns are operated for this purpose at mandal/village level throughout the State. Beneficiaries lift cement from godown point on production of cement release order (CRO) given by Housing staff at various stages (BBL, BL, RL and RC) during construction.

3.7.2.1 Issue of cement over and above the prescribed quantity

As per guidelines, not more than 50 bags of cement should be issued in any case and the issue should be in multiples of 10¹⁰.

Scrutiny of database in this regard revealed that in 4,678 cases (4,390 cases in sampled districts), cement exceeding 50 bags and up to 90 bags was sanctioned to beneficiaries. Government replied (October 2013) that there was no possibility of allowing issue of cement more than permitted quantity in software and that instances reported related to offline entries migrated manually to online mode. Government however, has not addressed issue of permitting excess cement in an offline mode and what action it plans to take against violators. Further, Audit found 845 cases of issue of cement more than permitted quantity even after introduction of online system.

4642 cases	51-60 bags
29 cases	61-70 bags
5 cases	71-80 bags
2 cases	81-90 bags

¹⁰ BBL-10 bags; BL-10 bags; RL-20 bags and RC-10 bags

3.7.2.2 Cement issued in bulk without following stage-wise procedure

Guidelines stipulate quantity of cement to be issued stage-wise. Any deviation from the schedule was to be held personally against officer recommending and paying.

In three of sampled districts, it was noticed that 8,790 bags of cement worth ₹13 lakh were issued in bulk either for advanced stages or completed stages without following procedure of stage-wise releases based on progress of construction. Details in this regard are tabulated below.

Table 3.7

District	Cement issued in bulk for advance stage of construction		Cement issued in bulk for already completed stages	
	No. of bags	Value (₹)	No. of bags	Value (₹)
Khammam	0	0	1340	227800
Kurnool	520	77480	6660	956440
Ranga Reddy	270	38460	0	0
Total	790	115940	8000	1184240

Source: Verification of Cement Release Orders (CROs) in the sampled districts

The issue of bulk quantities of cement was contrary to guidelines. Government did not offer (October 2013) any specific reply in this regard.

3.7.2.3 CROs issued but cement not supplied

Consequent upon revision of cement rates in June 2011, APSHCL instructed (July 2011) that cement procured at revised rate should not be issued against the CROs generated prior to 14 June 2011. Audit noticed that 7,28,598 bags of cement worth ₹10.30 crore (procured at different rates) was lying in the form of CROs but not supplied to beneficiaries in nine districts.

Table 3.8

District	No. of bags	Value of cement (₹ in lakh)
Vizianagaram	38878	64.34
Khammam	43340	59.83
East Godavari	8517	10.90
Srikakulam	122	0.15
Nalgonda	118444	170.10
SPS Nellore	154231	217.40
Chittoor	179197	229.37
Krishna	14140	20.79
YSR Kadapa	171729	257.37
Total	728598	1030.25

Source: Information obtained from the records of APSHCL

Despite clear instructions to issue special Fund Transfer Requisition (FTR) for the value of cement not supplied and despite receipt of relevant proposals from PDs of district units of APSHCL, there was no action in this regard as of June 2013 and beneficiaries have been denied benefit under the scheme to that extent.

As CRO was issued online, there is no mechanism to check actual drawal of cement by beneficiary against that CRO. Thus, APSHCL has no internal control mechanism to ascertain whether payment/cement was actually received by beneficiary.

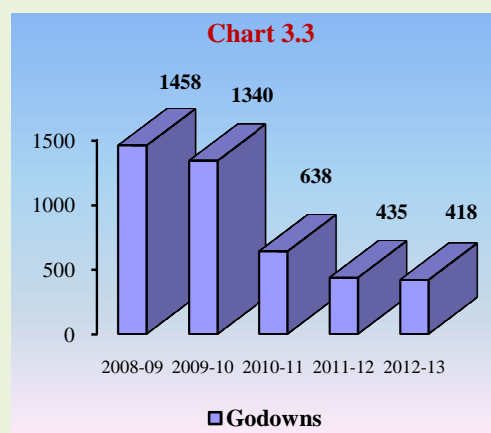
Government replied (October 2013) that there was no linkage between online housing system and cement godowns and that suitable software to establish a co-relation with

physical stock and generation of CRO was under development and once the cement logistics software was ready, deficiencies would be rectified.

3.7.2.4 Decrease in number of godowns for cement stocks

APSHCL stores cement procured from manufacturers in its own godowns to ensure smooth supply to beneficiaries at rates lower than market rate.

Audit scrutiny revealed that number of godowns has been decreasing year by year from 1,458 (2008-09) to 418 (2012-13) as can be seen from the chart given along side. Consequently, as of June 2013, one godown was serving the requirements of beneficiaries of three mandals.



Source: Information furnished by APSHCL

Status of godowns in test checked districts is given below.

Table 3.9

District	No. of Housing Mandals	No. of godowns (year-wise)				
		2008-09	2009-10	2010-11	2011-12	2012-13
Khammam	52	54	17	17	23	22
Krishna	55	89	81	56	28	19
Kurnool	59	55	98	24	16	24
Nalgonda	63	75	67	58	18	15
Ranga Reddy	45	40	30	25	19	12
Vizianagaram	38	51	38	23	20	16
YSR Kadapa	58	58	56	25	24	20
Total	370	422	387	228	148	128

Source: Information furnished by APSHCL

As per cement release system, beneficiary needs to go to godown four times during construction to get his/her entitled quantity. Keeping in view problems faced by beneficiaries in lifting cement from godowns, APSHCL ordered (May 2013) setting up additional godowns in places where existing godown was more than 30 km away from a particular village. Even this would entail travelling at least 60 km on each occasion (BL, RL and RC) by beneficiary to obtain entitled cement quantity over period of construction, which becomes a hurdle in availing benefit of cement at lower rate apart from financial burden on account of commuting.

Government stated (October 2013) that it was not viable to maintain such large number of godowns, as godown rents have gone up substantially. It was further stated that keeping in view inconvenience experienced by beneficiaries, the number of issues of cement had been reduced. Audit observed that beneficiary is forced to travel to godown at least four times before he actually gets his entitlement of cement.

3.7.3 Provision of construction material through Nirmithi Kendras

Nirmithi Kendras (NKs) were established with objective of producing cost effective building material so as to reduce the burden of construction cost of weaker section houses. As of March 2013, only 49 (out of 88 established) NKs were functioning in the State. Physical verification of two Nirmithi Kendras in each of seven sampled districts revealed the following:

- An amount of ₹3.97 crore remained unadjusted towards supply of materials to beneficiaries in five¹¹ NKs.
- Finished product worth ₹9.42 lakh was lying idle in three¹² NKs.
- An area of 12,000 sft was encroached upon by private persons at NK, Ahmedguda of Ranga Reddy district.
- There were damaged finished goods worth ₹6.76 lakh and discrepancy in stock worth ₹1.97 lakh at NK, Kadapa.
- Machinery worth ₹9.44 lakh was not in working condition at NKs at Rajampet (₹3.75 lakh) and Kadapa (₹5.69 lakh) of YSR Kadapa district.
- Sand Cement blocks were not produced during 2012-13 due to shortage of sand at NK, Rajampet, YSR Kadapa district.
- Hydraulic operated Block Making Machine worth ₹6.10 lakh was not put to use since inception (October 2008) at NK, Kadapa of YSR Kadapa district.

APSHCL stated that proposals were submitted to GoI for sanction of ₹1.40 crore to rejuvenate the NKs in the State besides extending grant assistance in the form of advance of ₹2 lakh per NK for starting production. Government also enumerated (October 2013) the various measures initiated to rejuvenate the existing NKs.

3.7.4 Village Nirmithi Kendras (VNKS)

In order to bridge gap between demand and supply of building materials like cement blocks and centering materials to beneficiaries, Government established 2945 VNKS under Phase-II of INDIRAMMA through VOs. APSHCL provided interest free loan of ₹85,000 and ₹1,70,000 for procurement of Block Making Unit (BMU) and Centering Unit (CU) respectively subject to repayment of loan within 12 months from supply of building material. Supply should be exclusively for INDIRAMMA beneficiaries of particular village.

Audit observed the following in this regard:

- All 2,945 VNKS which were established in January 2008 were not functional as of March 2013.

¹¹ Vijayawada - ₹0.73 crore and Pamaru - ₹0.38 crore of Krishna district; Nandyal (Kurnool district) - ₹0.27 crore; Kadapa - ₹1.20 crore and Rajampet - ₹1.39 crore of YSR Kadapa district

¹² Bhadrachalam (Khammam district) - ₹0.67 lakh; Gachibowli (Ranga Reddy district) - ₹7.24 lakh and Vizianagaram (Vizianagaram district) - ₹1.51 lakh

- Out of ₹26.10 crore released to VNKs as interest free loans for establishment of VNKs, an amount of ₹13.05 crore was recovered leaving an amount of ₹13.05 crore yet to be recovered (from September 2008 onwards) from village organisations (VOs) as of March 2013. Out of the recovered amount, machinery¹³ worth ₹3 crore was also recovered and kept at various NKs without utilisation leading to its deterioration.

No specific reasons were furnished by Government for non-functioning of VNKs. However, it was assured (October 2013) that consequent on initiation of rejuvenation measures, it would be ensured that all machinery available is put to use and recoverable amount is recovered and accounted for.

3.7.5 Construction of houses

3.7.5.1 Adoption of type design

Guidelines stipulated (December 2007) that type design with RCC roofed house of 25 sq. mts./267 sft plinth area should be adopted uniformly in State in construction of INDIRAMMA houses. The houses should not be less than 20 sq. mts./215 sft for Phase-I and 25 sq. mts./269 sft for Phase-II and III.

Audit observed the following:

- The approved type design was neither adopted by beneficiaries nor insisted upon by Department. Required field visits by staff of APSHCL to ensure compliance with this requirement were not undertaken. Verification of MBs in Khammam district revealed that 23 out of 45 test checked houses were constructed without following the type design. Physical verification of 733 test checked houses in all sampled districts revealed that 19 houses (Khammam-8; Nalgonda-1 and Vizianagaram-10) were constructed without following the type design.
- Review of Measurement Books (MBs) revealed that there were 23 houses with plinth area more than 500 sft in Khammam district. Audit could not ascertain such cases in other districts in the absence of recordings in MBs.
- Government relaxed the plinth area of INDIRAMMA house from 267 to 500 sft several times (350 sft in December 2008; up to 450 sft in August 2011 and up to 500¹⁴ sft in April 2012). On physical verification of houses in test checked districts, it was noticed that 19 houses¹⁵ were constructed with plinth area of more than the stipulated norm.

3.7.5.2 Exhibition of IAY houses as INDIRAMMA houses

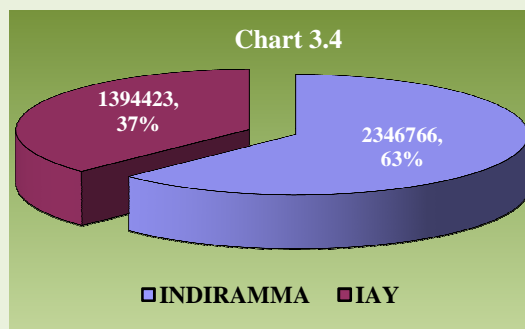
The centrally sponsored IAY housing scheme envisages provision of entire construction amount as subsidy (as against INDIRAMMA, which divides construction cost between subsidy and loan) which is to be shared between Centre and State in the ratio of 75:25.

¹³ Block making units and Centering units

¹⁴ Up to 269 (May 2006), 300 to 350 (December 2008), up to 450 (August 2011) and up to 500 (April 2012)

¹⁵ Khammam (8); Nalgonda (1) and Vizianagaram (10)

Scrutiny of progress of houses revealed that all the houses sanctioned and funds released under IAY (funds released by GoI) have been absorbed under INDIRAMMA. During 2008-13, as against the target of 54.09 lakh houses, 37.41 lakh houses were shown to have been constructed under INDIRAMMA. Of these, 13.94 lakh (37.26 per cent) houses pertain to IAY scheme sanctioned by GoI.



Source: Information furnished by APSHCL

Further, while furnishing UCs in respect of amounts released by GoI towards IAY, the same houses were exhibited as having been constructed under IAY.

Government did not furnish any specific reply on this issue.

3.7.5.3 Houses constructed under BWHP shown under INDIRAMMA

State Government tagged the houses constructed under the GoI sponsored 'Integrated Housing Scheme for Beedi Workers' (BWHP) also with INDIRAMMA. The unit cost of these BWHP houses was ₹45,000 (₹40,000 subsidy by GoI and ₹5,000 beneficiary contribution) and any excess expenditure on construction was to have been borne by the beneficiary. As per the guidelines of this scheme, the implementing agency should identify the eligible beedi workers duly after scrutinising the applications and send the proposals with its recommendations to the Union Ministry of Labour & Employment for administrative approval and release of subsidy.

However, APSHCL being implementing agency for this scheme also selected beneficiaries who were sanctioned houses under INDIRAMMA scheme and utilised GoI grant without obtaining contributions from applicant beedi workers at ₹5,000 each as per the GoI guidelines for BWHP. As against ₹118.85 crore released by GoI for construction of 40,758 houses for beedi workers, State Government expended ₹116.38 crore on both completed (24,282) and in progress houses. APSHCL has not furnished either completion certificate or UCs for the expenditure incurred out of GoI funds for this scheme.

Houses sanctioned under BWHP scheme should be completed within 18 months from date of sanction. However, scrutiny of progress of houses revealed that only 2,693 houses out of 12,999 sanctioned (2008-10) were completed; 707 houses were at various stages of construction and construction of 9,599 houses were not yet started as of June 2013.

The two schemes – INDIRAMMA and BWHP with different guidelines and funding patterns should not have been tagged together. Government did not address these questions in its reply (October 2013).

3.8 Financial Management

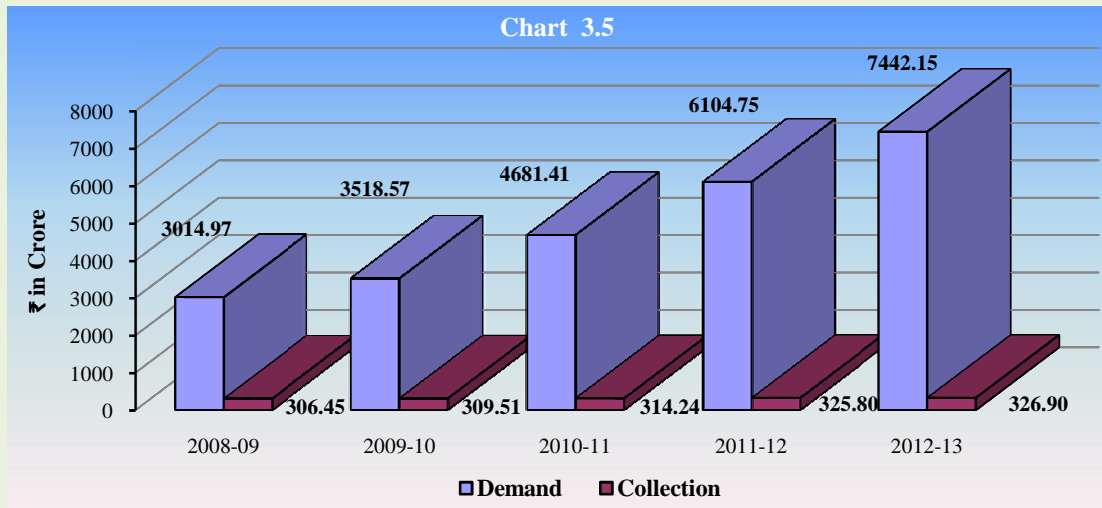
3.8.1 Acquittances not obtained for offline payments

As per scheme guidelines, payments are to be made to the beneficiaries based on the progress of construction of houses at various stages. During Phase-I and II, APSHCL released payments (from July 2007) through Village Organisations (VOs)/Self Help Groups (SHGs). This procedure was dispensed with and online payment system was introduced with effect from December 2009.

During the period July 2007 to December 2009, an amount of ₹3,322.35 crore was released to beneficiaries through VOs/SHGs towards payment for construction but acquittances were obtained to the extent of ₹3,061.14 crore as of February 2013 i.e., even after lapse of three to five years though the offline payment system was stopped in December 2009. As a result, correctness of payments made to beneficiaries could not be verified in Audit. During Exit Conference, MD, APSHCL stated that irregularities took place when the system of disbursement of unit cost to the beneficiaries through Village Organisations was in existence.

3.8.2 Recovery of loan

Scrutiny of Demand, Collection and Balance (DCB) statement of APSHCL revealed that as against ₹7,442.15 crore to be recovered towards loan from beneficiaries as of March 2013, an amount of ₹326.90 crore (four *per cent*) was recovered. The year-wise particulars of DCB are given below.



Source: Information furnished by MD, APSHCL

The status of collection of loan amount was sub optimal in YSR Kadapa (two *per cent*).

Government stated (October 2013) that district units have been advised from time to time to recover loan amount from the beneficiaries and that, in view of poor financial status of the beneficiaries, instalments are not being paid regularly. It was further stated that in order to improve the loan recovery, a One Time Settlement system was introduced waiving the interest portion on the outstanding loans.

During Exit Conference, MD, APSHCL admitted to negligible recovery of loan and stated that it was the policy of Government not to insist on recovery, but no document could be shown to Audit to substantiate this. It was also seen by Audit that the loan amounts recoverable from the beneficiaries and payable to the Government were being reflected in the Annual Accounts of APSHCL. If the Government had indeed decided not to insist on recovery, then there seemed to be no rationale for APSHCL to show these amounts as recoverable.

3.8.3 Recovery of administrative charges

Guidelines stipulate that payment to beneficiary at each stage should be released duly deducting administrative charges at three *per cent* of unit cost. Later, these charges have been fixed at ₹750 and ₹1,200 in Rural and Urban areas respectively. Scrutiny of database revealed that there was no uniformity in deduction of administrative charges online. Out of 40.29 lakh completed houses, less than ₹750 was recovered from 4.10 lakh beneficiaries, of which, no administrative charges were recovered from 22,929 beneficiaries.

Government admitted (October 2013) the lapse and attributed it to data entry mistake while migrating details from offline to online mode.

3.9 Monitoring

State Monitoring Unit (SMU) of APSHCL is the nodal agency¹⁶ for monitoring and examining all complaints and is responsible for taking follow-up action in all such cases. General functions of APSHCL include referring non-misappropriation cases to PDs and misappropriation cases to SOs/PDs/NGOs as ordered by MD. Cases of double payments, payment to old house and payment without house are considered serious offences and are to be taken up by SMU. Double entries should also be deleted from online list of beneficiaries.

However, despite detecting ineligible beneficiaries through Integrated Survey (5,22,707 beneficiaries/amount involved: ₹485.19 crore) and Voluntary Disclosure Scheme (1,02,447 beneficiaries/amount involved: ₹36.86 crore), no follow-up action was taken by APSHCL/Government to cancel the sanctions and effect recovery of the amounts released to such ineligible beneficiaries.

Government in its reply stated (October 2013) that recovery was being reviewed periodically and that District Collectors were instructed to recover amounts paid to ineligible beneficiaries by invoking Revenue Recovery Act. Government also stated that all ineligible beneficiaries were disabled in system and that they were not entitled for any further payments.

3.9.1 Complaint Redressal System

Government introduced (August 2007) a web based Complaint Redressal System (CRS) with the objective of receiving, registering and redressing grievances of

¹⁶ An independent Vigilance body under the control of MD, APSHCL

housing beneficiaries in the State. A toll-free number 1100 was set up and APSHCL should take action to redress the grievance and reply through Short Message Service (SMS) within seven days from the date of registering a complaint.

Scrutiny of pending complaints in the database as of March 2013 revealed that 664 out of 2,823 complaints¹⁷ (received during 2010-13) were addressed as of March 2013. The remaining four complaints were treated as 'not feasible'. Though action should be taken on a complaint within seven days, 2,155 complaints¹⁸ were pending for over three years.

Government replied that some of the complaints registered required discrete enquiry and the delay was attributable to the non-presence of complainant and production of required evidence.

3.10 Conclusion

Implementation of 'INDIRAMMA' scheme for providing pucca houses to BPL households had several shortcomings with regard to identification of beneficiaries, utilisation of budgetary allocations and timely completion of the targeted number of houses. Due to lack of input and validation controls, inadequate scrutiny of applications and incorrect processing of cases for sanction of houses, some ineligible beneficiaries had derived the benefits from the scheme.

The unit cost fixed by Government for construction of the houses was unrealistic, rendering it difficult for beneficiaries to construct pucca houses as per the specification of the scheme within the cost prescribed. Provision of cement and other building materials was not fully ensured and most of the Nirmithi Kendras (NKs) and all the Village Nirmithi Kendras (VNKs) established in 2008 became non-functional.

Although houses sanctioned under the scheme were to be completed within the year of sanction, about 42 per cent of the houses remained incomplete. Monitoring was ineffective in that the department has not taken action to effect recovery of the amounts from the ineligible beneficiaries.

3.11 Recommendations

- Government should carry out a comprehensive review of the housing database and weed out all junk and invalid data. Details of BPL households and ration card numbers should be validated against the data in Civil Supplies database.
- Validation controls should be strengthened in the application and all changes to the data should be properly authorised and reviewed at regular intervals.
- The unit cost for construction of houses should be reviewed periodically and revised based on ground reality.

¹⁷ Include delays in payment of bills, non-issue of cement, ineligible people being paid, non-visits by Work Inspectors, etc.

¹⁸ 2010-11: 322; 2011-12: 1,031 and 2012-13: 802

- Effective steps should be taken to rejuvenate the Nirmithi Kendras (NKs) and Village Nirmithi Kendras (VNKs) at village level.
- Government should put in place appropriate mechanism to ensure that correct UCs are furnished to GoI with reference to utilisation of funds and completion of houses under centrally sponsored schemes.

Government accepted (October 2013) the recommendations of Audit and assured their implementation.

Chapter-4

Performance Audit of Functioning of Civil Supplies Department

**Consumer Affairs, Food and Civil Supplies
Department**

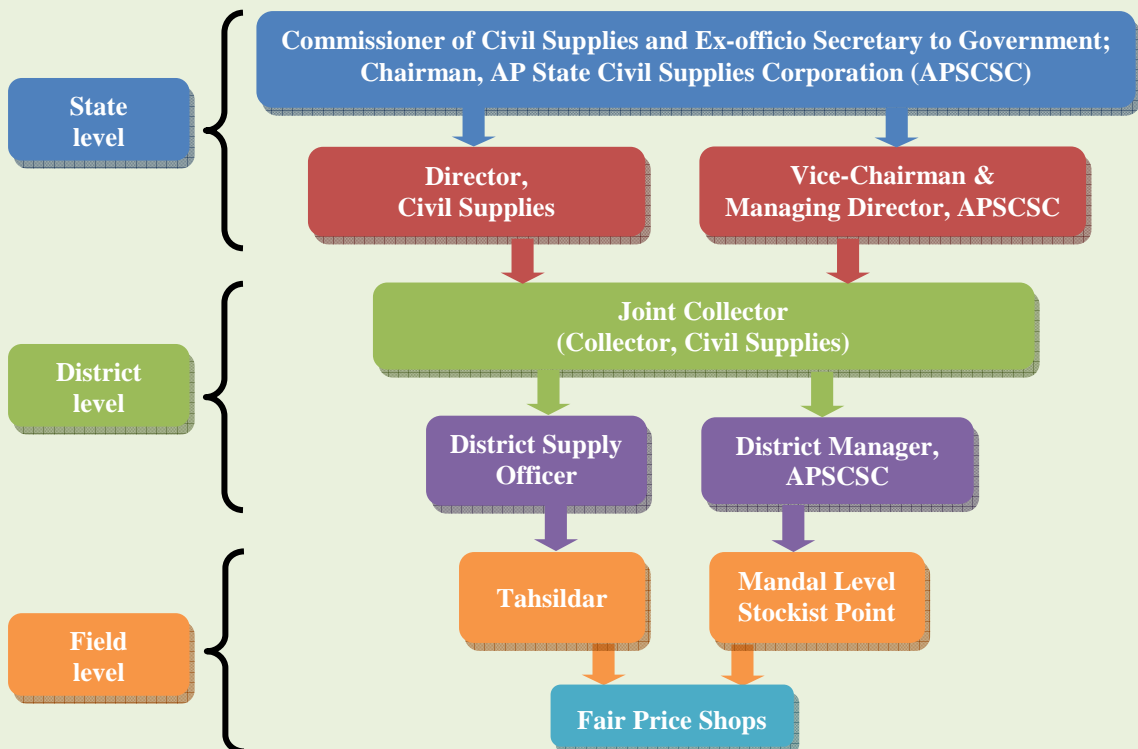
4.1 Introduction

Civil Supplies Department formed part of the Board of Revenue until 1977 and thereafter, acquired a separate identity of its own. The main activities of the Department are as follows:

- Procurement of paddy at Minimum Support Price (MSP) through State agencies and Food Corporation of India (FCI);
- Procurement of rice under mill levy for central pool;
- Procurement of essential commodities like rice, wheat, sugar, kerosene, palmolein oil and red gram dal for the Public Distribution System (PDS);
- Public distribution of essential commodities through Fair Price Shops (FPS);
- Implementation of "LPG connections for Below Poverty Line (BPL) families (Deepam scheme)";
- Monitoring of prices of essential commodities and market intervention operations for controlling the open market prices, if need arises; and
- Administering the affairs of the Andhra Pradesh State Civil Supplies Corporation (APSCSC).

4.1.1 Organisational setup

Civil Supplies Department is headed by a Commissioner, who is Ex-Officio Secretary to Government and Chief Controlling Officer (CCO) of the Department. He is assisted by Director of Civil Supplies at the State level and District Supply Officers at district level. Organisational set up of the Department at various levels is given below.



4.2 Audit Framework

4.2.1 Audit Objectives

Performance Audit of functioning of the Civil Supplies Department was carried out to assess whether,

- planning process was robust and effective with regard to MSP Operations and Public Distribution System for fulfilling foodgrain requirements within the State;
- procurement of food grains and other essential commodities was carried out economically, efficiently and effectively;
- system of identification of beneficiaries for schemes under PDS was foolproof and ensured that benefits reached targeted population; and
- the institutional mechanism for lifting, transportation, storage, handling and distribution of essential commodities was economic, efficient and effective.

4.2.2 Audit Criteria

Audit findings were benchmarked against criteria sourced from the following:

- Essential Commodities Act, 1955;
- AP Rice Procurement (Levy) Order, 1984;
- Public Distribution System (Control) Order, 2001;
- AP State Public Distribution System (Control) Order 2008;
- AP Financial Code;
- Instructions, guidelines, circulars, etc. issued from time to time by GoI and State Government; and
- Minutes of the meetings of Board of Directors of APSCSC.

4.2.3 Scope and Methodology of Audit

Performance Audit of the Department was carried out during July 2012 to April 2013 covering its operations for five year period 2008-13.

Audit methodology involved scrutiny of records relating to MSP operations for paddy and procurement, storage, transportation and distribution of essential commodities through PDS at the Commissionerate, APSCSC and District Supply Officers as well as Offices of District Managers of the Corporation in eight selected districts¹.

Entry Conference was held with the Commissioner of Civil Supplies and Vice Chairman & Managing Director, APSCSC in June 2012 wherein audit objectives, methodology, scope, criteria and audit sample were explained and agreed upon. Questionnaires were issued, discussions were held with Departmental authorities at

¹ Adilabad, Anantapur, East Godavari, Guntur, Karimnagar, Ranga Reddy, Visakhapatnam, YSR Kadapa

various levels. Audit findings were discussed with Commissioner of Civil Supplies, VC & MD, APSCSC and other officers of Department in Exit Conference in December 2013 and replies of Government have been incorporated in the report at appropriate places.

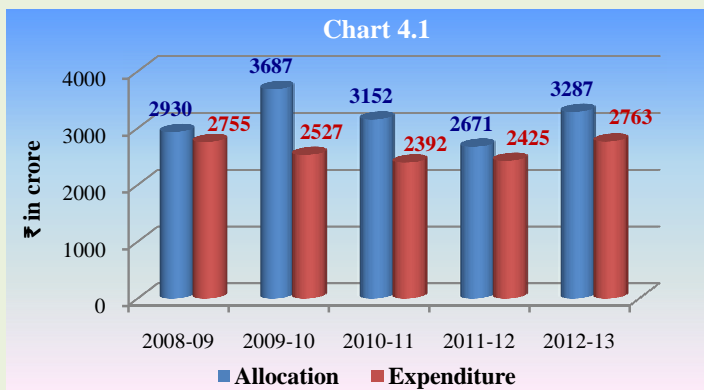
4.2.3.1 Audit Sample

Eight districts were selected for detailed audit scrutiny based on magnitude of procurement of paddy and PDS operations across all districts in State, selecting at least two districts from each of the three regions² of the State. In each sampled district, records of two Mandal Level Stockist (MLS) Points were verified. Four FPS were visited in each of eight sampled districts and household survey of 30,695 ration cards was conducted within the jurisdiction of these FPS³. Details of Audit sample are given in *Appendix-4.1*.

Results of Audit are discussed in the succeeding paragraphs.

4.3 Budget and Expenditure

Budgetary allocation and expenditure of the Civil Supplies Department for the period 2008-13 is given below.



Source: Annual Appropriation Accounts

Of total expenditure of ₹12,862 crore during 2008-13, ₹11,739 crore⁴ (91 per cent) was on account of subsidy on rice and other essential commodities and balance ₹1,123 crore was expended on other activities of the Department including establishment.

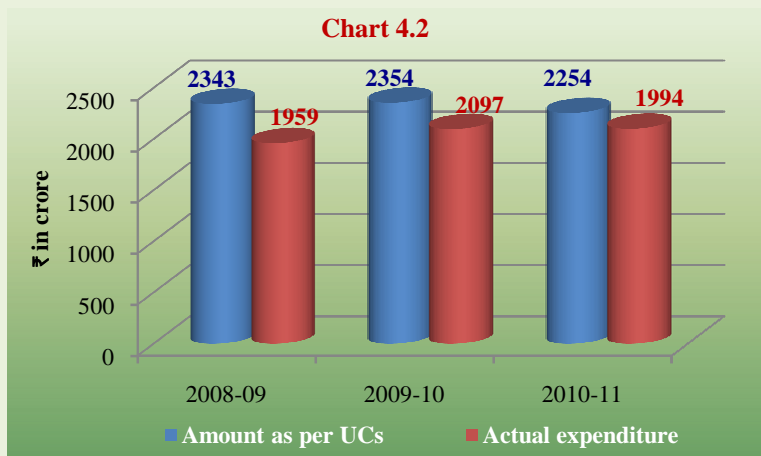
There were savings every year ranging from ₹175 crore in 2008-09 to ₹1,160 crore in 2009-10. Savings under the head 'Subsidy on Rice' accounted for ₹119 crore (five per cent) during 2008-09, ₹1,150 crore (33 per cent) during 2009-10, ₹750 crore (25 per cent) during 2010-11, ₹220 crore (nine per cent) during 2011-12 and ₹500 crore (17 per cent) during 2012-13. Department attributed (June 2013) savings during all five years to non-receipt of budget release orders (BROs) and administrative sanctions from Government.

² Coastal Andhra (3), Rayalaseema (2) and Telangana (3)

³ more than four FPS in Ranga Reddy (7) and Karimnagar (6) districts

⁴ 2008-09: ₹2,343 crore; 2009-10: ₹2,354 crore; 2010-11: ₹2,254 crore; 2011-12: ₹2,284 crore; 2012-13: ₹2,504 crore

State Government releases funds to APSCSC on quarterly basis for PDS operations and the latter is to submit detailed claims to State Government for utilisation of these funds. While APSCSC has been submitting Utilisation Certificates (UCs) to State Government, it has not been submitting detailed claims in this regard since 2007-08. Review of accounts of APSCSC for the period 2008-11 (accounts for the years 2011-12 and 2012-13 are yet to be finalised) revealed that subsidy adjusted by APSCSC was less than amount reflected in UCs as shown in chart 4.2.



Government replied (October 2013) that UCs were issued by APSCSC for advance subsidy received based on projected releases of essential commodities, and that detailed claims for subsidy for the years 2007-08 to 2010-11 were under submission.

Source: Accounts of APSCSC

4.4 Planning

Primary function of Department is to procure paddy, rice and other essential commodities for public distribution through FPS. Food grains meant for public distribution are procured by Food Corporation of India (FCI) and made available to States at Central Issue Price (CIP) fixed by GoI for below poverty line (BPL), above poverty line (APL) and other categories. Difference between cost of procurement of food grains and issue price is reimbursed to FCI in the form of subsidy⁵ by GoI. Food grains meant for BPL families are further subsidised and the subsidy amount is borne by State Government.

Quantum of commodities to be distributed to various categories of citizens is determined based on allotment orders issued by GoI from time to time. As per these orders, BPL families are entitled to 35 kg of rice or wheat, one kg of sugar and red gram dal, one litre of palmolein oil and five litres of kerosene per month per family. APL families are entitled to 35 kg of rice per month. State Government issued rice under PDS to BPL families at ₹2 per kg during period April 2008 to October 2011. Issue price was further reduced to ₹1 per kg from November 2011. This was less than its acquisition cost of ₹5.65 per kg for BPL families and ₹8.30 per kg for APL families from FCI.

⁵ 2008-09: ₹4,039 crore; 2009-10: ₹4,482 crore; 2010-11: ₹5,049 crore; 2011-12: ₹5,833 crore; 2012-13: ₹6,022 crore (Subsidy from GoI is in the form of food grains and is worked out for Rice, Wheat and Palmolein Oil on the quantities lifted by APSCSC)

Audit noticed that number of BPL families identified by State Government was at variance with that adopted by GoI. GoI has been releasing 10.52 lakh MT of rice per annum at 35 kg per family per month for BPL card holders (i.e. for 25.05 lakh families). In July 2008, State Government increased the income ceiling for BPL families from ₹20,000 to ₹60,000 per annum in rural areas and from ₹24,000 to ₹75,000 per annum in urban areas for qualifying the BPL criteria in State. Consequently, as of 2012-13, there were 2.17 crore BPL families in State and State Government has been issuing (2008-13) rice to BPL card holders at 20 kg per month per family as against 35 kg per month per family allotted by GoI. Further, no rice was issued to APL families, as the rice allotted by GoI under APL quota was diverted to BPL card holders. As a result, State Government had to bear the differential cost of ₹2.65 per kg⁶ of rice. Total quantity of rice so diverted from APL quota during the period 2008-13 was 87.96 lakh MT entailing extra burden of ₹2,330 crore to State exchequer.

4.5 Procurement of Food grains

GoI procures food grains for PDS through FCI as well through certain States earmarked for decentralised procurement activities. Andhra Pradesh is one of the eight States identified by GoI for decentralised procurement of paddy (DCP) with effect from 1 October 2012. State Government initiated procurement of paddy in seven districts⁷ under DCP scheme and proposes to extend this scheme to all districts in a phased manner.

4.5.1 Procurement of Paddy through Minimum Support Price operations

In order to ensure remunerative prices to farmers, protect them from exploitation by millers and traders and stabilise production, GoI undertakes support price operations, which involve purchasing agricultural produce directly from farmers at Government notified Minimum Support Price (MSP). Based on recommendations of Commission for Agricultural Costs & Prices, GoI fixes and communicates MSP to the State in respect of all agricultural commodities before commencement of marketing season every year. APSCSC procures paddy from farmers through Paddy Purchase Centres (PPCs) in districts and issues it to millers for custom milling and onward transportation to FCI. Process involved in procurement of paddy every season is detailed in *Appendix-4.2*. District-wise details of paddy procurement are given in *Appendix-4.3*.

Details relating to paddy production, requirement in State and quantities procured by State directly from farmers are given below.

⁶ The difference between issue price of GoI for APL (₹8.30 per kg) and BPL (₹5.65 per kg)

⁷ Chittoor, Guntur, Karimnagar, Nalgonda, SPS Nellore, Prakasam and Warangal

Table 4.1

(in lakh MT)

	2008-09	2009-10	2010-11	2011-12	2012-13*
Rice consumption	106	107	107	107	108
Paddy required at 68 per cent out turn	155	157	157	157	159
Rice production in the State	142	108	144	129	112
Paddy production in the State	209	159	212	190	165
Target set for procurement by the State	10	10	10	33	11
Quantity procured by the State	10	3	21	20	14
Quantity procured by FCI	2	1	3	1	0
Quantity procured by Private Millers	166	145	164	131	103

Source: 'Paddy procurement in Andhra Pradesh' published by Director of Economics and Statistics, and records of the Civil Supplies Department at Commissionerate and APSCSC

Note: Figures indicate total quantity during the year (for Kharif and Rabi seasons together)

*Accounts relating to paddy procurement for Kharif Marketing Season (KMS) 2012-13 are up to 31 May 2013

Audit observations in this regard are as follows:

4.5.1.1 Low public procurement

Andhra Pradesh requires around 155-159 lakh MT of paddy every year at the conversion ratio of paddy to rice (68 per cent for boiled rice) approved by GoI. Although State produced more paddy than requirement for domestic consumption, direct procurement from farmers by State during the period 2008-13 was only 3 to 21 lakh MT (2 to 11 per cent). Consequently, public procurement remained low in State compared to procurement by millers, leaving farmers at the mercy of latter.

Government attributed (October 2013) low public procurement in State to various factors like ruling market prices, availability of traditional channels of paddy procurement and huge number of trading rice mills in the State. Government further stated that millers were required to furnish certificates to the effect that paddy was purchased from farmers at MSP. During Exit Conference (December 2013), VC & MD, APSCSC assured that payment by millers through cheques/online-payment would be insisted upon to ensure MSP to farmers.

4.5.1.2 Non-submission of UCs for market fee and rural development cess

Government procured paddy from farmers at market yards/temporary yards operated by Regulated Market Committees (RMCs) by paying market fee at one per cent and Rural Development (RD) cess at five per cent of MSP. As per GoI directions (September 2010), RMCs were to utilise market fees for providing adequate infrastructure in market yards and to furnish UCs to this effect. As regards RD cess, district administration was to undertake developmental works in rural areas and provide UCs to State Government. Since State Government could not ensure compliance with

regard to submission of requisite UCs to claim reimbursement from GoI, FCI withheld its claims amounting to ₹3.49 crore⁸ (to end of 2012-13) towards market fee and ₹18.51 crore towards RD cess.

4.5.2 Custom Milled Rice (CMR)

Paddy procured by Government agencies (APSCSC/FCI) is handed over to rice millers for ‘*custom milling*’. Audit scrutiny in this regard revealed the following:

4.5.2.1 Agreement with millers

GoI has been formulating operational guidelines prior to commencement of season prescribing procedure for procurement of paddy and custom milling every year since 2000. However, specific agreements were not entered into with the millers until 2011-12, which deterred APSCSC from insisting on timely delivery of CMR and/or levy penalty for delays on millers.

Government stated (October 2013) that specific agreements were not executed till khariff marketing season of 2011-12 and that MoUs/Undertakings were taken from Rice Millers Association for delivery of CMR.

4.5.2.2 Delay in delivery of CMR

Operational guidelines provide for converting paddy into rice by millers within 15 days of procurement and supply to them. Guidelines also stipulate that handling of paddy and delivery of rice to FCI after custom milling should be closely monitored by Joint Collectors and concerned officials at district and field levels. This is crucial for claiming payments by APSCSC from FCI against CMR delivered and facilitates repayment of cash credit taken by it from RBI. Audit however noticed that, prescribed monitoring mechanism was not being followed in any district as evidenced by delays in delivery of custom milled rice to FCI. The delays ranged from 46 days (2008-09) to 110 days (2011-12) in the State on annual average basis during Kharif Marketing Seasons during 2008-13, resulting in avoidable payment of interest of ₹171 crore⁹ on cash credit during this period.

Government accepted (October 2013) that there were delays in delivery of CMR by millers despite monitoring by district administration and persuasion by APSCSC, since rice millers were also procuring paddy along with Government and milling their paddy for delivery of rice under levy and open market sales. However, this factor has already been considered since the time limit of 15 days was stipulated in operational guidelines after taking all these aspects into account.

4.5.3 Procurement of Other commodities

Apart from rice, State Government procures other essential commodities like wheat, sugar, red gram dal, palmolein oil and kerosene for public distribution to BPL households as part of its market intervention operations.

⁸ the amounts include the claims related to more than three years

⁹ Cost of rice was taken after deducting the interest component for two months allowed by FCI

4.5.3.1 Kerosene

Kerosene oil is to be supplied by wholesale dealers to retailer's (FPS) premises at uniform rate fixed by Government from time to time. If actual cost of PDS kerosene including margin to the wholesaler, transport charges from oil depot to wholesale point and to retail point thereon is more than the uniform rate, District Collector should reimburse the difference to wholesalers from Kerosene Price Equalisation Fund (KPEF). In case actual price is less than uniform rate, difference between uniform rate and actual cost should be collected from wholesalers (by District Collector) and remitted to KPEF. Instructions were issued by Government to District Collectors to finalise differential cost in respect of PDS kerosene and to ensure payment of dues to Government on basis of releases made to retailers pertaining to previous month by 10th of month. Payment if any due to wholesalers has to be made from KPEF duly reporting position of receipt/payment by 20th of month and not to issue further releases to the kerosene dealers until dues to Government were cleared by 10th of month. Further, a certificate indicating that all dues to Government are cleared up to the end of previous month has to be furnished by DSO.

Audit scrutiny revealed that contrary to instructions, Demand, Collection and Balance (DCB) register was not maintained properly with full details of transactions in any of the test checked districts. It was noticed from sundry debtors list in seven out of the eight test checked districts that an amount of ₹9.69 crore¹⁰ was yet to be collected from the dealers. However, in absence of full details of transactions in DCB register, authenticity of amount shown under sundry debtors could not be verified. District Supply Officer, Guntur, replied (January 2013) that issue of deduction of tollgate fee and VAT as per representation of wholesale kerosene dealers association was yet to be settled and on settlement of this issue, a fresh demand would be raised accordingly.

4.5.3.2 Sugar

GoI allots levy sugar to State Government on various sugar factories located within or outside the State. APSCSC handles levy sugar on behalf of GoI and State Government for distribution to ration card holders through FPS in the State. Deficit between sale proceeds and procurement cost incurred by APSCSC is reimbursed by FCI on behalf of GoI along with margins based on Levy Sugar Price Equalisation Fund (LSPEF) claims submitted by APSCSC. Audit scrutiny in this regard revealed the following:

- During the period from 2002-03 to 2011-12 there were delays (8 to 30 months) in APSCSC submitting claims to FCI and as a consequence, it suffered a loss of ₹29.30 crore (calculated¹¹ on the amount realised for period of delay in realisation). Claims for period 2011-12 were not submitted by APSCSC and accounts for 2012-13 have not been finalised yet (as of June 2013).

¹⁰ Ranga Reddy (₹2.76 crore; Pending from March 2009), Anantapur (₹2.26 crore; Pending from July 2012), Karimnagar (₹1.44 crore; Pending from October 2011), Visakhapatnam (1.41 crore; Pending from March 2012), Guntur (₹0.91 crore; Pending from April 2011), East Godavari (₹0.74 crore; Pending from October 2012) and Adilabad (₹0.17 crore; Pending from June 2010)

¹¹ Loss worked out at 12 *per cent*, being the average rate of interest on Cash Credit (figures for 2011-12 are provisional)

Government stated (October 2013) that claims were being preferred by APSCSC after getting certificates from statutory auditors and delay in furnishing claims was due to delay in finalisation and audit of accounts. However, APSCSC should have ensured timely finalisation of its annual accounts and submission of claims immediately thereafter.

- While preferring monthly claims from FCI, APSCSC claimed transportation charges based on actual expenditure incurred which ranged between ₹388.10 to ₹1,152.77 per MT during period 2007-08 to 2010-11¹². However, FCI restricted transportation charges to ₹354.30 per MT (as per margins fixed by GoI). As a result, APSCSC had to bear additional burden of ₹14.14 crore on transportation of sugar which could have been avoided had the expenditure been restricted (by APSCSC) as per margins fixed by GoI.

Government replied (October 2013) that APSCSC would get reimbursement of entire transport expenditure on fixation of final margins by GoI based on audit certificate (issued by Chartered Accountant (CA)). Audit however, observed that the claims submitted up to 2010-11 based on the audit certificates issued by CA were not admitted in full by FCI.

4.5.3.3 *Palmolein Oil*

GoI formulated a scheme in June 2008 for distribution of imported RBD¹³ palmolein oil at subsidised rate to BPL families with a subsidy of ₹15 per kg or ₹13.65 per pouch of 910 grams to control price rise of edible oils in open market. Maximum quantity distributed should not exceed one litre per ration card/family per month. GoI designated MMTC¹⁴ to import RBD palmolein oil and supply to State Government and the latter in turn entrusted job of purchasing and distributing of palmolein oil to APSCSC.

APSCSC entered into an agreement in 2008-09 with MMTC for import and delivery of RBD palmolein oil which was renewed subsequently up to 2012-13. MMTC supplies imported RBD palmolein oil in packed form i.e., in one litre pouches through packing units at Kakinada and Krishnapatnam ports. APSCSC paid a trade margin of ₹31.18 crore for the period 2008-09 to 2012-13.

Review of payments made to MMTC towards import of palmolein oil revealed that agreement concluded by APSCSC with MMTC and transport contractors suffered from certain deficiencies with regard to incorporation of clauses on demurrage charges, handling loss, interest payments and insurance charges as discussed below.

¹² claims for 2011-12 and 2012-13 were not finalised and claimed

¹³ Refined, Bleached and Deodarised

¹⁴ Metals and Minerals Trading Corporation of India Ltd

Issue	Audit findings
<i>Demurrage Charges</i>	There was no specific provision for demurrage charges in agreement. However, APSCSC paid ₹3.32 crore towards demurrage charges during the period 2008-13 to MMTC.
<i>Handling Loss</i>	Agreement entered into between APSCSC and MMTC was silent on minimum and maximum handling loss allowable. Percentage of handling loss to total palmolein oil imported per ship ranged between 0.15 to 1.55 <i>per cent</i> and the amount towards handling loss ranged between ₹24.04/MT to ₹687.32/MT. APSCSC paid ₹22.04 crore towards handling loss for the period 2008-09 to 2012-13.
<i>Interest payments</i>	<ul style="list-style-type: none"> • As per terms and conditions of agreement, MMTC could claim interest at 12.5 <i>per cent</i> on the landed cost for delay in payment by APSCSC. In absence of specific clause in the agreement regarding the day from which interest would be charged on delayed payments, MMTC charged interest from date of departure from the originating port to liquidation date (up to the day the total oil was removed from the vessel) instead of charging for delay in payment made from date of receipt of proforma invoices to the date of payment, which resulted in excess payment of interest of ₹6.81 crore. • MMTC receives subsidy of ₹15 per kg directly from GoI. APSCSC pays to MMTC, cost of total quantity based on net cost per litre after deducting subsidy component of ₹15 per kg or ₹13.65 per pouch of 910 grams (1 Litre) from total cost. Reimbursement of subsidy is not related to APSCSC and as such delay in payment does not arise. Audit observed that interest at 11.25 <i>per cent</i> (for 90 days uniformly for all 12 vessels during 2009-10) was also charged on subsidy component of ₹15 per kg provided by GoI and this was paid by APSCSC. This resulted in excess payment of ₹3.73 crore. As MMTC was getting subsidy from GoI, charging interest on subsidy portion was against the agreement.
<i>Transportation of palmolein oil</i>	Scrutiny of agreements entered into by APSCSC with the transport contractors revealed that APSCSC has not followed common criteria on payment of insurance by transporters while entering into agreements with them for different zones. Failure to include a uniform clause for payment of insurance by the transport contractors in the agreements led to avoidable payment of ₹0.82 crore ¹⁵ on transit/marine insurance.

Government accepted above audit observations and stated (October 2013) that claims for refund had been submitted by APSCSC to MMTC.

¹⁵ relating to all eight zones for the period 2008-12

4.5.3.4 Excess Payment towards trading margin

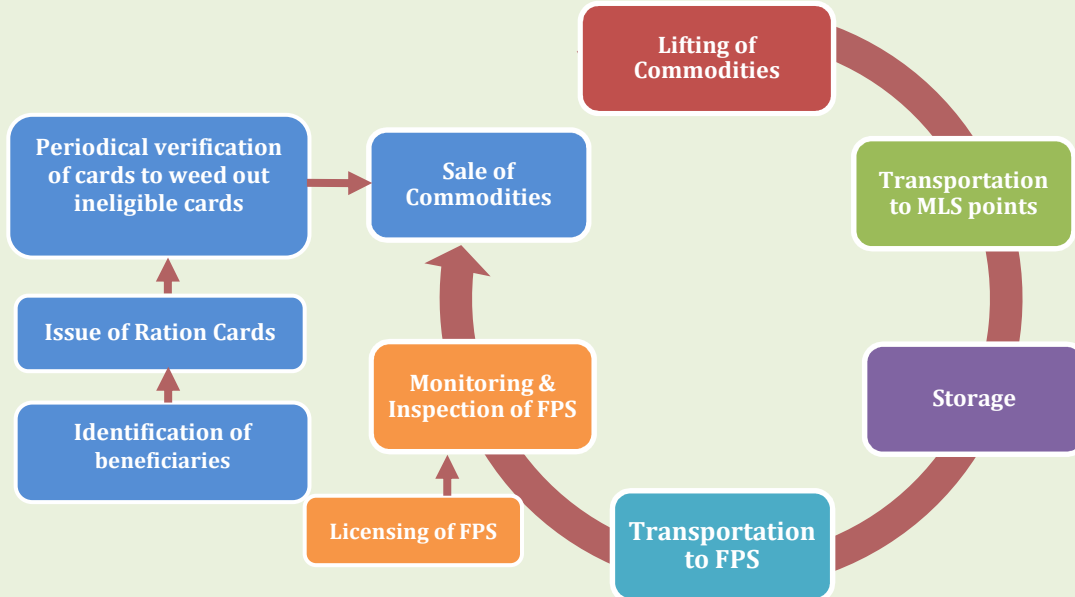
As per Para 8 of GoI guidelines, State Government would be charged entire cost¹⁶ of import of palmolein oil minus GoI subsidy of ₹15 per kg. Para 9 of the guidelines provides that PSUs (MMTC) may charge States a trading margin (administrative cost) up to a maximum of 0.75 per cent of the landed cost of oil and all other costs/charges borne by PSUs (MMTC) mentioned in Para 8 of guidelines.

Review of transactions related to palmolein oil imported during the period 2008-13 revealed that trading margin at 0.75 per cent was paid on total import cost of material without excluding other incidentals like wharfage charges, demurrage charges, handling loss, packing charges, survey charges, storage charges, storage insurance and interest on delayed payments resulting in excess payment to MMTC.

Government accepted this and stated (October 2013) that claim for refund of excess paid amount (₹15.34 lakh) has been submitted to MMTC.

4.6 Public Distribution System

Public Distribution System (PDS) is a social security mechanism for providing essential commodities to eligible beneficiaries at subsidised prices. While GoI allots food grains (rice and wheat) and levy sugar to State Government from time to time under various PDS schemes, State Government has been topping it up with issue of rice, red gram dal, kerosene and palmolein oil to BPL families at subsidised prices. Stages involved in PDS are shown below.



4.6.1 Identification of Beneficiaries

Civil Supplies Department set up an iris based biometric system in 2005 for unique identification of citizens for issue of ration cards. This system captured the iris of the

¹⁶ Up to packing, including charges incurred by PSUs such as port charges, transport charges, bank charges, charges due to exchange rate fluctuations, trading margin, interest, refining and packing charges, storage charges, etc.

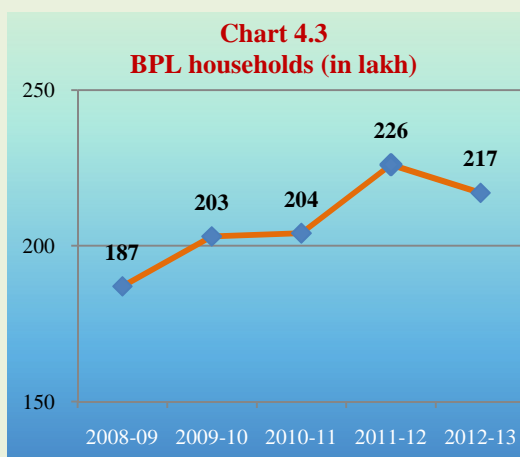
entire population of the State along with the family photograph and details relating to their income levels, addresses etc. Deficiencies with regard to identification of beneficiaries are discussed in the succeeding paragraphs.

4.6.1.1 Non-integration of data captured through iris based biometric system

Audit scrutiny revealed that iris based biometric system did not restrict the issue of multiple cards to members within 'the same family' from the same DPL¹⁷ centre. Further, the data of iris images captured at various DPL centres is not integrated which led to issue of multiple cards to members of the same family at other DPL centres.

4.6.1.2 Issue of ration cards in excess of projected households

The year-wise changes to number of BPL families is given in chart 4.3.



As can be seen from this, the number of BPL households increased during the period 2008-12 before declining marginally in 2012-13. The spurt (9 per cent) in the number (16 lakh) of BPL households during 2009-10 compared to the previous year is attributable to enhancing the ceiling on annual family income for BPL families from ₹20,000/₹24,000 in rural/urban areas to ₹60,000/₹75,000 respectively, with effect from July 2008.

Source: Records of Civil Supplies Department

As per Census 2011, the total number of households in the State is 210.23 lakh. However, the number of BPL cards alone in the State during 2010-11 stood at 204.02 lakh (including AAY and Annapurna cards) accounting for 97 per cent of the total number of households in the State. Further, the number of APL cards during 2010-11 was 29.94 lakh. As such, the total number of ration cards issued (233.96 lakh) was more than the number of total households (210.23 lakh) in the State. This was despite the biometric identification of beneficiaries.

Government stated (December 2013) that out of the total population of 8.47 crore (2011 census) in the State, allotment of essential commodities was made to 7.14 crore (84 per cent) population under BPL¹⁸ category. Audit however, observed that the criteria fixed for BPL status was not properly verified before issue of BPL cards as discussed below (paragraph 4.6.1.3 *infra*).

¹⁷ DPL: Designated Photography Location

¹⁸ Number of BPL persons in the State as on 1 March 2012 was only 78.78 lakh (9.20 per cent of population) as per GoI estimates

4.6.1.3 Ineffective verification process

As per instructions of Government (May 2005), particulars of beneficiaries obtained from self-declarations were to be verified through field enquiry before issue of BPL card. If beneficiary was found ineligible for BPL card, he/she was to be issued an APL card. Audit scrutiny revealed that process of issue of a BPL ration card (White card) was based on physical identification of beneficiary with reference to his/her residential location. There was no evidence of verifying any other criteria like land holding, annual family income (including income from other sources like rent, residential property, etc.) as prescribed before issuing a BPL card.

Persons working in Government sector, those who had pucca building with plinth area of 750 sft or more either own or rented and those owning four wheeler were not entitled to a BPL card. However, audit scrutiny of Civil Supplies database revealed that 17,940 Government employees, 20545 persons owning a house with plinth area more than 750 sft and 89,850 persons owning a four wheel vehicle were provided with BPL cards.

Audit observed that there was no system for logging receipt of applications from the people for sanctioning ration cards, verification and issue of cards, and/or reviewing the status at periodical intervals and deletion of cards where the household crosses the BPL threshold.

Audit survey of beneficiaries of 30,695 ration cards coming in the purview of 37 FP shops in sampled districts revealed that beneficiaries of 5,471 cards (18 *per cent*) were not traceable and 1,797 cards (6 *per cent*) were ineligible (subsidy burden involved during April 2008 - March 2013 on these cards was ₹4.11 crore). There was also no mechanism in place for regular verification of ration cards and weeding out bogus cards. This led to extension of undue benefits to ineligible card holders resulting in excess subsidy burden on the State exchequer.

District-wise details of findings of Audit scrutiny during beneficiary survey in the eight test checked districts are shown in Table below.

Table 4.2

District	No. of FP shops		No. of BPL cards			No. of units (family members) not deleted (death/permanent migration, etc.)
	Existing	Test checked	Scrutinised in Audit	Not traceable	Found to be not BPL	
Adilabad	618	4	2739	476	23	254
Anantapur	686	4	2747	450	58	227
East Godavari	1394	4	3308	215	153	53
Guntur	1069	4	3656	804	58	113
Karimnagar	866	6	4398	445	107	466
Ranga Reddy	941	7	6399	1435	801	204
Visakhapatnam	918	4	5910	1492	493	388
YSR Kadapa	452	4	1538	154	104	186
Total	6944	37	30695	5471	1797	1891

Considering that all social security benefits are accorded on basis of BPL status of citizens, it was imperative that State Government put in place adequate mechanism to ensure a foolproof system of identification of BPL households and issue of ration cards to them.

Government in its reply, stated (December 2013) that foolproof mechanism was being evolved for regular verification of ration cards and weeding out of bogus ration cards.

4.6.1.4 Circulation of bogus/ghost ration cards

As per Public Distribution Order 2001, review of BPL and AAY families was to be carried out every year for deleting ineligible card holders and including eligible members in PDS. However, Department did not conduct review every year for this purpose leading to existence of bogus cards and resulting in avoidable burden of ₹1,136 crore on State Government (to end of March 2013) towards subsidy on food grains and other commodities released on bogus/ineligible cards. Government's drive for de-duplication (August 2009 - March 2011), ration cards surrendered by FPS (August 2012 - October 2012) and Aadhaar Seeding¹⁹ (from April 2012 onwards) resulted in identification of 23.93 lakh bogus cards and another 2.94 lakh ineligible members in ration cards as of March 2013.

IT Audit of computerised data and dynamic Key Register (December 2012) of the Department further revealed the following:

- There were 13.63 lakh null iris (where iris data of at least one member of the family was not obtained) BPL ration cards as of December 2012 even after de-duplication and deletion process.
- As per norms, BPL cards may be issued to families with annual family income less than ₹60,000 in rural areas and ₹75,000 in urban areas. Audit noticed BPL ration cards numbering 829 in rural areas and 110 in urban areas with declared annual family income more than prescribed ceiling.
- There were 16.42 lakh BPL cards in which annual family income details were not obtained. In another 2,606 cards, names of heads of family were also not recorded. In these cases, it is not clear on what basis family was considered BPL and to whom the card was issued.
- Out of 191.65 lakh cards scrutinised in Audit, 93012 BPL cards contained duplicate photographs (same photograph was used in different cards/photographs of other than human beings are recorded) (Subsidy burden involved during 2008-13: ₹52.62 crore).

Above indicate that there were gaps in de-duplication process undertaken by Government leading to continued existence of bogus cards.

¹⁹ Linking ration card holder's identity with that of unique identity number issued by Unique Identity Authority of India

4.6.2 PDS Rice

PDS rice is allotted by GoI to State Government which is further released to FPS. Audit scrutiny with regard to PDS rice revealed the following:

- GoI introduced (October 2009) sale of wheat and boiled rice to bulk consumers by FCI through open tenders under Open Market Sale Scheme Domestic (OMSS-D) and allotted 2,78,490 MT of rice during October – December 2009. Allotment of rice under OMSS category was meant for sale to the consumers as a market intervention operation to control open market prices. Ignoring this, State Government purchased 2,76,924 MT²⁰ of rice under the scheme only to meet deficit for PDS, on the logic that releasing the same in open market might not be encouraging as the cost of rice from FCI was more or less the same in open market. Although rice was not required for PDS operations due to additional allocations of APL/BPL rice by GoI, due to inability of APSCSC to sell the rice in open market, the entire rice was released under PDS. Thus, due to purchase of OMSS rice without requirement, APSCSC incurred extra expenditure of ₹207.66 crore over and above the APL rice rate.

Government stated (October 2013) that it had lifted those stocks to meet the deficit under PDS.

- During the period from October 2009 to April 2010, APSCSC lifted 1,25,251 MT of rice meant for drought relief at higher rates (53,679 MT at ₹14.63 per kg and 71,572 MT at ₹15.37 per kg) and utilised it for PDS incurring an extra expenditure of ₹84.58 crore.

Government stated (October 2013) that the stocks were lifted as per allotment and since there were no drought releases, the rice was utilised for PDS as the stock was deteriorating due to long storage.

As per records produced to Audit, there was no deficit for PDS rice. State Government should have asked for additional allotment under PDS if there was any deficit, instead of utilising rice procured for specific purposes under OMSS/drought at higher rates. Also, diversion of specific allotment was not intimated to GoI for determining subsequent allotment.

4.6.3 Non-remittance of sale proceeds to Government account

As per SR10 (b) under Subsidiary Rule-1 of A. P. Treasury Code, Government Servant who receives money on behalf of Government should remit it into treasury or bank on day of receipt or as early as possible.

Tahsildars/ASOs collected ₹70 (₹10 for application plus ₹60 for card) from each beneficiary for laminated iris based ration card, ₹5 per coupon issued during Rachabanda-I & II and ₹10 from each beneficiary on delivery of AAY card. Scrutiny

²⁰ 1,52,334 MT at ₹ 1,614.68 per quintal; 1,24,590 MT at ₹1,537.31 per quintal

revealed that in six out of eight sampled districts, funds of ₹1.09 crore²¹ collected by Tahsildars on this account were lying with them for more than five years without being remitted to Government account.

4.6.4 Diversion of funds

- An amount of ₹102.68 crore meant for rice subsidy (₹96.18 crore) and Kerosene Equalisation Fund (₹6.50 crore) maintained by APSCSC was diverted (during 2006 to 2009) and utilised towards payment for issue of iris based ration cards and for de-duplication of ration cards.

Government in its reply stated (October 2013) that provision made in State budget for PDS covers all above activities. But payment for issue of iris ration cards cannot be treated as 'PDS subsidy'.

- During the period 2009-13, expenditure (₹363.20 crore) over and above the budget provision for LPG subsidy was met from out of funds released to APSCSC under the Head 'Subsidy on Rice'.

Government replied (December 2013) that as the budget provision for LPG subsidy was not sufficient to meet actual requirement, funds released under rice subsidy had to be utilised to avoid interruption in scheme.

4.6.5 Lapse of funds

- During 2008-09, Government allotted ₹7.94 crore for procurement of rice for Welfare Hostels and these funds were kept in PD account of the department. Due to non-utilisation, entire amount lapsed at DTO (June 2011).
- Similarly, an amount of ₹61.07 crore out of allotment (₹100 crore) made (October 2009) towards Natural Calamity Relief for distribution of rice and Kerosene in five districts lapsed (November 2011) due to non-utilisation.
- Further, an amount of ₹53.30 lakh meant for consumer welfare fund lying in PD Account also lapsed (January 2013).

Government in its reply confirmed lapse of funds.

4.6.6 Transportation

Transportation of commodities is a two stage process. Stage-I involves transportation from FCI godowns/sugar factories/STC Oil points or any other source to MLS Points and Stage- II transportation is from MLS Point to FP shop.

4.6.6.1 Excess expenditure on transportation

On basis of FCI release orders, APSCSC transports food grains from FCI depots to MLS points. FCI has to position sufficient stocks at the designated FCI depots as per allotments. Audit noticed that actual distance between FCI depots from where stocks

²¹ East Godavari: ₹46.01 lakh; Guntur: ₹34.94 lakh; YSR Kadapa: ₹16.47 lakh; Adilabad: ₹6.01 lakh; Anantapur: ₹5.05 lakh; Ranga Reddy: ₹0.88 lakh

were lifted and the MLS point was more than the distance between the designated FCI godown to the MLS points, due to non-availability of stock at designated godowns. As a result of this uneconomic movement of food grains from distant depots, APSCSC incurred an additional expenditure of ₹37.79 crore on stage-I transportation during period 2008-12, which could have been avoided had the stocks been made available at designated godowns. Excess expenditure ranged from ₹0.06 crore (Vijayanagaram district) to ₹8.50 crore (Chittoor district). Details are given in **Appendix -4.4**.

Government accepted the audit observation and attributed (October 2013) the uneconomic movement of stocks to hamali²² problems, weighbridge problems, observation of FIFO method by FCI, etc.

4.6.7 Storage

After lifting rice from FCI godowns, APSCSC transports it to its godowns (own godowns capacity: 1,12,032 MT at 107 MLS points and hired godowns capacity: 9,43,990 MT at 332 MLS points) attached to 439 MLS²³ points in the State. Status of storage capacity of own godowns and total storage capacity in each district is given in **Appendix-4.5**.

Scrutiny revealed that, during 2012-13, in nine out of 23 districts, quality of 1,334 MT of red gram (RG) dal costing ₹7.13 crore deteriorated during storage and had to be auctioned (March 2012 to June 2013) at a loss of ₹4.54 crore.

Audit observations in this regard are as follows:

- Main reason for accumulation of stocks which led to deterioration of RG dal was short release of stocks to FPS by mandal level officers.
- While issuing RG dal, some District Managers did not follow FIFO (First-in-First-Out) method in the absence of which the dal which came first was left untouched and thus got damaged/infected due to long storage.
- There was no mention in monthly physical verification reports regarding RG dal getting spoiled due to long storage and further initiation of action.
- In eight cases, after identifying damaged RG dal, there was delay of more than six months in auctioning, which led to reduction in quantity of 38.406 MT (value: ₹20.53 lakh).

Government accepted audit observation with regard to accumulation of stocks beyond the stipulated period and deterioration of RG dal, and attributed (October 2013) it to low off-take by FPS dealers and non-responsiveness of enforcement authorities for remittance of demand drafts by FPS dealers.

²² Hamali: Person involved in loading and unloading of stocks

²³ There are only 439 MLS points out of 1,177 mandals in the State

4.6.7.1 Construction of Godowns

During period 2008-13, as against 93 godowns taken up by APSCSC for construction, 79 godowns were completed and 14 godowns were at different stages of construction as of June 2013. Scrutiny revealed that except in two²⁴ cases, there were delays ranging up to 30 months in completion of these godowns²⁵. Out of the 14 godowns taken up for construction, work could not commence in two cases due to site dispute, work was stopped in four cases due to legal disputes and work was in progress in eight cases (time over run: 19 months in two cases and two months in six cases).

Government attributed (October 2013) delays in construction of godowns to shortage of sand and objections raised by revenue authorities.

APSCSC had not constructed its own godowns in some of the districts like Karimnagar and Nizamabad although rice was to be distributed to BPL families in all districts, mandals and villages. In 13 districts, though lands were available for construction/expansion of godowns at 81 sites, APSCSC has not taken up construction despite District Managers sending proposals in this regard over a year ago.

Government replied (October 2013) that out of 81 sites, estimates were prepared for construction in 22 sites in three districts and construction was in progress in nine of these sites in Anantapur district. It was further stated that work would be taken up in remaining districts.

Expenditure incurred on storage charges, total food grains procured along with storage space available in own godowns for the period 2008-13 are shown below.

Table 4.3

Year	2008-09	2009-10	2010-11	2011-12	2012-13
Total Food grains procured by APSCSC (lakh MT)	42.42	46.11	42.79	42.17	38.84
Average monthly food grains procured (lakh MT)	3.54	3.84	3.57	3.51	3.24
Storage capacity available in own godowns (MT)	73300	78400	82150	109200	112032
Percentage of storage capacity to monthly average food grains procured	21	20	23	31	35
Expenditure on hiring of private godowns (₹ in crore)	2.43	3.68	10.06	15.58	16.22

Source: Records of AP State Civil Supplies Corporation

Storage capacity available in own godowns was between 20 and 35 per cent of average monthly procurement of food grains. Due to non-construction of its own godowns APSCSC had to pay ₹47.97 crore towards rental charges during last five years. Amount spent on hiring of private godowns would be sufficient to construct about 200 new 600 MT godowns at ₹24 lakh each (calculated on the basis of cost of

²⁴ Vadlapudi godown No-II and Gambheeram godown No-II in Visakhapatnam district

²⁵ delay of two years or more in two cases, one year or more in seven cases and six months or more in 36 cases

godown in agreement during 2011-12). It was observed in Audit that while total storage capacity of godowns owned by APSCSC to end of 2012-13 was 1,27,200 MT, the storage space available for its operations was only 1,12,032 MT and the balance was being utilised by other departments. In Nalgonda district, 7500 MT storage space was occupied by Tahasildars' offices for the last eight years without paying any rent (the rental charges amounted to ₹67.50 lakh).

Government stated (October 2013) that necessary steps would be taken by APSCSC for construction of adequate number of own godowns. Government further stated that efforts were being made for collection of rent from departments concerned for the period of their occupation.

4.6.7.2 Maintenance of godowns

Joint physical verification (June - October 2012) of godowns of 16 MLS points by Audit and the APSCSC personnel in sampled districts revealed following deficiencies with regard to maintenance of godowns/MLS points.

- Doors and windows of the godowns were not covered with fine wire mesh.
- Godown structures were not air-tight.
- Godowns did not have detached stair-case.
- Godowns did not have extended slab at plinth-level in order to avoid rats.
- Eight out of 16 test checked godowns did not have cement concrete approach roads.
- In eight godowns, roofs were leaking due to holes in the roofs. Further, these godowns were not provided with tarpaulin.



*Leaking roof of godown, MLS Point, Jainath
(Adilabad district)*



*Godown without access road, MLS Point,
Lammasingi (Visakhapatnam district)*

- Power supply was not provided in 14 godowns.
- Old godowns of APSCSC were not white-washed regularly.
- In Muddanuru, YSR Kadapa district, old and unused cinema hall was being used as godown, although it has no basic infrastructure.
- Though required as per Manual, first aid box was not provided in 14 godowns.
- In two godowns stock boards were not provided; and in eight godowns though provided, these were not put to use.

- Persons in charge of MLS points had not maintained complaint registers.
- Records relating to fumigation, prophylactic treatment and other quality control measures taken up were not maintained at MLS points.
- MLS points were provided with 0.3 MT and one MT weighing machines only. Hence, weighing of PDS commodities was a tedious task.

Scrutiny also revealed that in Anantapur, Ranga Reddy and YSR Kadapa districts, the maximum capacity utilisation of hired godowns during 2011-12 was 70 - 75 per cent only indicating that godowns were hired without assessing the actual requirement.

District Managers assured (June - October 2012) that necessary action would be taken to rectify above deficiencies. Government stated (October 2013) that necessary instructions would be issued to field officers. During Exit Conference, the Commissioner stated (December 2013) that action would be initiated to improve facilities in godowns.

4.6.8 Distribution of commodities

4.6.8.1 Licensing of Fair Price Shops (FPS) dealers

Government issues authorisation to FPS dealers for distribution of essential commodities to ration card holders, which is valid initially for two years and can be renewed thereafter at a three year interval. Scrutiny revealed that in seven out of eight sampled districts, authorisation had expired in respect of 2,069 FPS which continued to operate (the earliest one pertains to 2008-09).

Government replied (December 2013) that all Collectors (CS) were asked to direct the concerned appointing authorities to renew authorisations on time and not to allot essential commodities to FPS dealers who were not having valid authorisation.

4.6.8.2 Rationalisation of FPS

Government issued (2007) instructions for rationalisation of existing FPS in State by attaching required number of cards to each shop for convenience of card holders in the locality and keeping in view economic viability of FPS. As per norms, maximum number of BPL cards that could be attached to an FPS was 450 in rural areas, 550 in municipalities and erstwhile taluk headquarters and 650 in municipal corporations. However, there were 16,653 FPS which catered to more number of BPL cards than the prescribed norms. Of these, 41 FPS catered to more than 2000 cards beyond the maximum ceiling. The norms stipulated and compliance thereto are given below.

Table 4.4

Jurisdictional area	Maximum Number of BPL cards permissible under an FPS	Number of FPS catering to more cards than the prescribed ceiling
Rural	450	13749
Municipalities and erstwhile Taluk Headquarters	550	1764
Municipal Corporations	650	1140
Total		16,653

Source: Records of Commissioner, Civil Supplies

Government replied (December 2013) that all Collectors (CS) were directed to take appropriate action to rationalise the FPS with adequate number of ration cards as per norms.

4.6.8.3 *Functioning of FPS*

Audit conducted (July 2012 to March 2013) joint survey along with Revenue Department officials to verify correctness of details such as income, residence, number of units mentioned in a ration card etc. Functioning of FPS was also verified during these visits. Scrutiny of 37 FPS in eight sampled districts revealed the following:

- PDS (Control) Order, 2001 stipulates that the designated authority of State Government should ensure that one copy of allocation order given to FPS is simultaneously sent to Gram Panchayats or Nagar Palikas or Vigilance Committees or any other body nominated for monitoring functioning of the FPS by State Government. However, it was noticed that no such practice was followed in any of the test checked FPS.
- State Government should make arrangements for taking delivery of essential commodities issued by Central Government by their designated agencies or nominees from FCI depots/godowns and ensure further delivery to FPS within first week of the month for which allocation is made. However, in none of the FPS visited, were commodities delivered in first week of the month.
- Gram Panchayats or Nagar Palikas or Vigilance Committees or any other body nominated for monitoring functioning of FPS shall display stocks of essential commodities allotted during the month to the FPS on a notice board outside their shop. Such information was however, not displayed in any FPS visited.
- List of beneficiaries having BPL and Antyodaya cards should be displayed in each FPS. Similarly, entitlement of commodities under each category should also be displayed. However, no such lists were displayed in any FPS test checked. Availability of stocks (Opening and closing stocks of each commodity) was also not displayed.
- Audit noticed that (i) timings for opening and closing of FPS was not followed in 3 FPS out of 37 visited; (ii) Complaint Registers were not maintained in any FPS; and (iii) in the previous system of issue of ration cards (before introduction of iris) the card used to contain some pages with columns to be filled in by the dealer for record of commodities issued, date of issue, etc. During 2008-13, there was no such record to ensure transparency in issue of commodities and even printed receipts were not issued to beneficiaries (no counterfoils) to facilitate counterchecking of the sale register.

Government in its reply stated (December 2013) that necessary instructions have been issued to all Collectors in this regard.

4.7 Monitoring

4.7.1 Functioning of Food Advisory Committee and Price Monitoring Committee

Food advisory committee (FAC) meant for reviewing functioning of the Public Distribution System was reconstituted at State level in 2004 after its expiry in 1996. During the five year period 2008-13, the State level committee had met only once²⁶ as against 20 meetings prescribed. FACs at district and mandal level were required to meet once in two months and once a month at village level to FPS level. Information about conduct of meetings in 2012-13 was not available with the Commissionerate. During 2008-12, committees were not formed at all levels, and where formed, were not conducting meetings at regular intervals.

Government decided (August 2009) to constitute 'Price Monitoring Committee (PMC)', as a sub-committee under the Food Advisory Committee at district and mandal level to review availability of essential commodities and their prices in open market and to suggest action to prevent hoarding and black marketing. These committees were required to meet once a week. Commissioner has no information about the formation of PMCs in five²⁷ out of 23 districts in the State. In Warangal, Hyderabad and Nizamabad districts, although the PMCs were constituted, these have not met even once during the period 2009-12.

Government in its reply stated (December 2013) that Civil Supplies matters were being looked after by official machinery of each district and non-convening of FACs at regular intervals had no adverse impact. However, without meetings and follow-up action, utility of these committees was undermined.

4.7.2 Non-reconciliation of allotment/release orders vis-à-vis actual release of stocks

Commissionerate allots commodities district-wise and the latter issues mandal-wise allotment orders. Tahsildars in turn issue release orders to FPS dealers. APSCSC is releasing commodities based on the release orders issued by the Tahsildars. Audit observed that there was no reconciliation between the allotment/release orders issued and the actual releases. In the absence of this reconciliation, release of stocks against fictitious release orders, if any, could not be vouched in Audit.

Government replied (December 2013) that computerisation of PDS operations was underway to bring about transparency and reconciliation in allotments and distribution.

4.7.3 Compliance with PDS (Control) Order, 2001

Audit noted that some salient features of Public Distribution System (Control) Order, 2001 as regards monitoring PDS operations were not followed as shown below.

²⁶ On 11 January 2011

²⁷ Adilabad, Anantapur, Kurnool, Nalgonda and Vizianagaram

Provision of the PDS Control Order, 2001	Audit findings
State Government shall ensure regular inspections of FPS not less than once in six months by the designated authority. State Government may issue orders specifying the inspection schedule, list of check points and the authority responsible for ensuring compliance with the said orders.	No such inspections were carried out in any of the FPS visited by Audit although Clause 16(i) and (vii) of PDS (Control) Order 2008 specifically stipulated so.
Meetings of the Vigilance Committees on PDS at State, District, Block and FPS level shall be held on a regular basis. The date and periodicity shall be notified by State Governments. The periodicity shall not be less than one meeting a quarter at all levels.	Meetings were not being conducted in the districts covered by Audit.
State Governments shall ensure monitoring of the functioning of PDS at the FPS level through the computer network of the NIC installed in the District NIC centres. For this purpose, computerised codes shall be issued to each FPS in the district.	No such net work monitoring of the functioning of FPS was in place in the districts covered in Audit.

Government replied (December 2013) that all Collectors (CS) were directed to conduct periodical inspections to ensure that PDS rice and other essential commodities intended for distribution to poor are not misused/diverted.

- Cent *per cent* physical verification of stocks was to be conducted in all MLS points once a quarter. However, this was being done only when the stocks were meagre and whenever irregularities came to notice.

Government stated (October 2013) that necessary instructions had been issued to field officers.

- There were delays of one to five months in reconciliation of MLS point stock registers and sale proceeds.

Government stated (October 2013) that efforts were being made to avoid delay in reconciliation.

4.8 Conclusion

Public procurement was low in the State vis-à-vis procurement by the millers. APSCSC could not ensure conversion of paddy into rice by the millers within the stipulated period resulting in avoidable payment of interest on cash credit.

Public Distribution System was marked by improper procedures and inadequate monitoring relating to identification of beneficiaries and existence of bogus and ghost ration cards. There were delays in construction of godowns and hired godowns were not utilised to their full capacity.

Several FPS continued to operate without authorisation from Government and over 16,000 FPS were catering to more number of BPL cardholders than the prescribed norm. Essential commodities were not delivered on time in the test checked FPS and stocks of essential commodities were not displayed in any of the FPS visited. FPS were not reconciling the commodities received with the quantities issued to the beneficiaries. Monitoring mechanism relating to Public Distribution System was

inadequate, with the Committees (Food Advisory Committee, Price Monitoring Committee) failing to meet at the prescribed intervals and to monitor the availability and prices of essential commodities.

4.9 Recommendations

- Government should take steps for timely delivery of Custom Milled Rice to Food Corporation of India.
- Government should evolve a foolproof system for identification of BPL households before issue of ration cards.
- Government should ensure effective coordination with FCI for positioning stocks at designated depots for economic transportation.
- Storage arrangements should be strengthened by constructing adequate number of own godowns.
- Inspection of Fair Price Shops at regular intervals should be ensured and monitoring mechanism with regard to functioning of PDS operations should be strengthened.

The recommendations were discussed in the Exit Conference (December 2013) and accepted by the Government.

Chapter-5

Compliance Audit Observations

School Education Department

5.1 Infrastructure facilities in Schools

Right of Children to Free and Compulsory Education (RTE) Act, 2009¹ imposes upon State Government the duty of providing infrastructure including school building with basic amenities to every child. Government of Andhra Pradesh enacted (April 2010) ‘The Andhra Pradesh Right of Children to Free and Compulsory Education Rules, 2010’ to achieve this objective.

Audit carried out an assessment of adequacy and availability of infrastructure facilities and basic amenities in schools in conformity with norms for a school prescribed under RTE Act, 2009. For this purpose, Audit analysed State level data (DISE² data) pertaining to 76,735 schools³ compiled by Commissioner and Director of School Education (CDSE) and scrutinised records pertaining to Rashtriya Madhyamika Siksha Abhiyan⁴ (RMSA) in offices of CDSE/District Educational Officers of six districts. Records of State Project Director (SPD) and District Project Offices⁵ for the period 2010-13 were also scrutinised in respect of Rajiv Vidya Mission⁶ (RVM) and Kasturba Gandhi Balika Vidyalayas. Audit also test checked during 2012-13, **154 out of 19,357 Primary/Upper Primary/High Schools in the six sampled districts⁷ (Appendix-5.1).**

Norms and standards stipulated by RTE Act *inter alia* include provision of all weather building consisting of at least one classroom for every teacher and an office-cum-store room, barrier free access, separate toilets for boys and girls, safe and adequate drinking water facility to all children, a kitchen where mid-day meal can be cooked in the school, playground and arrangements for securing school building by boundary wall or fencing.

Audit scrutiny in this regard revealed the following.

5.1.1 All weather buildings

Although 96 *per cent* of schools in the State have their own buildings, 19 *per cent* of primary schools (10,945 schools/15,513 classrooms) required major repairs to their buildings. In six sampled districts, 18 *per cent* of primary schools (2,619 schools/3,704 classrooms) required major repairs to buildings as per DISE data for 2012-13 reported by CDSE. State Project Director, RVM had no information as to period since when the buildings had been in need of such repairs.

¹ The RTE Act, 2009 was passed by the Parliament with the aim of providing free and compulsory education to all children of the age of six to fourteen years

² District Information System for Education (DISE)

³ Primary Schools: 56,741, Upper Primary Schools: 8,982 and High Schools: 11,012

⁴ A GoI scheme with objective to enhance access to secondary education and to improve its quality

⁵ Mahbubnagar, Medak, Prakasam, Ranga Reddy, Vizianagaram and YSR Kadapa

⁶ A GoI scheme with objective to achieve universalisation of elementary education

⁷ Mahbubnagar (23), Medak (20), Prakasam (30), Ranga Reddy (31), Vizianagaram (28), YSR Kadapa (22)

Chief Engineer (RVM) replied (January 2014) that major repairs to primary schools were being taken up by Government every year in a phased manner and that the left-over works would be covered in the next annual plans.

In *six sampled districts*, 188 schools (*Appendix-5.2 refers*) were functioning without buildings (78 of these schools were in Vizianagaram district alone). Chief Engineer attributed this to non-availability of sites for constructing school buildings since these were mostly located in urban areas. Further, 58 school buildings were in dilapidated conditions (photograph of one such building is given along side).



*ZPHS, Nagireddipalli, YSR Kadapa district
(19 February 2013)*

In two⁸ out of *154 sampled schools*, there was no school building and high schools were functioning in primary school building/under trees. Though sanction for construction of school building was given in 2009-10 under RMSA, it did not materialise due to site disputes.

Government stated (January 2014) that nine additional class rooms were sanctioned and construction of these has reached up to lintel level. It was further stated that full-fledged building would be ready by beginning of next academic year.

The school building at Valasapalem, YSR Kadapa district, was in a semi-finished state due to paucity of funds.

5.1.1.1 Civil works sanctioned

Audit scrutiny of civil works sanctioned under RVM/RMSA revealed the following:

- As against 1,33,326 civil works sanctioned under RVM during 2010-13, only 1,06,044 works (80 *per cent*) were completed, 12073 works were in progress and 15,209 (11 *per cent*) works were not started as of April 2013 due to non-availability of sites, court disputes, paucity of funds, etc.
- Out of 5,580 civil works⁹ sanctioned under RMSA during 2009-11, 1902 works were completed under Phase-I & II and none of 3,437 works sanctioned during 2011-12 under Phase-III were taken up as of June 2013 for want of additional funds¹⁰ of ₹331.58 crore (over and above GoI sanction). Though proposals for sanction were submitted to State Government by CDSE in May 2013, additional funds had not been provided as of January 2014.

⁸ Primary School, Valasapalem and High School, Someswarapuram, YSR Kadapa district

⁹ Phase-I: 1,656, Phase-II: 487 and Phase-III: 3,437

¹⁰ for additional class rooms (1,011), Art-Craft room (2,044), Library (969), Toilets (1,741), Drinking water facility (480) and MMER

5.1.1.2 Major/Minor repairs identified in schools

Audit scrutiny of major/minor repairs identified in schools (under RMSA) revealed the following:

- Although 3,087 schools¹¹ were identified in 2009-10 for carrying out **major repairs** under RMSA, no action was initiated to take up major repairs in any of these schools. Further, no schools were identified during 2010-13 for carrying out major repairs.
- Out of 8,548 schools identified for carrying out **minor repairs** under RMSA during the year 2009-10, in 6,990 (82 *per cent*) schools minor repairs were taken up. During 2010-13, although 20,208 schools¹² were identified for carrying out minor repairs, work was not initiated in any of the schools as of October 2013 due to non-release of funds.

5.1.1.3 Kasturba Gandhi Balika Vidyalayas (KGBVs)

Kasturba Gandhi Balika Vidyalaya (KGBV) scheme was launched by GoI in August 2004 for setting up residential schools at Upper Primary (UP) Level for Girls belonging predominantly to SC, ST, OBC and minorities. Scheme was being implemented in educationally backward blocks of the country where female rural literacy was below national average and gender gap in literacy was above national average. Such residential schools would be set up only in those backward blocks that did not have residential schools at UP level for girls under any other scheme of Ministry of Social Justice and Empowerment, Ministry of Tribal Affairs or the State Government.

- Buildings for 348 KGBVs sanctioned by GoI in May 2011 to accommodate 120 girl students (per KGBV) were to have been completed by March 2012. Two hundred and one KGBVs were completed as of November 2013, 136 works were in progress and 11 works were not started due to non-availability of sand, unsuitable sites, etc. Government stated (January 2014) that these issues had been solved and tenders invited for these works.
- Out of 395 KGBV buildings¹³ sanctioned by GoI for providing additional infrastructure facilities and required to be completed by March 2012, only 228 (58 *per cent*) works were completed. Out of remaining 167 KGBV buildings, work was not started on 16 buildings and remaining 151 buildings were in various stages of completion. Government stated (January 2014) that action was being initiated for early completion of these works.
- Construction of KGBV buildings at Jadcherla and Bhoothpur were completed in August 2010 and May 2011 respectively. However, due to delay in providing power connection, the buildings were handed over to school authorities only in November 2011 and January 2012 respectively, with a delay of fifteen and eight months.

¹¹ Out of 3,087 works sanctioned, 56 works were executed by CDSE out of its regular maintenance budget

¹² 9,560 in 2010-11; 9,597 in 2011-12 and 1,051 in 2012-13

¹³ Model-I: 363 and Model-II: 32

5.1.1.4 Inclusive Education Resource Centres (IERC)

IERCs were established to cater to needs of Children with Special Needs (CWSN) to take up activities such as Physiotherapy, Speech therapy, counselling to parents of CWSN and teachers to ensure that education of CWSN was taken up on par with normal children. Centres were to be established nearer to Mandal Resource Centre (MRCs) building having one/two spare rooms for IERC to facilitate CWSN children and to conduct trainings and meetings.

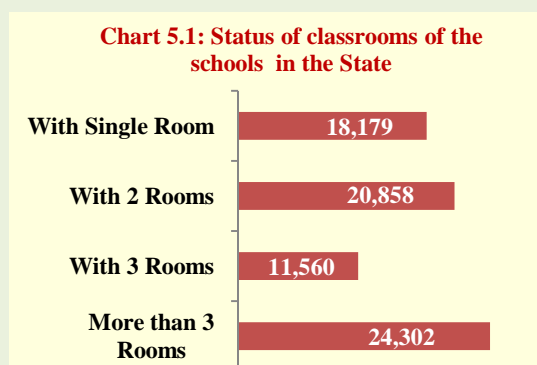
During year 2011-12, GoI approved proposals (July 2011) of State Government to establish IERCs in 382 identified MRCs. Government instructed (July 2011) that all IERCs should be constructed and operationalised by end of the financial year i.e., by March 2012 duly ensuring quality. Of 382 IERCs, construction of 295 buildings was completed as of December 2013 and remaining works were in progress.

Out of 97 IERC buildings¹⁴ along with CWSN friendly toilets and ramps sanctioned in *six test checked districts* during October 2011 – January 2012, 64 buildings¹⁵ were completed. 13 works (Prakasam: 4, YSR Kadapa: 3, Mahbubnagar: 1, Vizianagaram: 1 and Ranga Reddy: 4) were not yet started due to non-availability of site and delays in tendering and remaining 20 works remained incomplete¹⁶.

Government further stated that out of total sanction of 365 CWSN friendly toilets and ramps to IERC buildings, 233 works were completed and remaining works were in progress and that efforts were being made for their early completion.

5.1.2 Class rooms

Contrary to the norm that every primary school and upper primary school were to be provided with at least one classroom for every teacher and Office-cum-Store-cum-Head teacher's room, 24 per cent of schools in the State were functioning in single rooms. In *six sampled districts*, 4,696 schools¹⁷ (24 per cent) were functioning with only single room (*Appendix-5.2*).



Source: Records of CDSE

In 74 out of *154 test checked schools*, there were shortages of 199 class rooms. Further, 51 class rooms were in dilapidated conditions.

Out of 56,202 additional class rooms (ACRs) sanctioned¹⁸ by GoI during 2010-13 under RVM, which were to be completed by the end of respective financial years,

¹⁴ Prakasam:19, Vizianagaram: 12, Medak: 15, YSR Kadapa:17, Mahbubnagar: 21 and Ranga Reddy:13

¹⁵ Prakasam:11, Vizianagaram: 9, Medak: 11, YSR Kadapa:12, Mahbubnagar: 15 and Ranga Reddy: 6

¹⁶ Basement level: 2; Lintel level: 3; Roof level: 6 and Finishing stage: 9

¹⁷ Medak: 543; Ranga Reddy: 364; Mahbubnagar: 943; Vizianagaram: 943; Prakasam: 920 and YSR Kadapa: 983

¹⁸ 2010-11: 15,214; 2011-12: 20,599 and 2012-13: 20,389

8,697 (15 per cent) ACRs remained incomplete and 5,130 (nine per cent) were not even started as of April 2013. State Project Director, RVM attributed the delay in this regard to non-availability of sites, disputes over title of allotted sites and boundaries, encroachment of school lands, lack of preparedness by School Management Committees, non-availability of sand, delays in tendering process, legal problems, etc.

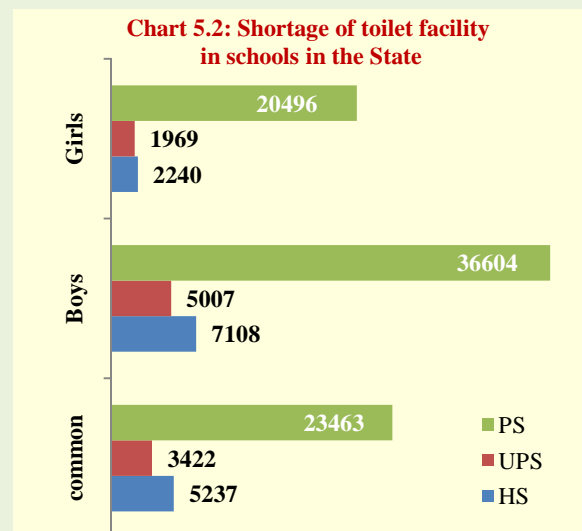
Government replied (January 2014) that major repairs were being planned for the next year and that 7,232 spill over works relating to ACRs were not approved by GoI and that these would be deferred to 2014-15. It was further stated that action was being initiated to complete the remaining ACRs which were at advanced stage of construction.

5.1.3 Barrier free access

Government sanctioned construction of ramps in 21,674 schools under civil works intervention in June 2011 at a cost of ₹0.12 lakh per ramp. Although works were scheduled to be completed by July 2011, 20974 (97 per cent) schools had completed this task as of November 2013. Further, 217 (22 per cent) ramps were completed out of 1,008 ramps sanctioned during 2012-13 as of November 2013. Government replied that action had been initiated to complete all works.

5.1.4 Toilets

Separate toilets for Girls' in 32 per cent schools, toilets for boys in 63 per cent schools and even common toilets in 42 per cent schools were not available in the State. In the *six sampled districts*, separate toilets were not provided for girls in 38 per cent (7,320) schools, for boys in 69 per cent (13,352) schools and even common toilets were not provided in 46 per cent (8,845) schools. The break up in this regard relating to primary, upper primary and high schools is given along side and in **Appendix-5.3**.



Source: Records of CDSE

Out of **154 test checked schools**, though toilets were available in 87 schools (56 per cent), none was in usable condition.

Government stated (January 2014) that 12,150 toilet units had been sanctioned through RWS&S¹⁹ Department and the works were in progress. Government attributed non-functioning of toilets to lack of timely maintenance, proper security, scarcity of water, etc. It was further stated that no maintenance grant was approved by GoI for sustainable maintenance of toilets.

¹⁹ Rural Water Supply and Sanitation

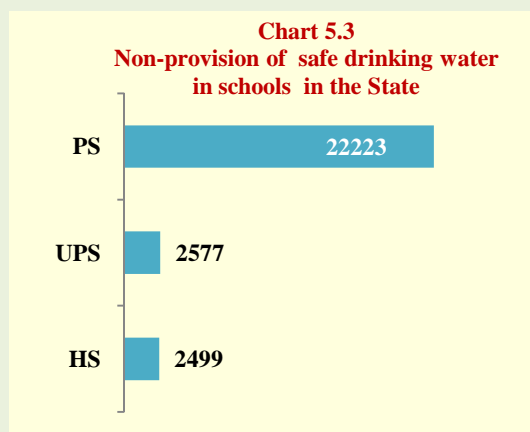
Out of 4,997 special toilets for Children with Special Needs (CWSN) sanctioned by the State Project Director (SPD), Rajiv Vidya Mission (SSA) during 2012-13 which were to be completed by March 2013, only 3,299 (66 per cent) were completed, 1249 (25 per cent) were in progress and 449 (nine per cent) toilets were not even started as of November 2013.

Government attributed delays in completion of toilets to non-availability of running water and suitable site. Government further stated that efforts were being made to complete remaining works before closure of financial year 2013-14.

5.1.5 Drinking Water

In 36 per cent schools in the State, adequate and safe drinking water facility was not provided. In the *six sampled districts*, 40 per cent (7,735) schools do not have safe drinking water facility. Details are given in *Appendix-5.3*.

In 39 (25 per cent) out of *154 test checked schools*, no drinking/running water facility was available. Though available, drinking water was not sufficient in 13 (eight per cent) schools.



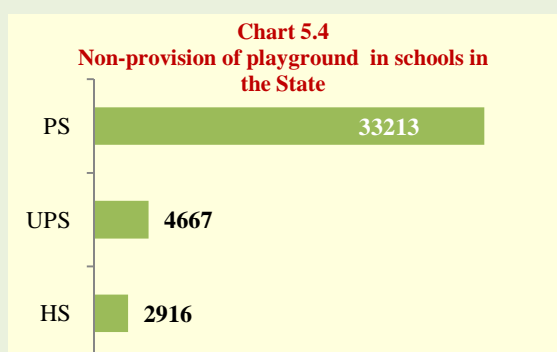
Source: Records of CDSE

Government stated (January 2014) that, as per the reports of RWS&S Department, drinking water facility had been provided in 5,371 schools and that the work was in progress in the remaining schools.

5.1.6 Kitchen sheds

In 101 (66 per cent) out of *154 test checked schools*, no kitchen shed was available for cooking mid-day meals. Consequently, food was getting cooked under the trees or in open spaces.

5.1.7 Playground



Source: Records of CDSE

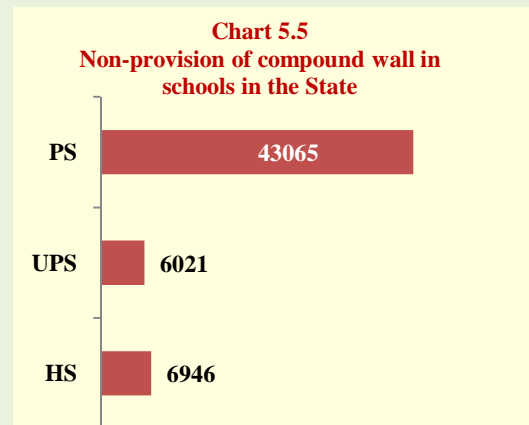
In 53 per cent schools in the State, playground was not provided. In the *six sampled districts*, there was no playground facility in 53 per cent (10,262) schools. Details are given in *Appendix-5.3*.

In 70 (45 per cent) out of *154 test checked schools*, playground was not available.

5.1.8 Security to School buildings

Compound wall facility for protecting school buildings was not provided to 73 per cent schools in the State. In the *six sampled districts* boundary wall for securing the school buildings was not provided to 71 per cent (13,742) schools. Details are given in *Appendix-5.3*.

In 83 (54 per cent) out of *154 test checked schools*, compound walls were not provided and in seven schools, these were constructed partly.



Source: Records of CDSE

Government attributed non-provision of compound wall to non-approval of relevant proposals by GoI and stated that proposal would again be submitted to GoI in 2014-15 for sanction.

5.1.9 Library Facilities

Out of 76,735 schools in the State, 4954 schools (six per cent) did not have facility of library and 2,359 (three per cent) schools did not have library books. Out of 19,357 schools in the *sampled districts*, 1512 (eight per cent) schools did not have the facility of library and 717 (four per cent) schools did not have any books in the library. Details are given in *Appendix-5.4*. In 36 (23 per cent) out of the *154 test checked schools*, library was not available.

Government replied (January 2014) that Mandal Education Officers and field level functionaries would be asked to monitor status of libraries in each school. It was further stated that proposals would be submitted to GoI for providing library room and necessary infrastructure so that all schools in the State would have active school libraries.

5.1.10 Conclusion

Although 96 per cent of schools in the State are housed in their own buildings, proper infrastructure in terms of adequate number of classrooms, barrier free access, separate toilets for girls and common toilets, safe drinking water, etc. were not provided in many of the schools as per the norms stipulated by Government of India and as enshrined in the RTE Act, 2009.

Housing Department

5.2 Implementation of Indira Awaas Yojana (IAY)

5.2.1 Introduction

GoI launched (1996) Indira Awaas Yojana (IAY) with the objective of helping in construction/upgradation of dwelling units of rural BPL households belonging to SC/ST communities, freed bonded labourers, minorities and other non-SC/ST rural households, widows and next-of-kin of defence personnel/paramilitary forces killed in action residing in rural areas (irrespective of their income), ex-servicemen and retired members of paramilitary forces.

5.2.2 Audit Framework

Audit of implementation of IAY was carried out between June - September 2013 covering the five year period 2008-13. Audit scrutiny involved examination of records in the Commissionerate of Weaker Sections Housing Programme and Andhra Pradesh State Housing Corporation Limited (APSHCL – implementing agency) and Project Directors in two districts of Telangana region viz., Karimnagar and Khammam²⁰. Audit involved scrutiny of records at offices of concerned Project Directors in these districts as well as physical verification of houses stated to have been constructed with IAY funds, besides survey of 660 beneficiaries under the scheme. Audit findings were discussed in Exit Conference with Secretary, Housing Department, MD, APSHCL and other departmental officials in December 2013. Replies of Government have been incorporated at appropriate places in the report.

5.2.3 Releases and expenditure

Expenditure on IAY is borne by GoI and the State in ratio of 75:25. Details of funds released by GoI and State Government are given in table below along with expenditure incurred during the period 2008-13.

Table 5.1

(₹ in crore)

Year	Releases by GoI	Matching State Share (MSS) to be released	MSS actually released	Total release	Expenditure
2008-09	693.47	231.16	125.00	818.47	899.38*
2009-10	990.85	330.28	388.53	1379.38	1307.96
2010-11	873.66	291.22	291.64	1165.30	1148.92
2011-12	892.37	297.46	281.83	1174.20	1113.01
2012-13	846.79**	313.05	174.13	1020.92	1132.53*
Total	4297.14	1463.17	1261.13	5558.27	5601.80

Source: Records of APSHCL

*The excess expenditure in the years 2008-09 and 2012-13 was met from the funds available with APSHCL under INDIRAMMA programme to which IAY scheme was tagged on in the State

**As against allocation of ₹939.16 crore, GoI imposed a cut of ₹92.37 crore due to non-submission of UC in respect of amount released (2010-11) for Homestead sites

²⁰ Audit of implementation of the scheme could not be carried out in the Coastal and Rayalaseema regions due to disturbances in these regions during the period of audit

Audit observations with regard to management of IAY funds by the State are given below:

- During the period of 2008-13 covered by Audit, State Government has not constructed any new houses in respect of the sanctions accorded by GoI under IAY. Instead, the houses constructed earlier under the State sponsored housing programme called INDIRAMMA were being shown as constructed under IAY while submitting the UCs to GoI. Government stated (December 2013) that IAY was subsumed in 'INDIRAMMA'.
- Scrutiny of online data relating to IAY revealed that 7,60,769 houses had been completed²¹ during the period 2008-11²² and ₹2,898.63 crore were to be released to the beneficiaries as per norms fixed. However, actual expenditure figures available online reveal that State Government had incurred an expenditure of ₹2,531.05 crore only. This was due to allocations being made by GoI from time to time under IAY at a specific unit cost and INDIRAMMA houses which were already commenced/completed with a lower unit cost being tagged on to IAY. During Exit Conference, MD stated that this was being applied in respect of houses completed only during the year and not for previously constructed houses. Audit analysis of database however, revealed that 8,68,403 cases (pertaining to Phases-I to III of INDIRAMMA) of houses completed in earlier years were also being tagged on to IAY.
- The figures of expenditure furnished by APSHCL in response to an audit enquiry differ from expenditure figures displayed online by State Government²³ with regard to IAY implementation. Therefore, Audit is unable to vouch for expenditure details provided by APSHCL. During Exit Conference, Government replied that there were some variations in online figures and stated that action was being taken to sort out the variations.
- GoI released an amount of ₹102.28 crore to 22 DRDAs in State towards Central assistance (for the year 2010-11) for providing homestead sites for 2,04,568 rural BPL households with regard to IAY scheme. Utilisation certificate for amount released was not furnished to GoI, as district administration had not identified any beneficiary under scheme. GoI had imposed (2012-13) a cut of ₹92.37 crore due to non-submission of UC in respect of amounts released for Homestead sites. Government stated (December 2013) that the house sites were being acquired by Social Welfare Department and that amount had been transferred to that department.

²¹ 2008-09: 1,92,056; 2009-10: 3,32,779 and 2010-11: 2,35,934

²² Audit findings are restricted to the period 2008-11 only as the houses sanctioned are to be completed within two years of the sanction

²³ 2008-09 (APSHCL: ₹672.20 crore and online: ₹530.60 crore – 1,92,056 completed houses), 2009-10 (₹1,164.72 crore and ₹952.59 crore – 3,32,779) and 2010-11 (₹1,061.70 crore and ₹1,047.86 crore – 2,35,934)

- Scrutiny of Cash Book and Bank Pass book of IAY funds in Karimnagar district revealed that reconciliation of balances between Cash Book and Pass book was not done during the period 2009-10 to 2012-13. Consequently, discrepancy of ₹23.38 crore between closing balances of Cash Book and Bank Pass book remained unaddressed since March 2010. Government stated (December 2013) that necessary reconciliation was being carried out for rectification of discrepancy.

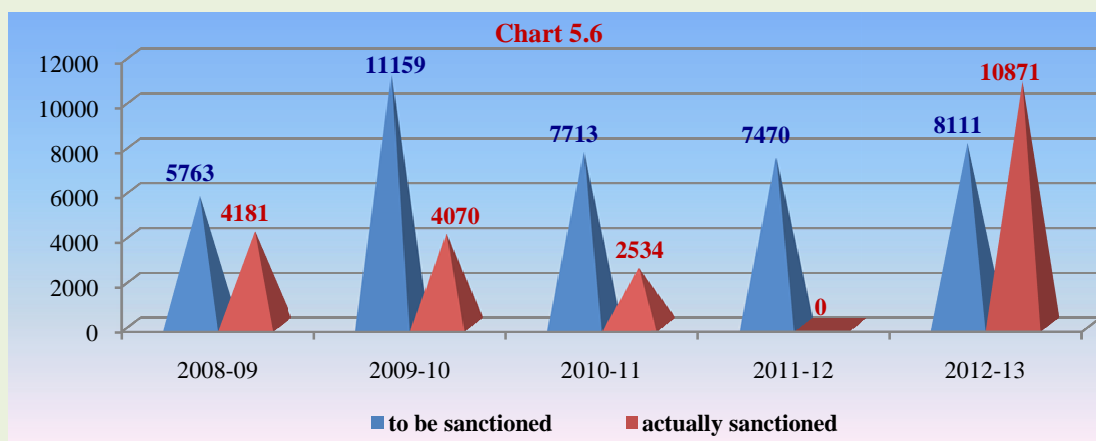
5.2.4 Identification of beneficiaries

IAY guidelines stipulate preparation of a permanent waitlist on the basis of BPL lists in order of seniority in the list. Gram Panchayat is to draw out shelterless families from BPL list strictly in order of their ranking determined on the basis of a composite score worked out on 13 socio-economic parameters. As per guidelines, Gram Sabhas are to send this waitlist to DRDA who will in turn place it on the website of Ministry. It was however, observed that there was no permanent waitlist in the State and the beneficiaries selected under the State housing programme INDIRAMMA were being tagged on to IAY as well. As no beneficiary list was prepared, there was no assessment of beneficiaries before actual sanction of houses.

During Exit Conference, Government stated that the applications received during 'Rachabanda'²⁴ programme were considered as wait list under IAY and that the list of beneficiaries under IAY were being displayed on the website from 2013-14 only.

5.2.5 Sanction and allotment of houses

As per IAY guidelines, beneficiaries should be prioritised for allotment of dwelling units and three *per cent* of total sanctioned houses should be allocated to physically and mentally challenged persons. However, there was shortfall in extending benefit to this category as per norms as can be seen from the chart below.



Source: Records of APSHCL

The shortfall was primarily due to non-maintenance of separate lists of beneficiaries for IAY programme. Government stated (December 2013) that some of the physically and mentally challenged persons were covered under INDIRAMMA and IAY depending upon the district allocation.

²⁴A State Government programme intended for redressal of public grievances and taking administration to the door steps of the people

5.2.6 Deficiencies relating to Housing database

Houses under IAY scheme should be sanctioned only to rural beneficiaries and implementing agency should check credentials of beneficiaries before sanction of houses. Scrutiny of database relating to sanction of houses revealed the following:

- APSHCL sanctioned houses to 19 Pink ration card holders²⁵ and an amount of ₹4.64 lakh was paid to such persons in Khammam, Kurnool and Karimnagar districts.
- While ration card is the primary eligibility document for allotment under IAY, there were 3.48 lakh records with invalid ration card numbers in housing database under IAY. The total amount paid to such beneficiaries across the State worked out to ₹1,117.73 crore (Karimnagar: ₹45.60 crore and Khammam: ₹201.42 crore).
- It was observed during verification of ration cards that more than one beneficiary existed in respect of 10,452 ration cards (covering 31,209 beneficiaries) across the State with regard to IAY.
- Further, there were 5,238 beneficiaries from Karimnagar and 14,127 from Khammam whose ration cards did not exist in the Civil Supplies database, which was the basic database with regard to ration card information. The amounts released to such beneficiaries in these two districts was ₹66.66 crore (Karimnagar: ₹18.80 crore and Khammam: ₹47.86 crore).

Scrutiny of sanctions of houses in sampled districts revealed the following:

- 967 beneficiary names were repeated twice/thrice and have availed benefit under the scheme and an amount of ₹2.58 crore²⁶ was paid to these beneficiaries.
- In Karimnagar district, 395 ration cards were declared as invalid in Gram Sabhas/survey, even though ₹1.15 crore were paid to beneficiaries with these cards before declaring them as invalid. No action was taken by the PD for recovery of amounts already paid.
- Verification of online progress of construction of houses revealed that 164 beneficiaries in Urban areas were tagged on to IAY. Amount sanctioned to such ineligible beneficiaries aggregated ₹0.41 crore.
- In Khammam district, 222 beneficiaries were paid an amount of ₹44.57 lakh though houses were not constructed.

During Exit Conference, Government accepted (December 2013) that there were deviations in some districts and some ineligible persons did benefit under the scheme and assured that all ineligible cases would be sorted out within a couple of months and recovery initiated from them by duly imposing Revenue Recovery Act.

²⁵ Pink ration card denotes beneficiary is Above Poverty Line - APL

²⁶ Karimnagar (102): ₹0.28 crore and Khammam (865): ₹2.30 crore

5.2.7 Targets and Achievements

As per guidelines, houses under IAY programme should be completed within two years from the date of sanction. Out of 13,40,630 houses sanctioned under General IAY scheme for the period 2008-13, only 12,11,784 houses had been completed and 1,02,437 houses were yet to be taken up for construction as of March 2013. Details of the houses sanctioned and completed are given in table below.

Table 5.2

Year	Number of IAY houses		
	Sanctioned	Completed	Not yet taken up
2008-09	192132	192039	93
2009-10	371982	332770	39212
2010-11	257104	235936	21168
2011-12	249013	207081	41932
2012-13	270399	243958	26441*
Total	1340630	1211784	128846

Source: Records of APSHCL

*26,409 houses since completed during the year 2013-14

Instances of inaccurate reporting to GoI by APSHCL were also noted by Audit. For example, in respect of sampled districts of Karimnagar and Khammam, there were over reporting of actual achievement of target (as per online data) by APSHCL to GoI to the extent of 4,164 and 27,339 houses respectively during the period 2008-13. Further, 39135 out of 50,724 sanctioned houses under Additional IAY (Khammam) scheme (for the year 2008-09) and 3,109 out of 3,731 sanctioned houses under Primitive Tribal Group (PTG) scheme in respect of IAY stimulus packages programme were only completed as of September 2013²⁷. APSHCL however, reported (November 2012) to GoI that all the houses were completed.

State Government stated (December 2013) that all houses had been completed in all respects and GoI was apprised to this effect. Difference between actual achievement of target (as per online data) and the achievement reported by APSHCL to GoI was attributed to errors during data migration.

5.2.8 Monitoring and Evaluation

Central Plan Scheme Monitoring System (CPSMS) is a monitoring mechanism of Planning Commission which is being implemented by Controller General of Accounts (CGA) to monitor availability and usage of funds sanctioned by GoI to implementing agencies so as to assess actual financial requirement for programme implementation. Under this system, Ministry of Finance, GoI directed (August 2011) that all implementing agencies in the States should be registered with CPSMS till the last tier i.e., up to sub-district level agencies with complete bank account details.

²⁷ Progress as of March 2013 was not made available to Audit

Though all PD offices of DRDA (Tier-I) were registered with CPSMS (as of December 2013), none of sub-district level agencies of District PDs of Housing (Tier-II) and MD, APSHCL (Tier-III) were registered. This resulted in funds at DRDAs being shown as ‘NIL’ and the balances at II and III tier offices not being available in CPSMS. Thus, envisaged central monitoring and evaluation mechanism was not put in place. Government stated (December 2013) that GoI had only requested to furnish details pertaining to PD, DRDAs and that relevant details had been furnished to GoI for updation in CPSMS.

However, since data relating to Tier-II (i.e., PD, APSHCL of the district concerned) and Tier-III (i.e., MD, APSHCL at the State level) were not registered in CPSMS till date, objective of assessing the actual financial requirement for implementation of the scheme was defeated.

5.2.9 Physical verification/beneficiary Survey

As per IAY guidelines, DRDAs should make concerted efforts to identify programmes/schemes being implemented by various Ministries/Departments of Central Government which could be dovetailed with IAY so as to ensure that IAY beneficiaries also derived benefits of these schemes intended for rural BPL households.

Audit conducted beneficiary survey/physical verification of 660 houses during period August – September 2013 in sampled districts along with personnel of APSHCL. Findings are as follows:

- IAY guidelines provide for construction of sanitary latrine and smokeless chulha for every house constructed/upgraded with financial assistance of IAY funds. Physical verification of 660 houses in the sampled districts however, revealed that 443 (67 *per cent*) houses (Karimnagar: 295 and Khammam: 148) were without smokeless chulhas; and 344 (52 *per cent*) houses (Karimnagar: 157 and Khammam: 187) did not have sanitary facilities;
- 139 houses (21 *per cent*) were not constructed as per specifications (type design);
- 457 houses (69 *per cent*) did not have drainage facilities;
- While 78 houses (12 *per cent*) did not have electricity supply, 129 houses (20 *per cent*) were not fitted with electricity meters. Out of 582 beneficiaries having electricity connections, 324 members (56 *per cent*) did not receive support from any Government schemes like RGGVY;
- 114 (17 *per cent*) beneficiaries were not provided expertise/information by APSHCL on disaster resistant technology;
- 75 beneficiaries (11 *per cent*) had faced problems in sanction of IAY houses like frequent visits/repeated applications and delay in release of payments;

- 511 beneficiaries (77 per cent) were not aware of differential rate of interest (DRI) loans (at an interest rate of four per cent per annum)/credit-cum-subsidy grants;
- None of the 660 houses were fitted with 'IAY logo'.

Government stated (December 2013) that smokeless chulhas were not provided as Government was sanctioning gas connections under Deepam scheme to the beneficiaries. Government did not however, furnish details as to the number of these beneficiaries covered under Deepam scheme. Government further stated that ₹2,750 had been made available to all beneficiaries under 'Total Sanitation Campaign' for construction of individual sanitary latrines (ISLs) and that this amount was being released after completion of ISLs and that the amount was since enhanced to ₹11,000. It was further stated that the basic infrastructural facilities like water supply and electricity was being taken up by APSHCL from its budget.

5.2.10 Conclusion

Beneficiaries in the two test checked districts are not aware of the IAY and the IAY logo is not displayed in any of the houses constructed with IAY funds since the scheme is merged with the State sponsored INDIRAMMA scheme. There were gaps in information with regard to usage of funds or number of houses constructed with the funds provided by GoI with regard to IAY. Permanent waitlist for selection of beneficiaries as per guidelines was not prepared. There were lacunae relating to processes for validation of beneficiaries, with differences between Civil Supplies database and Housing database.

Government assured that issues and lapses pointed out by Audit with regard to implementation of the programme would be given adequate attention to ensure that these issues are not repeated in future.

5.3 Delay in completion of houses under Flood Housing

Houses sanctioned as a mitigation measure for flood affected families were not fully completed and where completed, could not be occupied due to non-provision of infrastructure facilities, depriving beneficiaries of benefits of permanent shelters even after lapse of more than four years since floods had rendered them homeless

To mitigate hardship of people whose houses had collapsed or been damaged during floods in September - October 2009 in Guntur, Krishna, Kurnool, Nalgonda and Mahbubnagar districts, Government accorded sanction for construction of 1,00,000 houses²⁸ as a special package. Construction was entrusted to Andhra Pradesh State Housing Corporation Limited (APSHCL), being the nodal agency for housing construction activities in the State. Unit cost of houses sanctioned under this package was ₹68,450²⁹ and the houses were to be constructed within a period of six months.

²⁸ based on tentative estimates submitted by the District Collectors

²⁹ GoI subsidy (IAY): ₹26,500; GoAP subsidy (IAY): ₹8,500; INDIRAMMA subsidy: ₹13,200; GoAP loan: ₹17,500 and Toilet (PR Department): ₹2,750

GoI released central assistance of ₹14.40 crore (being the 2/3rd share of GoI at ₹35,000 per unit cost) for construction of 5,485 houses only (through DRDAs³⁰) under IAY³¹ (natural calamity) and the funds were passed on to APSHCL. With regard to State share, State Government asked APSHCL to utilise funds available with it under other State housing schemes for construction of houses. State Government released (February 2010) ₹50 crore for acquisition of land for this purpose from the Chief Minister's Relief Fund (CMRF).

Scrutiny of records (January 2013 and September/October 2013) by Audit revealed that, as against one lakh houses sanctioned by Government, District Collectors had sanctioned 50,756 houses in four flood affected districts. Of these, APSHCL had finally taken up 31,991 houses for construction (In-situ: 13,819; Re-location: 18,172). Further, against ₹50 crore released by State Government for acquisition of land, APSHCL released only an amount of ₹34.71 crore in various spells (from September 2010 to August 2011) to affected districts and the remaining amount of ₹15.29 crore was held in banks in form of Fixed Deposits³². Scrutiny also revealed that, out of 31,991 houses sanctioned, only 21,288 houses were completed; 7,773 houses were not even started and remaining 2,930 houses were at various stages of construction (October 2013).

Scrutiny revealed that even land required for construction of the houses had not been fully acquired (October 2013). Though houses sanctioned under flood housing programme were to be completed within six months, APSHCL was yet to acquire (October 2013) 104.16 acres of land out of the 1,330.29 acres required. Delay in this regard was stated to be for various reasons, as detailed below.

Table 5.3

District	Land (in acres)			Reasons/ Audit findings
	To be acquired	Acquired	Yet to be acquired	
Guntur	6.30	4.30	2.00	Due to litigation APSHCL had not taken action to identify alternate land
Krishna	32.00	10.40	21.60	Low lying areas and levelling was not done for want of funds
Kurnool	914.90	863.34	51.56	Due to litigation and non-transfer of land to Revenue authorities by Irrigation Department APSHCL had not taken action to identify alternate land
Mahbubnagar	377.09	348.09	29.00	Due to land dispute and non-transfer of land by Irrigation Department
Total	1330.29	1226.13	104.16	

Source: Records of Project Directors, APSHCL

³⁰ District Rural Development Agencies

³¹ Indira Awaas Yojana

³² which earned interest of ₹3.27 crore for period from July 2010 to January 2013 which was treated as income by APSHCL

Due to non-acquisition of land, nine relocation colonies³³ (out of 59 proposed) had not been formed yet, even after lapse of four years of occurrence of floods and thereby depriving 2,879 beneficiaries³⁴ of envisaged benefit of having permanent shelters (October 2013).

Government in its reply (December 2013) admitted that due to delay in land acquisition process in certain locations, commencement of construction activity was delayed. Government further stated that amounts available with APSHCL would be released as and when request was received from District Collectors.

Since houses were sanctioned as part of mitigation measure, the same should have been taken up/completed on time. Hence, due care should have been taken by APSHCL while identifying land for this purpose and for speedy transfer of identified lands by coordinating with other concerned departments. Further, APSHCL preferred to keep unutilised funds (intended for land acquisition) in fixed deposits rather than releasing a portion of the same towards levelling of the acquired land in liaison with District Collectors.

Audit scrutiny further revealed the following:

- In Krishna district, although 10.40 acres of land (out of 32 acres proposed for acquisition for six relocation colonies) were acquired (July 2010) to form two relocation colonies (beneficiaries involved: 235), entire exercise was rendered futile, as sites were low lying and levelling of the land could not be undertaken due to lack of sufficient funds and also on account of proposal under consideration for construction of a bridge. Further, in respect of four relocation colonies, even land had not been identified (beneficiaries involved: 718).
- In Guntur district, work of construction of 81 houses was entrusted (June 2012) to an NGO for completion within six months. However, none of the houses had been completed as of October 2013 even after lapse of over a year. APSHCL had neither issued any show-cause notice nor initiated any correspondence with the NGO to speed up construction indicating ineffective monitoring by it.

Government in its reply (December 2013) stated that out of 18,172 houses taken up under relocation, 11517 houses had been completed and 6,512 of these have been occupied.

Physical verification (October 2013) of Audit along with departmental officials of one layout colony at G. Singavaram in Kurnool district revealed that as against 1,003 houses sanctioned, 692 houses were completed and construction of 311 houses was not even taken up. Of the completed houses, only 60 (nine *per cent*) houses were occupied by beneficiaries and remaining houses were not occupied due to non-provision of infrastructural facilities like internal roads, water and electricity etc. Though District Collector apprised (November 2012) situation of internal roads in the

³³ Guntur (2), Krishna (4), Kurnool (2) and Mahbubnagar (1)

³⁴ Guntur (57), Krishna (718), Kurnool (1965) and Mahbubnagar (139)

flood relocation colonies to MD, APSHCL and sought release of funds, required funds had not been provided as of December 2013.

Government stated (December 2013) that infrastructural facilities could not be provided due to non-availability of funds with APSHCL for that purpose and that the responsibility of providing infrastructural facilities was entrusted to the local bodies.

School Education Department

5.4 Accountal of examination fee

Examination fees collected in respect of various entrance tests were retained and utilised in violation of codal provisions. Appropriation to the extent of ₹2.45 crore made from the exam fees towards meeting departmental expenditure was contrary to codal provisions. Unspent balances to the extent of ₹53.62 crore were also lying with Commissioner and Director of School Education outside Government account

Government (School Education Department) conducts various recruitment tests³⁵ and Common Entrance Tests (CET) for admission to various courses. Commissioner and Director of School Education (Commissioner) is responsible for conducting these examinations through Conveners appointed for each such examination. Conveners are responsible for maintenance of proper books of account of receipts and expenditure in respect of each examination.

Audit scrutinised (August 2013) records of Commissioner relating to tests conducted during 2008-09 to 2012-13 (up to May/June 2013) with a view to assess compliance with codal provisions and Government orders with regard to accountal of examination receipts and expenditure thereon. Audit findings in this regard are given below.

5.4.1 Retention and utilisation of Government receipts in violation of codal provisions

Rule 7(1) of AP Treasury Code Volume-1 stipulated that all moneys received by or tendered to Government servants in their official capacity should be paid in full into the treasury without undue delay.

- Contrary to above codal provisions, Government issued orders³⁶ allowing Commissioner to meet expenditure on conducting APTET from revenue earned by sale of applications and exam fee collected from applicants, instead of remitting the amounts to Government account and according separate sanction for meeting expenditure on conducting these examinations. Government also did not issue any instructions, with regard to utilisation of unspent funds available with Commissionerate after meeting expenditure on this account. Government orders

³⁵ District Selection Committee (DSC) for recruitment of teachers; AP Teachers Eligibility Test (APTET for eligibility for recruitment as teachers including in private schools)

³⁶ GO Ms. No. 51, School Education (SE. GENL.II) Department, dated 16 April 2011

with regard to collection and utilisation of examination fee collected in respect of DSC, DIETCET and LPCET³⁷ were not made available to Audit despite specific request.

- Commissioner collected ₹89.48 crore from applicants towards examination fee in respect of DSC, APTET, DIETCET and LPCET during the five year period 2008-13 and an amount of ₹35.86 crore was expended on the conduct of these examinations. This included advances of ₹11.02 crore given to District Educational officers (₹9.37 crore) and other officers (₹1.65 crore) which were pending adjustment for one to four years, attributable to lack of pursuance by the Commissionerate of School Education.
- Commissioner retained an amount of ₹53.62 crore³⁸ in fixed deposit/savings bank accounts even after completion of events pertaining to respective examinations.
- Commissioner diverted (2008-13) an amount of ₹2.45 crore³⁹ from fee collected for DSC examinations for meeting departmental expenditure not related to examinations, which should have been met from regular budget of the department. Commissioner attributed (July 2013) diversions to meagre budget provision.

5.4.2 Non-maintenance of Cash Book and register of valuables

As per AP Treasury rules, every Drawing Officer has to maintain Cash Book in APTC Form 5 and it should be closed regularly showing the balance available including that in all subsidiary Cash Books.

Audit scrutiny revealed that in spite of huge amounts being received and expended towards conduct of examinations, Cash Books were not maintained in respect of any examination. Only an abstract Cash Book was prepared based on cheque issue register, files, etc. Further, two bank accounts were opened in different banks for same examination (DIETCET 2010 and 2011). Due to non-maintenance of Cash Books, there was no assurance that all receipts and payments were properly accounted for.

As per para 3.39 of Handbook on Financial Accountability issued by Government in August 2008, moneys received in the shape of DDs etc. should be posted in the Register of Valuables immediately on their receipt and sent to bank for credit without any delay. Due to non-maintenance of register of valuables or any other record for the purpose, Audit is unable to vouch that all DDs were encashed and accounted for. Scrutiny of Abstract Cash Book and bank statements revealed (May 2013) a difference of ₹0.19 lakh with reference to DDs sent to bank but not realised. Further, there were delays ranging from two to four months in remittance of money received

³⁷ DIETCET for admission to District Institutes of Educational Training; LPCET for admission to Language Pundit courses

³⁸ DSC (2008, 2011 and 2012): ₹13.82 crore; TET (2011, January 2012 and May 2012): ₹23.78 crore; LPCET (2010, 2011 and 2012): ₹0.05 crore; DIETCET (2010, 2011 and 2012): ₹15.97 crore

³⁹ Advances to other purposes: ₹1.00 crore, Office expenditure: ₹0.87 crore, Procurement of fire equipment: ₹0.23 crore, Construction of RJD Office & others: ₹0.20 crore, Purchase of vehicle: ₹0.09 crore, Remuneration to steno to Government pleader: ₹0.04 crore, Purchase of furniture for exam centres: ₹0.02 crore

through DDs into bank. Commissioner stated (July 2013) that the issue has been taken up with bank authorities and action would be taken for realisation of the amounts.

The matter was reported to Government in November 2013; reply has not been received (January 2014).

Revenue Department

5.5 Irregularities in alienation of land

While allottee was yet to pay land cost of ₹2.82 crore to Government, District administration refunded ₹1.67 crore to the College (for payment of compensation to encroachers) in violation of Government instructions

A Medical College requested (February 2009) State Government to allot about 600 acres of land in Chittoor district for setting up its second campus to host a super speciality hospital, medical college, pharmacy college, nursing college, dental college and institute of public health and bio-medical engineering college, besides a full-fledged residential campus, hostels and related social infrastructure.

Government considered the request and agreed (February 2009) to allot 640.17 acres of land situated in Chittoor and Gudipala mandals of Chittoor district in favour of the College. Formal alienation orders were however, issued in March 2010. Audit scrutiny of relevant records revealed the following.

- As against total amount of ₹18.96 crore⁴⁰ payable, the College paid only ₹16.14 crore (April – July 2009) towards cost of land, leaving a balance of ₹2.82 crore yet to be paid (May 2013).
- Rules⁴¹ prescribe that alienation of land to a company/private individual or institutions for any public purpose should be made against collection of its market value⁴² and subject to terms and conditions prescribed in Board of Standing Orders (BSO). Further, Section 18 of AP Land Acquisition Act specifies that fair market value of land (to be acquired) has to be ascertained with reference to date of notification for its acquisition and that market value of land to be acquired would depend on where the land is situated and its surroundings. In the instant case, District Collector recommended alienation of land at rupees one lakh per acre as against market rate of ₹1.50 lakh to ₹2 lakh determined by Joint Collector and Revenue Divisional Officer (RDO) after inspecting land in January 2009. It is

⁴⁰ Government land: 237.74 acres/₹1 lakh per acre, DKT land: 319.11 acres/₹1 lakh per acre + ex-gratia at ₹2.50 lakh per acre and Patta land: 83.32 acres/₹5 lakh per acre + 30 per cent solatium

⁴¹ Standing Orders of the erstwhile Board of Revenue (BSO) and the Andhra Pradesh (Telangana Area) Alienation of State Lands and Land Revenue Rules, 1975

⁴² Market value has been defined in the AP Land Acquisition Act as the price obtained by sale of adjacent lands with similar advantages

pertinent to note that as per Government orders⁴³ of February 2005, land can be allotted to Educational Institutions only at market value. Further, Empowered Committee in its meeting (February 2009) recommended for alienation of the land at ₹1.50 lakh per acre. However, contrary to its own guidelines and ignoring recommendations of Empowered Committee, Government alienated the land at Rupees one lakh per acre. Due to alienation of land at a lesser rate than market value, Government sustained a loss of at least ₹1.19 crore⁴⁴.

- As per Government (Revenue Department) instructions of March 2010, encroachers of land were not eligible for any compensation/ex-gratia. Therefore, encroachers of Government lands, kalva and vagu⁴⁵ poramboke lands of Mapakshi and 190 Ramapuram villages of Chittoor and Gudipala mandals respectively were to be evicted after following due process of law. Contrary to this, based on a request from the College, District Administration refunded (April 2010) ₹1.67 crore out of ₹16.14 crore remitted by the College towards land cost to the College for payment of compensation to encroachers of Government land (extent: 66.72 acres⁴⁶) at ₹2.50 lakh per acre without obtaining Government sanction.

Thus, while the College was yet to pay ₹2.82 crore to Government, District Administration refunded ₹1.67 crore to the College (for payment of compensation to encroachers) in violation of Government directions, thereby extending undue benefit to the College.

The matter was reported to Government in July 2013; reply has not been received (January 2014).

5.6 Alienation of Government land to unauthorised occupant

Failure of District Administration, Chittoor to protect Government lands from encroachment resulted in loss of ₹57.56 lakh to Government

Based on request of Educational Academy, Chittoor, Government allotted (August 2011) land to an extent of 34.34 acres in Muthireval village, Puthalapattu mandal, Tirupati in favour of the Academy at ₹4 lakh per acre as recommended (April 2010) by the Empowered Committee for construction of engineering college buildings. The land was handed over to the Academy in October 2011.

Audit observed that in June 1999, the Academy had requested for allotment of only 17.84 acres of land for the purpose of construction of college buildings in the above village on payment of market value. District Collector, Chittoor submitted (January 2001) proposals to Government for alienation of 14.39 acres of land in favour of the Academy for construction of college buildings on payment of market value. These proposals were however, rejected by Government in December 2001. Although the then Joint collector had observed (May 2002) that the said land

⁴³ GO Ms. No. 243 Revenue (Assn.I) Department dated 28 February 2005

⁴⁴ ₹50,000 per acre X 237.74 acres

⁴⁵ Kalva and vagu are streams in local dialect

⁴⁶ Mapakshi village: 41.68 acres and 190-Ramapuram village: 25.04 acres

(14.39 acres) was under encroachment by the Academy and that buildings were unauthorisedly constructed on it, no action was taken by the District Administration to evict the encroacher and resume the land to Government.

It was further observed that, in December 2009 the District Administration submitted proposals for allotting the total land of 48.73 acres of which the aforesaid 14.39 acres was a part in favour of the Academy, but the proposal did not materialise. However, in August 2011, the 34.34 acres of land was alienated to the Academy, leaving out the 14.39 acre land which was already encroached upon by the Academy.

Thus, District Administration, instead of taking action to evict encroachers from Government land and penalising them, rather extended benefits to the encroacher by alienating 34.34 acres of land in its favour, resulting in a loss of ₹57.56 lakh⁴⁷ to the Government.

The matter was reported to Government in July 2013; reply has not been received (January 2014).

Finance and other Departments

5.7 Irregular payments towards hiring of vehicles

Failure of Heads of Offices in ensuring compliance with Government orders and non-exercise of adequate checks by the Drawing Officers and Treasury Officers before sanction and admission of claims resulted in irregular payments towards hiring of vehicles. Drawing Officers had not effected deduction of Income Tax as required from bills claimed by suppliers

State Government imposed (January 1994) ban on purchase of vehicles by Government departments and Government affiliated organisations and allowed hiring of vehicles in cases of extreme necessity subject to certain conditions.

Audit scrutinised 866 paid vouchers (involving an expenditure of ₹4.87 crore) relating to payment of monthly hire charges for vehicles across all 22 districts and the Pay and Accounts Officer, Hyderabad pertaining to 12 Government departments (*Appendix-5.5*) in the State during 2009-10 to 2012-13. Audit was carried out with the objective of checking compliance with Government orders and provisions of Income Tax Act in connection with deduction of income tax at source.

During scrutiny, Audit noticed non-compliance with Government Orders in 326 (38 *per cent*) vouchers relating to eight out of the 12 departments. Non-compliance was particularly significant in Revenue (79 *per cent*) and General Administration (11 *per cent*) departments. Details in this regard are given below.

⁴⁷ Calculated at ₹4 lakh per acre fixed by Empowered Committee for land alienated in August 2011

5.7.1 Withdrawals unsupported by relevant documentary evidence- possibility of fraud thereof

Government orders allowed hiring of cars in view of ban on purchase of vehicles. The monthly rates prescribed by Government were in respect of hired 'taxis'.

A cross check of vehicle numbers with Transport Department website revealed that 100 vehicles (in 63 vouchers involving payment of ₹21.72 lakh) hired by various departments were two wheelers/tractors/auto rickshaws/goods carriers and not cars (taxis) as stipulated in Government orders. Random numbers had been quoted and incorrect class of vehicles was cited. Thus, payment of hire charges of ₹21.72 lakh was inappropriate, unsupported by relevant documentary evidence.

5.7.2 Hiring of private vehicles (non-taxi)

Government orders stipulated that vehicles registered as taxis only can be hired. Thus, private vehicles cannot be hired by Government departments/Government affiliated agencies.

In violation thereof, departmental officers hired private vehicles 'not registered as taxis' and paid hire charges of ₹1.19 crore for 438 cars (263 vouchers).

5.7.3 Non-deduction of income tax at source

As per Section 194C of Income Tax Act, the Drawing Officers were required to deduct income tax at source (TDS) at two *per cent* of the payments (as per Section 206AA 20 *per cent* in case PAN number was not mentioned in the bill) made to/credited to the account of the owners of the vehicles.

Scrutiny revealed that the bills claimed by the suppliers did not indicate the PAN number of the supplier. The amount deductible even at two *per cent* of the hire charges paid worked out to ₹10.03 lakh⁴⁸ from 866 vouchers. However, the Drawing Officers had not effected any deduction of income tax as required, save officers of three departments⁴⁹ who recovered an amount of ₹11,000 in respect of 28 vouchers.

Government replied (January 2014) that suitable instructions have been issued (December 2013) to all the Secretariat Departments and Heads of Departments to check fraudulent and irregular payments if any, towards hiring of vehicles. It further stated that Finance (Internal Audit) Department has been instructed (December 2013) to cause specific audit and furnish a report.

⁴⁸ Tax at two *per cent* of ₹4.87 crore (₹9.74 lakh) plus surcharge at three *per cent* on tax (₹0.29 lakh) totalling to ₹10.03 lakh

⁴⁹ Finance, Home (Police) and Revenue

Health, Medical and Family Welfare Department

5.8 Delay in construction of prisoners ward at Institute of Mental Health, Hyderabad

Due to delays at every stage of construction and non-availability of adequate funds, construction of prisoners ward was not completed even after lapse of seven years, rendering the expenditure of ₹1.05 crore unfruitful

Government of India, Ministry of Health and Family Welfare (GoI) provided (September 2005) a one-time grant-in-aid of ₹2.71 crore for upgradation of the Institute of Mental Health, Hyderabad (IMH) (as against the estimated cost of ₹3 crore) under the National Mental Health Programme. Upgradation involved construction of a 150 bedded⁵⁰ prisoners ward at an estimated cost of ₹1.50 crore⁵¹ in the premises of IMH and renovation of other wards and procurement of equipment at ₹1.50 crore. Amount of ₹2.71 crore was deposited (July 2006) with Andhra Pradesh Medical Services Infrastructure Development Corporation (APMSIDC - erstwhile APMHIDC) for undertaking construction work, as it was the nodal agency for execution of such works. State Government has been pursuing with GoI for release of the balance amount of ₹29 lakh. Construction of envisaged work has not been completed (October 2013) even after lapse of seven years.

Audit scrutiny of records of APMSIDC and IMH revealed the following:

- Legal title of the land handed over by IMH to APMSIDC was disputed and the Hon'ble High Court issued stay orders in 2006 even before commencement of work by the executing agency. Consequently, the contract had to be cancelled in January 2007.
- IMH provided (February 2008) an alternate site (in the premises of IMH) to APMSIDC after a delay of one year, which resulted in cost escalation by ₹1 crore. Since IMH could not obtain additional funds from either GoI or the State Government, it decided (October 2008) to reduce the construction area (from 2,060 sq. mts. to 1,110 sq. mts.) to accommodate work within available funds. While APMSIDC was left with only ₹1.05 crore for this work (after spending ₹1.66 crore on other items), it entrusted (August 2008) the work with reduced plinth area of 1,110 sq. mts. to contractor for ₹1.22 crore and a supplemental agreement was concluded for an amount of ₹33.37 lakh for supplemental items. As such, sufficient funds (₹1.55 crore⁵²) were not available with APMSIDC towards construction of the prisoners ward even with reduced plinth area.

⁵⁰Currently, prisoners ward has a capacity for 40 patients

⁵¹As per SSR 2005-06

⁵²₹1.22 crore + ₹33.37 lakh

- APMSIDC asked (June 2009) IMH to deposit an additional amount of ₹45.35 lakh (escalated to ₹58 lakh by 2013) for completion of the work and both APMSIDC and IMH approached (July 2009) Director of Medical Education for provision of additional funds. However, additional funds have not been provided as of December 2013.
- Work was stopped in July 2009 after completion up to roof slab due to lack of funds and there was no progress in construction during the four year period 2009-13. Contract was closed in December 2011 as contractor was not willing to execute the balance work.

Thus, due to delays at every stage of construction and non-availability of adequate funds, construction of prisoners ward was not completed even after lapse of seven years, rendering the expenditure of ₹1.05 crore unfruitful.

Government in its reply admitted (December 2013) the delay and assured that it was initiating action for immediate release of additional funds required for completion of the work within the shortest time possible. Government further contended that all the patients were being provided treatment facilities in an existing prisoners ward. However, the fact remains that the prisoners ward under construction was supposed to have a criminal ward with facilities at par in jails i.e., high rising walls with solar fencing and inbuilt closed circuit cameras, etc.

Home (Prisons) Department

5.9 Undue benefit to service providers of Fire Outposts

Payment of enhanced maintenance cost of Fire Outposts retrospectively to service providers without addressing deficiencies identified earlier amounted to undue benefit of ₹1.37 crore to them without any improvement in fire and disaster preparedness of the State

State Government decided (January 2004) to establish 21 Fire Outposts in 12 districts on outsourcing basis and entrusted maintenance of 19 Outposts in 11 districts to service providers selected through open tender process for each Outpost. Contracts with service providers were valid for a period of five years from date of commencement at rates ranging from ₹10.22 lakh to ₹11.89 lakh per annum based on location of the Outpost. While land for the Fire Outposts and the cost of construction of garage and office accommodation were to be provided by Government, service provider was to maintain requisite equipment like water tender, portable water pump, delivery hoses, CO₂ extinguisher and other accessories besides 16 trained personnel (firemen, driver etc.) to work in two shifts in each Fire Outpost. The Fire Outposts started functioning between July 2006 and February 2012.

On a request (August 2008) from ‘AP Fire & Emergency Outpost Service Providers State Association’ for enhancement of operation and maintenance charges, Government constituted (August 2008) a Committee⁵³ to examine the issue. The Committee noted that service providers were not complying with several contractual conditions with regard to the following:

- Availability of Breathing Apparatus set and prescribed fire fighting equipment (in particular, delivery hoses) in all Fire Outposts;
- Adequate number of trained personnel in Fire Outposts *vis-à-vis* stipulated norms;
- Deployment of equipment in good condition;
- Payment of wages through bank accounts to the personnel.

Committee recommended (September 2010) enhancement of annual payment to service providers to ₹20.36 lakh per annum subject to rectification of above deficiencies in the existing Fire Outposts.

Audit scrutiny revealed that, Government issued orders in May 2011 enhancing annual operation and maintenance cost of each Fire Outpost to ₹20.36 lakh (from ₹11.89 lakh⁵⁴) with retrospective effect from April 2010 as recommended by the Committee, without however, ensuring that the deficiencies pointed out by the Committee were rectified by the service providers. In fact, Government in its orders, did not specify any condition with regard to rectification of defects pointed out by the Committee. This gave scope for payment of enhanced cost to service providers without addressing the concerns flagged by the Committee.

During scrutiny of records of District Fire Officers (June - July 2013), Audit found deficiencies like deployment of untrained staff in 15 Outposts, non-maintenance of all the equipment in 15 Outposts, non-maintenance of stipulated records in five Outposts etc. While the Agreement with the service providers stipulated deployment of certain personnel and equipment on a round-the-clock basis, it was silent about penalties for non-compliance with this condition. Further, none of the 19 Fire Outposts had maintained records relating to total fire calls received and attended as stipulated in the agreement. Though penalty was to be imposed for unattended fire calls, inspection reports of District Fire Officers contained only the ‘calls attended’ and not the ‘calls received’.

⁵³ Comprising Additional Director of Fire and Emergency Services, Regional Fire Officers, Eastern and Central Region

⁵⁴ Salaries (₹7.78 lakh), uniform charges (₹0.80 lakh), POL charges/maintenance of vehicles (₹0.50 lakh), depreciation for equipment (₹1.26 lakh) and 15 *per cent* profit margin (₹1.55 lakh)

In the absence of adequate number of trained personnel and requisite fire fighting equipment in good condition coupled with non-maintenance of stipulated records by the service providers, payment of enhanced cost amounting to ₹1.37 crore (enhanced amount of ₹3.38 crore paid towards wages, POL, margin money, etc. *minus* initial bid amount of ₹2.01 crore) retrospectively from April 2010 to March 2011 without ensuring compliance to issues flagged by the Committee was unjustified on the part of the Government and resulted in undue benefit of ₹1.37 crore to the service providers without improving fire and disaster preparedness of the State.

The matter was reported to Government in December 2013; reply has not been received (January 2014).

Hyderabad
The 20 May 2014



(VANI SRIRAM)
Principal Accountant General (G&SSA)
Andhra Pradesh

Countersigned



New Delhi
The 30 May 2014

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Appendices

Appendix-1.1
(Reference to paragraph 1.6 page 3)

Department-wise break-up of outstanding Inspection Reports and Paragraphs

Department	Number of IRs/Paragraphs pending as of 30 September 2013	
	IRs	Paragraphs
Backward Classes Welfare	119	777
Consumer Affairs, Food and Civil Supplies	255	871
Finance	14	64
General Administration	105	383
Health, Medical and Family Welfare	849	6461
Higher Education	1314	7904
Home	335	1610
Housing	21	167
Labour, Employment, Training and Factories	449	1572
Law	317	954
Minorities Welfare	35	124
Municipal Administration and Urban Development	367	4862
Panchayat Raj and Rural Development	749	6233
Planning	61	268
Revenue	137	1032
School Education	348	3392
Social Welfare	207	1969
Tribal Welfare	207	1845
Women, Child, Disabled and Senior Citizens	540	2076
Youth Advancement, Tourism and Culture	203	1015
Total	6632	43579

Appendix-1.2

(Reference to paragraph 1.6 page 4)

Position of Pending Explanatory Notes as of January 2014

Department	2005-06	2006-07	2008-09	2009-10	2010-11	2011-12 (G&SSA)	Total
Backward Classes Welfare	-	-	-	-	-	1	1
Finance*	-	-	-	1*	-	1	2
Higher Education	-	-	-	-	-	2	2
Home*	-	1*	-	-	-	1	2
Minorities Welfare	-	-	-	-	-	1	1
Municipal Administration and Urban Development (Municipal Administration Wing)	-	-	-	-	-	1	1
Rural Water Supply and Sanitation	-	-	-	-	-	1	1
Social Welfare	-	-	-	-	-	1	1
Tribal Welfare	-	-	-	-	1	1	2
Youth Advancement, Tourism and Culture	1	1	2	1	1	2	8
Total	1	2	2	2	2	12	21

* pertaining to the audit paragraphs that featured in the Audit Report on Revenue Receipts

Appendix-2.1
(Reference to paragraph 2.3.3.1 page 18)

List of sampled units

Sl. No.	District	Name of the unit	Sl. No.	District	Name of the unit	
1	Anantapur	Anantapur MC	55	Nalgonda	Anumala	
2		Bukkarayasamudram	56		Atmakur (S)	
3		C K Palli	57		Chotuppal	
4		Dharmavaram MC	58		Devarakonda	
5		Gorantla	59		Kattangur	
6		Gorladinne	60		Kodad	
7		Hindupur Rural	61		Miryalaguda	
8		Kudair	62		Nalgonda	
9		Madakasira	63		Nalgonda MC	
10		Nallamada	64		Nallacheruvu	
11		Narpala	65		Nidamanoor	
12		O D Cheruvu	66		Nuthankal	
13		Parigi	67		Thipparthi	
14		Penukonda	68		Thungathurthy	
15		Putlur	69		Valigonda	
16		Rapthadu	70		Yadagirigutta	
17		Somendepalli	71		Ranga Reddy	Basheerabad
18		Tanakallu	72			Kulkacherla
19	Bangarupalem	73	L. B. Nagar MC			
20	Chittoor	Chittoor MC	74	Malkajiri MC		
21		G.D. Nellore	75	Mominpet		
22		Irala	76	Shamshabad		
23		Karvetinagaram	77	SPS Nellore	Allur	
24		Kuppam	78		Buchireddipalem	
25		Madanapalli	79		Chillakuru	
26		P T Samudram	80		Duttaluru	
27		Pakala	81		Gudur	
28		Pileru	82		Indukurupet	
29		Punganuru	83		Kavali	
30		Puthalapattu	84		Nellore MC	
31		Ramakuppam	85		Podalakuru	
32		Satyavedu	86		Sullurupeta	
33		Srikalahasthi	87	Sydapuram		
34		Thavanampalli	88	Venkatachalam		
35		Tirupati MC	89	Vidavalur		
36		Venkatagirikota	90	Srikakulam	Kaviti	
37		Yerpedu	91		Kotabommali	
38	Mahbubnagar	Amrabad	92		Kothuru	
39		Bijnepalli	93		Laveru	
40		Dhanwada	94		Mandasa	
41		Dharur	95		Polaki	
42		Farooknagaar	96		Ponduru	
43		Ghattu	97		Santakaviti	
44		Iza	98		Seethampeta	
45		Jadcherla	99		Srikakulam MC	
46		Koilkonda	100	Vangara		
47		Kollapur	101	Visakhapatnam	Chintapalli	
48	Kothakota	102	G.K. Veedhi			
49	Mahbubnagar	103	Koyyuru			
50	Mahbubnagar MC					
51	Makthal					
52	Narayanpet					
53	Pangal					
54	Veepanagandla					

Appendix-2.2
(Reference to paragraph 2.3.3.1 page 18)

Category-wise details of pensioners contacted/interacted with

Name of the District	OAP	WP	DP	TT	Weavers	AH	Non-pensioners	Total
Anantapur	542	297	176	1	73	32	-	1121
Chittoor	478	401	171	8	0	72	-	1130
Mahbubnagar	479	316	106	3	49	24	-	977
Nalgonda	439	244	131	30	35	46	-	925
Ranga Reddy	313	182	90	0	0	19	43	647
SPS Nellore	370	280	194	3	22	53	29	951
Srikakulam	168	135	180	0	29	151	-	663
Visakhapatnam	98	38	15	0	0	7	-	158
Total	2887	1893	1063	45	208	404	72	6572

OAP: Old Age Pension, WP: Widow Pension, DP: Pension to persons with disability, TT: Toddy Tappers and AH: Dr. YSR Abhaya Hastham scheme

Appendix-2.3
(Reference to paragraph 2.5.1 page 21)

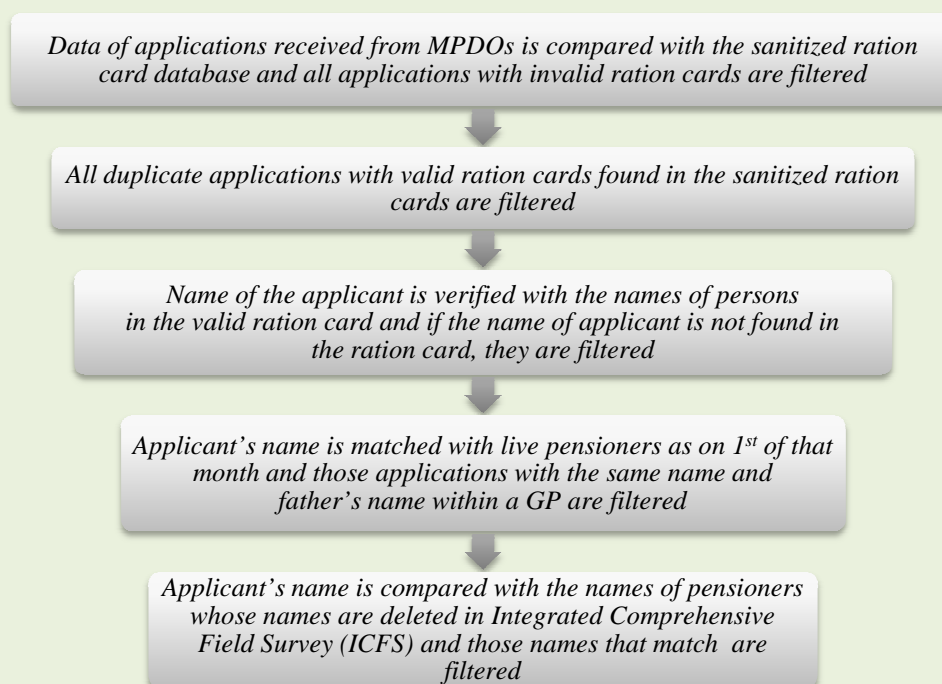
Sanctioning procedure

Stages in sanction	Designated Authority	Remarks
Submission of application	Panchayat Secretary (PS)/ Mandal Parishad Development Officer (MPDO)/Municipal Commissioner (MC)	Applications are also accepted during various public interactions like 'Rachabanda' etc.
Initial scrutiny	Panchayat Secretary/Bill Collector (BC)	PS/BC should verify locally in the village/ ward the details furnished by applicants like age, status of death of spouse and cases of re-marriage (in case of widow pensions).
Approval of lists of Identified Beneficiaries	IIMC ¹ /Gram Sabha/Ward Sabha (Rural/Urban areas)	IIMC: During the implementation of INDIRAMMA programme (2006-09) 2009-10 onwards: Gram Sabha/Ward Sabha
Transmission of approved lists along with applications and their enclosures (dockets)	To MPDO by PS To MC by Bill Collectors	Scrutinise the details of applicants in the light of verification reports submitted by PS/BC and determine the eligibility and upload the details thereof in the website of SERP.
Sanction of pension	SERP	Data validation (five-step validation of applications) - awarded to a private agency – is being done with reference to the data of ration cards obtained from Civil Supplies Department.
Communication of results	MPDO/MC	System-generated sanction orders are issued by MPDO/MC to the PDAs for disbursement of pension to the sanctioned beneficiaries.

¹ INDIRAMMA Implementation Monitoring Committee

Appendix-2.4
(Reference to paragraph 2.5.1 page 21)

Five-step validation process



Appendix-2.5
(Reference to paragraph 2.5.1 page 21)

Results of Audit scrutiny of records/applications in 103 sampled units

Category	Non-compliance with prescribed procedure	Number of Units
Sanction of pension	Non-maintenance of Part-A and Part-B registers/non-recording receipt of applications date-wise	84
	Absence of mechanism to inform applicants about its status (sanction and/or rejection)	89
	Non-conducting Gram Sabhas to select eligible individuals	22
	Absence of endorsement/orders of MPDO/MC for processing or rejecting the applications	29
	Sanction and disbursement of pensions to individuals who did not have ration cards	97
	Old age pensions without proof of age	23
	Widow pensions without death certificate of spouses	50
	Sanction of pension to pink ration card holders (APL families)	12
	Males receiving widow pensions	5
Incomplete applications/ deficiencies in applications	Applications were not dated	31
	Applications were not signed by applicants	30
	Photographs were not affixed	10
	Consideration of documents other than ration cards	12
	Sanction of pension without the support of ration cards	30
	Deficient/non-scrutiny of applications by Panchayat Secretary	13
	Absence of recommendation of Panchayat Secretary/Village Revenue Officer	26

Appendix-2.6
(Reference to paragraph 2.5.3.1 page 23)

Comparative picture with regard to disbursement of pension

Manual	Smart Card	Department of Posts
<p>SERP</p> <ul style="list-style-type: none"> Releases funds to DRDAs <p>DRDAs</p> <ul style="list-style-type: none"> Credit funds into the accounts of MPDOs and MCs and transfers the current month's data of pensioners Retain undisbursed funds for utilisation towards disbursement of pensions in subsequent months <p>MPDOs</p> <ul style="list-style-type: none"> Issue cheques and acquittances to PSs/VOs/VROs/BCs at Gram Panchayat level/in Municipalities Refund the undisbursed amount to DRDAs through demand drafts <p>PSs/VOs/VROs/BCs</p> <ul style="list-style-type: none"> Disburse pension to beneficiaries in villages/municipalities Refund undisbursed cash and paid acquittances to MPDOs/MCs 	<p>SERP</p> <ul style="list-style-type: none"> Releases funds to identified banks by obtaining approval of DRDA Transfers pensioners data to MPDOs and to Banks <p>MPDOs</p> <ul style="list-style-type: none"> Print two sets of acquittances and hand them over to Mandal Coordinator² Scrutinise paid acquittances and give online confirmation to SERP about the undisbursed funds <p>Banks</p> <ul style="list-style-type: none"> Transfer funds into the accounts of Mandal Coordinator Credit the pension amount to individual bank accounts of pensioners Consolidate the details and arrive at the undisbursed funds (category-wise) and transfer the data to MPDO for confirmation who in turn transfers the data to DRDA Transfer undisbursed funds to SERP <p>Mandal Coordinators</p> <ul style="list-style-type: none"> Draw funds and pass on to CSPs along with GP-wise acquittances Submit one set of paid acquittance to MPDO Return second set of acquittance and undisbursed cash to Bank <p>CSPs</p> <ul style="list-style-type: none"> Disburse pension to beneficiaries in villages through PoS devices with the help of smart card and finger prints Refund undisbursed cash and paid acquittances to Mandal Coordinator 	<p>SERP</p> <ul style="list-style-type: none"> Releases funds to HO (district level) Transfers pensioners data to MPDOs <p>MPDOs</p> <ul style="list-style-type: none"> Print two sets of acquittances and hand them over to SO/BO/ CSP <p>HO</p> <ul style="list-style-type: none"> Transfers funds to the accounts of SO/BO Credit funds to individual accounts of pensioners Arrives at the undisbursed funds (category-wise) and transfers undisbursed funds to SERP <p>CSPs</p> <ul style="list-style-type: none"> Draw funds and disburses pension to beneficiaries in villages through PoT devices with the help of smart card and finger prints Refund undisbursed cash and paid acquittances to SO/BO <p>SOs/BOs</p> <ul style="list-style-type: none"> Draw funds and disburses pension to beneficiaries in villages through PoT devices with the help of smart card and finger prints Refund undisbursed cash and paid acquittances to HO Submit one set of paid acquittance to MPDO Return second set of acquittance and undisbursed cash to HO

² Authorised to undertake transactions on behalf of Bank

Appendix-4.1
(Reference to paragraph 4.2.3.1 page 61)

Details of Audit Sample

District	Number of MLS Points visited	Names of MLS Points visited	Number of Godowns visited
Adilabad	2	Nirmal	four
		Jainadh	two
Anantapur	2	Hindupur	Multiple Godowns
		Kadiri	Multiple Godowns
East Godavari	2	Gollaprolu	two
		Pithapuram	one
Guntur	2	Vinukonda	Multiple Godowns
		Piduguralla	Multiple Godowns
Karimnagar	2	Mahadevpur	one
		Dharmapuri	one
Ranga Reddy	2	Hafeezpet	one
		Ghatkesar	one
Visakhapatnam	2	Narsipatnam	two
		Chinthapalli (GCC)	two
YSR Kadapa	2	Kamalapuram	one
		Muddanuru	two (including one old cinema theatre)

Appendix-4.2
(Reference to paragraph 4.5.1 page 63)

Process involved in procurement of paddy every season

Activity	Responsibility
Fixation of target for paddy procurement	Commissioner of Civil Supplies
Opening of Paddy Purchase Centres (PPCs)	District Administration
Arrangement with agencies like Self Help Groups (SHGs) of Indira Kranthi Patham, Primary Agricultural Cooperative Societies (PACS) for operating additional PPCs	District Administration
Procurement and positioning of gunnies in PPCs	AP State Civil Supplies Corporation
Identification of farmers	Village Revenue Officers (VROs)
Payment to farmers	AP State Civil Supplies Corporation (through DRDAs)
Tagging Rice Mills to PPCs	District Administration
Entering into Transport Agreements	AP State Civil Supplies Corporation & District Administration
Intermediate storage and its insurance	AP State Civil Supplies Corporation
Transporting paddy to Millers within eight km radius, for custom milling within 48 hours after procurement	AP State Civil Supplies Corporation
Delivery of custom milled rice by Millers to FCI within 15 days of receipt of paddy	Millers (APSCSC to monitor and ensure)
Reconciliation of paddy procured, transported to millers and rice delivered to FCI	AP State Civil Supplies Corporation
Follow-up and Receipt of payments from FCI	AP State Civil Supplies Corporation

Appendix-4.3
(Reference to paragraph 4.5.1 page 63)

**District-wise paddy procurement from Kharif Marketing Season (KMS)
2008-09 to 2012-13 (up to May 2013)**

(Quantity in MT)

District	KMS 2008-09	KMS 2009-10	KMS 2010-11	KMS 2011-12	KMS 2012-13	Grand Total
Srikakulam	0	0	0	160	18515	18675
Vizianagaram	0	0	0	0	--	0
Visakhapatnam	0	0	0	0	--	0
East Godavari	0	0	6919	5351	1451	13721
West Godavari	6287	1323	165452	13428	7463	193953
Krishna	91	0	31787	23600	8314	63792
Guntur	0	86	5822	6809	--	12717
Prakasam	5865	2980	10591	14414	--	33850
SPS Nellore	0	0	2540	157392	2001	161933
Chittoor	0	0	0	2088	94	2182
Anantapur	2422	3687	13424	81	--	19614
YSR Kadapa	0	0	0	4848	--	4848
Kurnool	0	2931	11647	6949	--	21527
Adilabad	38274	2760	77799	100875	83005	302713
Nizamabad	39607	18345	180999	292037	122605	653593
Medak	36506	7660	96996	64430	31683	237275
Karimnagar	515310	28226	707069	873136	704264	2828005
Warangal	51175	9354	222661	169258	189239	641687
Khammam	16086	2815	53012	54581	51706	178200
Nalgonda	221076	131135	387818	176608	121479	1038116
Mahbubnagar	25791	85879	132330	36745	21080	301825
Ranga Reddy	5394	6954	23947	16074	7156	59525
Total	963884	304135	2130813	2018864	1370055	6787751

Appendix-4.4
(Reference to paragraph 4.6.6.1 page 75)

Year-wise details of stocks moved and additional expenditure incurred on transportation

(₹ in crore)

Period	Quantity moved (MT)	Expenditure on Stage-I transportation	Avoidable extra expenditure
2008-09	2842479	49.18	7.49
2009-10	3385918	62.25	9.24
2010-11	3473002	65.48	10.62
2011-12	2509698	55.67	10.44
Total		232.58	37.79

Figures for 2012-13 are not available due to non-finalisation of accounts of APSCSC for the year

Appendix-4.5
(Reference to paragraph 4.6.7 page 75)

Percentage of space in own godowns to total available space

Sl. No.	District	No. of MLS Points	Available storage capacity of the godowns (in MT)			Percentage of space in own godowns to total storage space
			Own	Private	Total Space	
1	Srikakulam	29	200	35030	35230	1
2	Vizianagaram	15	2400	27930	30330	8
3	Visakhapatnam	30	9300	16050	25350	37
4	East Godavari	20	4000	27209	31209	13
5	West Godavari	13	20000	30216	50216	40
6	Krishna	17	900	28650	29550	3
7	Guntur	19	5900	71425	77325	8
8	Prakasam	19	500	40050	40550	1
9	SPS Nellore	15	5200	44800	50000	10
10	Chittoor	28	3000	34800	37800	8
11	YSR Kadapa	19	7800	19715	27515	28
12	Anantapur	24	4900	34290	39190	13
13	Kurnool	17	5300	21200	26500	20
14	Mahbubnagar	24	2000	26920	28920	7
15	Nalgonda	17	3000	53800	56800	5
16	Khammam	17	1400	34730	36130	4
17	Warangal	18	5750	142668	148418	4
18	Karimnagar	16	NIL	135870	135870	0
19	Adilabad	20	1400	14500	15900	9
20	Nizamabad	16	NIL	25446	25446	0
21	Medak	19	12900	44200	57100	23
22	Ranga Reddy	18	12050	21850	33900	36
23	Hyderabad	9	4132	12641	16773	25
Total		439	112032	943990	1056022	11

Appendix-5.1
(Reference to paragraph 5.1 page 83)

Details of test checked schools in six sampled districts

Ranga Reddy	22. HS, Pathamolgara	Medak
1. ZPHS, Ramanthpur	23. KGBV, Bhootpur	1. ZPHS, Kollur
2. ZPHS, Mallapur	YSR Kadapa	2. ZPHS, RC Puram
3. ZPHS, Dandu Mailaram	1. ZPHS, Kamalkur	3. ZPHS, Nizampur
4. ZPHS, Kongara Kalan	2. ZPHS, Dattapuram	4. ZPHS, Konapur
5. ZPHS, Raviryal	3. ZPHS (Urdu), Muslimkota	5. ZPHS, Kongode
6. ZPHS, Ameerpet	4. ZPHS, Someswarapuram	6. ZPHS, Rangampet
7. ZPHS, Kolkonda	5. ZPHS, T Koduru	7. ZPHS, Gurrallagondi
8. ZPHS, Gottigakhurd	6. ZPHS, Nagireddypalli	8. ZPHS, Jakkapur
9. ZPHS, Damarchedu	7. ZPHS, Pothapi	9. ZPHS, Rajpally
10. ZPHS, Velchal	8. ZPHS, C. Kothapet	10. ZPHS, Rajpet
11. PS, Swaroonnagar	9. ZPHS, Appannapalli	11. PS, SN Colony
12. PS, Gandhinagar	10. ZPHS, Siddavaram	12. UPS, Bandalaguda
13. PS, Indiranagar	11. PS, Valasapalem	13. PS, Veltur
14. UPS, Chilkanagar	12. UPS, Muthkur	14. UPS, Pottipalli
15. ZPHS, Kothapet	13. PS, Nagasanipalli	15. PS, Sangaigudi L/T
16. ZPHS, Habsiguda	14. UPS, Tripuravaram	16. UPS, Nagapur
17. PS, Engalguda	15. PS, Adapur	17. PS, Pothireddypalli
18. PS, Chinthapalliguda	16. UPS(U/M), Nandalur	18. UPS, Pythara
19. UPS, Kappapahad	17. PS, Kottalapalli	19. PS, Therissanagar
20. UPS, Tulekalan	18. UPS, Krishnampalli	20. UPS, Kistapur
21. ZPHS, Polkampalli	19. PS, K. Ramireddypalli	Prakasam
22. PS, Mohabbatnagar	20. UPS, Yenamalachintala	1. ZPHS, Duddukuru
23. PS, Nagireddypalli	21. MSUPS, Mochampet	2. ZPHS, Inkollu
24. UPS, Mansanpalli	22. KGBV, Khazipet	3. ZPHS, Darimadugu,
25. UPS, Manikyammaguda	Vizianagaram	4. ZPHS, Markapur(Girls)
26. ZPHS(G), Maheswaram	1. ZPHS Vasantha, Gantyaada	5. ZPHS, Pandillapalli
27. PS, Burugupalli	2. ZPHS PSR Puram, Gantyaada	6. ZPHS, Bestavarapeta
28. PS, Durgamcheru	3. ZPHS Sompuram, Vepada	7. ZPHS, Tarlupadu
29. UPS, Rallagudapalli	4. ZPHS Vavilapadu, Vepada	8. ZPHS, Tadivaripalli
30. UPS, Enkathala	5. ZPHS Baguvalasa, Salur	9. ZPHS, Laxminarasapuram
31. ZPHS, Tekulapalli	6. ZPHSKhangadi-veedhi, Salur	10. ZPHS, Chilamkur
Mahbubnagar	7. ZPHS Madalangi, Komarada	11. PS, Ondutla
1. ZPHS, Vithalapur, MBNR	8. ZPHS Kotipam, Komarada	12. UPS, Inimerla
2. ZPHS, Wattem	9. ZPHS Kotyada, L.Kota	13. PS, Inkollu
3. ZPHS, Ayyavaripalle	10. ZPHS K.P. Rega, L. Kota	14. ZPHS, Maddalakatta
4. ZPHS, Bijinepally	11. MPPS, Gantyaada	15. ZPHS, Kallur
5. ZPHS, Nasurallabad	12. MPPS, Ginjeru	16. ZPHS, Nandana Vanam
6. ZPHS, Gangapur	13. MPUPS, Narava	17. MADARSA-e-Deniya
7. ZPHS, Thatikonda	14. ZPHS, Bonangi	18. KGBV, Kothapatnam
8. ZPHS, Elikicherla	15. MPPS, Sompuram	19. UPS, Nagellamudupu
9. ZPHS, Boinpally	16. MPPS, PKR Puram	20. PS, Bodawada
10. ZPHS, Khaytanpalli	17. ZPHS, NKR Puram	21. UPS, Gollapalem
11. PS, Koduparthy	18. MPUPS, Nallabilli kasipathiraju	22. PS, Ganugapenta
12. UPS, Alwanpally	19. TWAHS, KG Pudi	23. UPS, Kondepalli
13. PS, Thummalakunta	20. MPPS, L.Kota I	24. PS, Mannemvari Palle
14. KGBV, Jadcherla	21. ZPHS, Gangubudi	25. UPS, Mokshagundam
15. HS, Kodgal	22. MPPS, Tamarapalle	26. ZPHS, Jammulapalem
16. HS (HW), Badepally	23. KGBV, Vepada	27. ZPHS, Chandavaram
17. RSTC, Gollapalli	24. KGBV, Gantyaada	28. ZPHS, Gollapalli
18. PS, Ekulagutta thanda	25. KGBV, L.Kota	29. ZPHS, Kottayeruvanipalli
19. PS, Sheripally	26. ZPHS, Ajjada	30. UPS, Ekalavya Colony, Markapur
20. UPS, Bhootpur (U/M)	27. ZPHS, Hammirajupeta	
21. UPS, Ippalapalli	28. TWAUPS, Tatipudi	

Appendix-5.2
(Reference to paragraphs 5.1.1 and 5.1.2 pages 84 and 86)

Status of schools running without buildings

Name of the district	Type of school	No. of schools	Number of schools				
			without buildings	with single room	with two rooms	with three rooms	more than three rooms
Prakasam	PS	2775	8	914	1135	400	310
	UPS	404	0	3	31	83	286
	HS	382	0	3	12	70	295
Vizianagaram	PS	2294	78	934	668	245	321
	UPS	252	0	4	9	30	190
	HS	314	0	5	20	59	202
YSR Kadapa	PS	2843	30	980	1213	277	331
	UPS	301	1	1	18	61	219
	HS	384	4	2	15	83	279
Ranga Reddy	PS	1684	33	353	405	284	597
	UPS	265	1	2	2	26	234
	HS	477	1	9	24	108	333
Mahbubnagar	PS	2725	7	923	650	422	698
	UPS	586	0	4	19	54	505
	HS	646	1	16	49	162	406
Medak	PS	2016	22	515	479	365	626
	UPS	445	1	9	21	48	365
	HS	564	1	19	38	176	326
Total		19357	188	4696	4808	2953	6523

Appendix-5.3
(Reference to paragraphs 5.1.4, 5.1.5, 5.1.7 and 5.1.8 pages 87 to 89)

Status of basic amenities in schools in sampled districts

District	Category of schools	No. of schools	Schools without facilities					
			Drinking Water	Play ground	Compound wall (pucca)	Provision of toilets		
						Girls	Boys	Common
Mahbubnagar	PS	2725	1532	1706	2166	1481	2299	1455
	UPS	586	249	320	378	205	450	275
	HS	646	227	198	373	224	504	359
Medak	PS	2016	1008	1211	1404	944	1551	949
	UPS	445	171	225	254	136	290	179
	HS	564	137	172	309	132	405	247
Vizianagaram	PS	2294	747	1261	1806	1020	1678	1175
	UPS	252	57	90	184	56	148	67
	HS	314	41	60	214	48	207	129
Prakasam	PS	2775	1232	1283	2281	431	1216	1002
	UPS	404	132	146	295	35	180	132
	HS	382	97	67	267	35	244	176
YSR Kadapa	PS	2843	948	2102	1946	1192	2037	724
	UPS	301	69	190	179	76	182	75
	HS	384	60	95	226	66	246	175
Ranga Reddy	PS	1684	793	887	1083	975	1230	1231
	UPS	265	81	105	127	96	149	163
	HS	477	154	144	250	168	336	332
Total		19357	7735	10262	13742	7320	13352	8845

Appendix-5.4
(Reference to paragraph 5.1.9 page 89)

Details of availability of Library and Library books in schools of sampled districts

District	Category of schools	Schools having Library			Schools having Library books		
		Required	Available	Shortage	Required	Available	Shortage
Mahbubnagar	PS	2725	2508	217	2725	2593	132
	UPS	586	549	37	586	575	11
	HS	646	540	106	646	568	78
Medak	PS	2016	1690	326	2016	1882	134
	UPS	445	389	56	445	427	18
	HS	564	491	73	564	523	41
Vizianagaram	PS	2294	2187	107	2294	2226	68
	UPS	252	248	4	252	247	5
	HS	314	278	36	314	294	20
Prakasam	PS	2775	2718	57	2775	2739	36
	UPS	404	398	6	404	395	9
	HS	382	366	16	382	374	8
YSR Kadapa	PS	2843	2555	288	2843	2787	56
	UPS	301	280	21	301	297	4
	HS	384	331	53	384	363	21
Ranga Reddy	PS	1684	1616	68	1684	1634	50
	UPS	265	255	10	265	260	5
	HS	477	446	31	477	456	21
Total		19357	17845	1512	19357	18640	717

Appendix-5.5
(Reference to paragraph 5.7 page 103)

Details of payment of monthly hire charges for vehicles

Sl. No.	Department	Total number of vouchers	Possible fraudulent claims			Hiring of vehicles not registered as taxi		
			No of vehicles	Vouchers	Amount (₹)	No of vehicles	Vouchers	Amount (₹)
1	Agriculture	1	-	-	-	-	-	-
2	Animal Husbandry and Fisheries (Fisheries)	2	-	-	-	-	-	-
3	Finance	62	3	2	67600	9	9	289251
4	General Administration	105	1	1	36000	51	34	1521200
5	Home (Police)	6	2	1	36000	-	-	-
6	Industries and Commerce	1	1	1	34000	-	-	-
7	Law	1	-	-	-	-	-	-
8	Medical and Public Health	61	1	1	36000	10	10	351000
9	Panchayat Raj and Rural Development (Panchayat Raj wing)	2	-	-	-	-	-	-
10	Revenue	448	64	49	1756929	353	210	9711219
11	School Education	1	21	1	86000	15	-	19400
12	Transport, Roads and Buildings	176	7	7	119000	-	-	-
Total		866	100	63	2171529	438	263	11892070

Glossary

AAP Card	:	Annapurna Card
AAY	:	Antyodaya Anna Yojana
ACA	:	Additional Central Assistance
ACRs	:	Additional Class Rooms
AE	:	Assistant Engineer
AH Scheme	:	Abhaya Hastham Scheme
AIDS	:	Acquired Immuno Deficiency Syndrome
APL	:	Above Poverty Line
APSCSC	:	AP State Civil Supplies Corporation
APSHCL	:	AP State Housing Corporation Limited
ASOs	:	Assistant Supply Officers
BBL	:	Below Basement Level
BL	:	Basement Level
BMU	:	Block Making Unit
BPL	:	Below Poverty Line
BROs	:	Budget Release Orders
BWHP	:	Integrated Housing Scheme for Beedi Workers
CBM	:	Carded-but-Manual
CCO	:	Chief Controlling Officer
CDSE	:	Commissioner and Director of School Education
CEO	:	Chief Executive Officer
CGA	:	Controller General of Accounts
CGG	:	Centre for Good Governance
CMR	:	Custom Milled Rice
CPSMS	:	Central Plan Scheme Monitoring System
CRD	:	Commissioner, Rural Development
CRO	:	Cement Release Order
CSP	:	Customer Service Provider
CU	:	Centering Unit
CWSN	:	Children with Special Needs
DCB Register	:	Demand, Collection and Balance Register
DCB statement	:	Demand, Collection and Balance statement
DCP	:	Decentralised Procurement of Paddy
DISE Data	:	District Information System for Education Data
DoP	:	Department of Posts
DPL	:	Designated Photography Location
DRDA	:	District Rural Development Agency

DRI loans	:	Differential Rate of Interest loans
DSO	:	District Supply Officer
DTO	:	District Treasury Officer
EBT	:	Electronic Benefit Transfer
EE	:	Executive Engineer
e-FMS	:	Electronic Fund Management System
FAC	:	Food Advisory Committee
FCI	:	Food Corporation of India
FIFO	:	First-in-First-Out
FPS	:	Fair Price Shops
FTR	:	Fund Transfer Requisition
GFR	:	General Financial Rules
GHMC	:	Greater Hyderabad Municipal Corporation
GP	:	Gram Panchayat
IAY	:	Indira Awaas Yojana
ICFS	:	Integrated Common Field Survey
IERC	:	Inclusive Education Resource Centres
IHSDP	:	Integrated Housing and Slum Development Programme
INDIRAMMA	:	Integrated Novel Development in Rural Areas and Model Municipal Areas
ISL	:	Individual Sanitary Latrine
KGBVs	:	Kasturba Gandhi Balika Vidyalayas
KMS	:	Kharif Marketing Season
KPEF	:	Kerosene Price Equalisation Fund
LPG	:	Liquefied Petroleum Gas
LSPEF	:	Levy Sugar Price Equalisation Fund
MB	:	Measurement Book
MCs	:	Municipal Commissioners
MD	:	Managing Director
MGNREGS	:	Mahatma Gandhi National Rural Employment Guarantee Scheme
MHOs	:	Mandal Housing Officers
MLS point	:	Mandal Level Stockist point
MMSs	:	Mandal Mahila Samakhyas
MMTC	:	Metals and Minerals Trading Corporation of India Limited
MoU	:	Memorandum of Understanding
MPDOs	:	Mandal Parishad Development Officers
MSP	:	Minimum Support Price

MT	:	Metric Ton
NDPS	:	National Disability Pension Scheme
NFBS	:	National Family Benefit Scheme
NGO	:	Non-Government Organisation
NKs	:	Nirmithi Kendras
NOAPS	:	National Old Age Pension Scheme
NSAP	:	National Social Assistance Programme
NWPS	:	National Widow Pension Scheme
OMSS	:	Open Market Sale Scheme
PACS	:	Primary Agricultural Cooperative Societies
PD	:	Project Director
PD Account	:	Personal Deposit Account
PDA	:	Pension Disbursing Authorities
PDS	:	Public Distribution System
PMC	:	Price Monitoring Committee
PoS	:	Point of Sale
PoTD	:	Point of Transaction Device
PPCs	:	Paddy Purchase Centres
PR&RD	:	Panchayat Raj and Rural Development
PTG	:	Primitive Tribal Group
RAP Card	:	Rachabanda Card
RBD	:	Refined, Bleached and Deodarised
RBI	:	Reserve Bank of India
RC	:	Roof Cast
RCC	:	Reinforced Cement Concrete
RDOs	:	Revenue Divisional Officers
RGGVY	:	Rajiv Gandhi Grameen Vidyutikaran Yojana
RL	:	Roof Level
RMC	:	Regulated Market Committee
RMSA	:	Rashtriya Madhyamika Siksha Abhiyan
RTE Act	:	Right of Children to Free and Compulsory Education Act
RVM	:	Rajiv Vidya Mission
SADAREM	:	Software for Assessment of Disability for Access, Rehabilitation & Empowerment
SB Account	:	Savings Bank Account
SBH	:	State Bank of Hyderabad
SC	:	Scheduled Caste

SERP	:	Society for Elimination of Rural Poverty
SHGs	:	Self Help Groups
SMS	:	Short Message Service
SMU	:	State Monitoring Unit
SNA	:	State Nodal Account
SPD	:	State Project Director
SSP	:	Social Security Pension
ST	:	Scheduled Tribe
UCs	:	Utilisation Certificates
UOs	:	Unit Officers
VAT	:	Value Added Tax
VNKs	:	Village Nirmithi Kendras
VO	:	Village Organisation
VROs	:	Village Revenue Officers
WAP Card	:	White Card
ZPH school	:	Zilla Parishad High school

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