

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

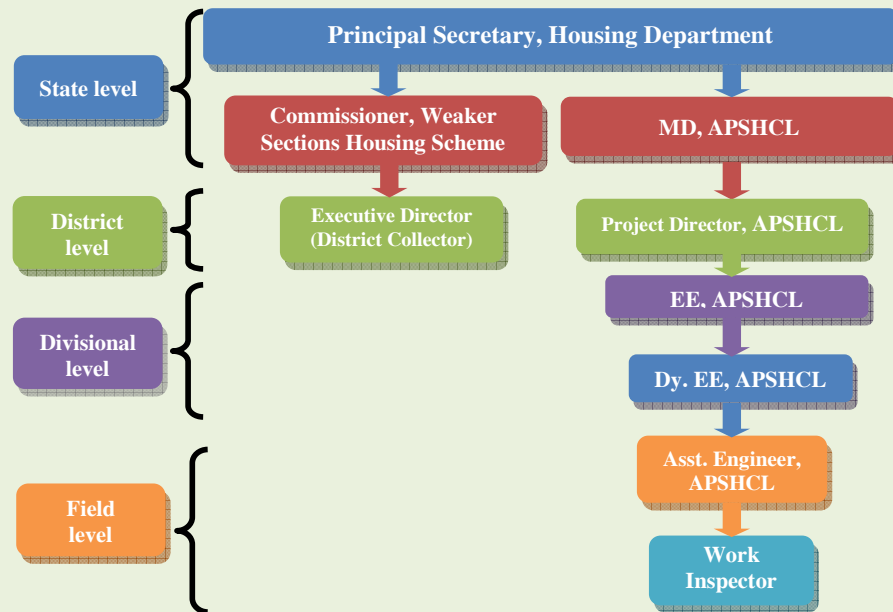
- ⇒ All BPL families without permanent house are eligible under the scheme
- ⇒ Families should not have benefitted under any other housing scheme
- ⇒ Houses should be constructed by beneficiaries themselves on self-help and mutual help basis
- ⇒ Financial assistance in the form of subsidy and loan is 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

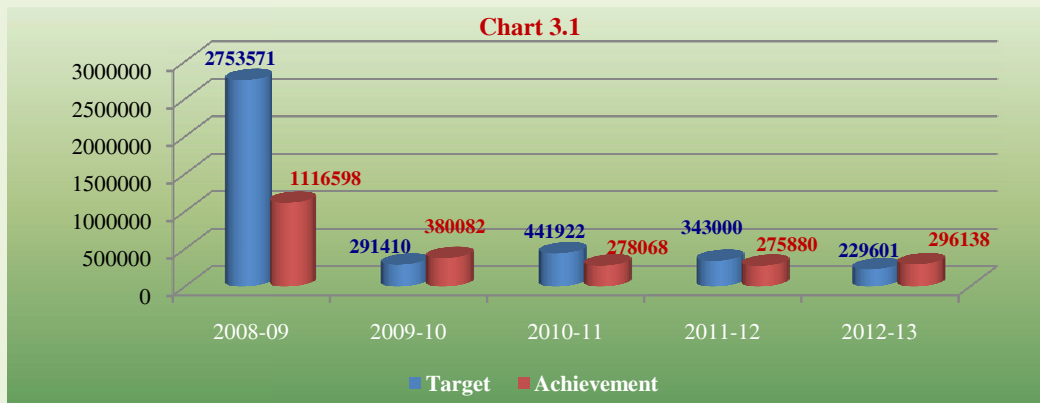
Phase of sanction	Year of sanction	No. of houses sanctioned	No. of houses completed	No. of houses yet to be completed
Phase-I	2006-07	19,24,480	16,26,572	2,97,908
Phase-II	2007-08	20,14,740	14,54,535	5,60,205
Phase-III	2008-09	15,59,523	8,34,319	7,25,204
Rachabanda*	2010-11	3,50,957	2,52,667	98,290
Rachabanda-I	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.

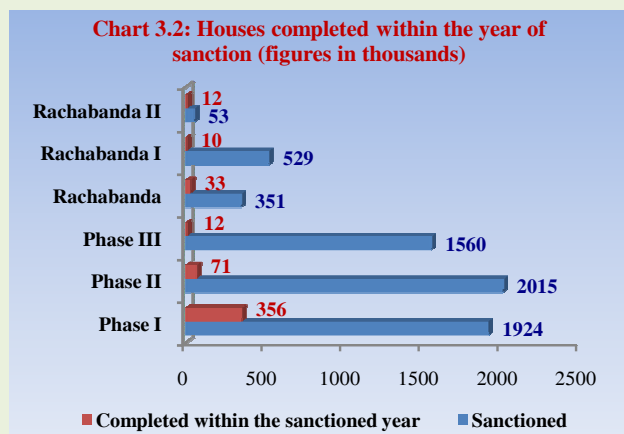
Progress in construction of houses *vis-à-vis* the targets including those sanctioned in Rachabanda during the period 2008-13 is given in the chart below.



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 Haveli 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.

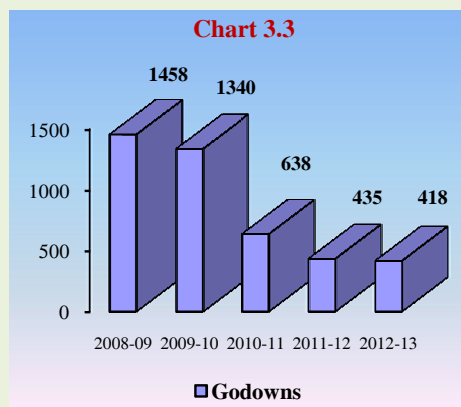
Government replied (October 2013) that there was no linkage between online housing system and cement godowns and that suitable software to establish a co-relation with

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 Pamarru - ₹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

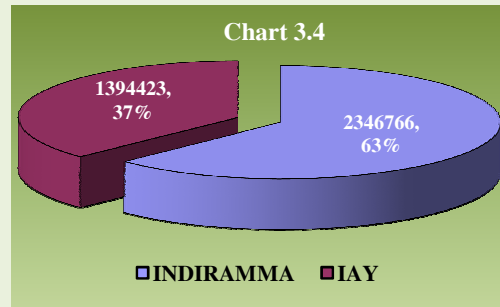
The centrally sponsored IAY housing scheme envisages provision of entire construction amount as subsidy (as against INDIRAMMA, which divides construction cost between subsidy and loan) which is to be shared between Centre and State in the ratio of 75:25.

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

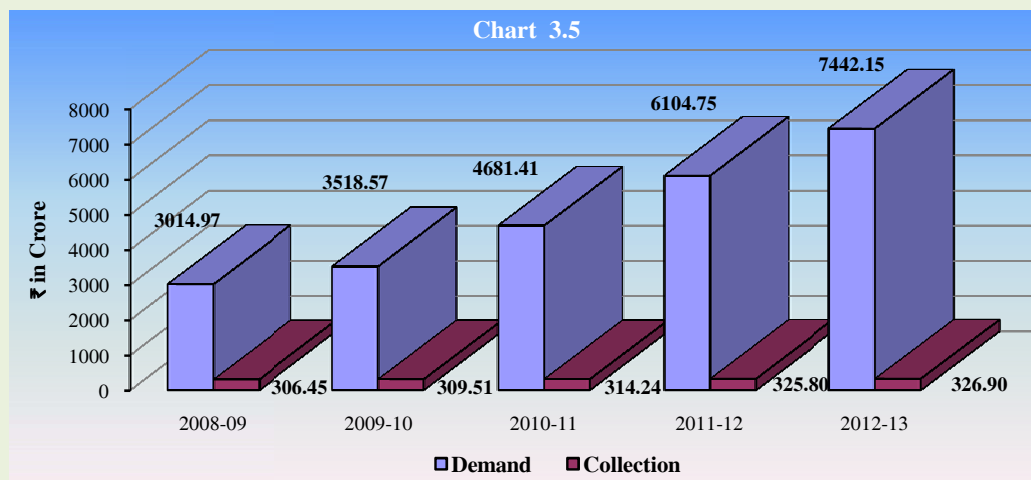
3.8.1 Acquittances not obtained for offline payments

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.