

# Chapter-1

---

## Overview

---

## 1.1 About this Report

This Report covers matters arising out of audit of State Government Departments and Autonomous Bodies under the General and Social Sectors. The primary purpose of this Report is to bring to the notice of the Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

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 Report.

## 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	2009-10	2010-11	2011-12	2012-13	2013-14
<b>A</b>	<b>General Sector</b>					
1	Finance and Planning	23079.94	28572.35	30529.86	33817.12	36747.57
2	General Administration	717.03	444.09	705.9	584.68	819.71
3	Home	3068.72	3916.43	4412.53	5084.74	5692.96
4	Law	415.47	612.53	603.63	684.29	752.51
5	Revenue	2132.93	1964.19	2412.21	2058.01	3265.35
6	State Legislature	53.56	51.08	84.69	95.27	112.63
	<b>Total (A)</b>	<b>29467.65</b>	<b>35560.67</b>	<b>38748.82</b>	<b>42324.11</b>	<b>47390.73</b>
<b>B</b>	<b>Social Sector</b>					
1	Backward Classes Welfare	1181.74	1996.34	2758.53	3774.72	3538.31
2	Consumer Affairs, Food and Civil Supplies	2546.13	2415.79	2450.69	2792.38	3288.36
3	Health, Medical and Family Welfare	3323.02	4140.35	4980.25	5312.34	5737.45
4	Higher Education	1731.51	2551.16	2669.73	3238.25	3416.79
5	Housing	1398.34	1626.77	1743.33	1829.15	2083.02
6	Labour, Employment, Training and Factories	287.43	347.29	465.67	474.33	503.93
7	Minorities Welfare	197.88	324.62	370.33	350.88	505.34

Sl. No.	Name of the Department	2009-10	2010-11	2011-12	2012-13	2013-14
8	Municipal Administration and Urban Development	3139.85	4054.53	4108.89	4268.07	3038.02
9	Panchayat Raj <sup>s</sup>	2758.32	3533.15	2987.51	3393.22	4670.09
10	Rural Development <sup>s</sup>	3159.24	3921.78	4855.68	5175.01	4157.06
11	School Education	6690.92	9906.66	12250.18	13263.24	15094.39
12	Social Welfare	1245.12	1776.64	1941.74	2224.99	2450.96
13	Tribal Welfare	765.45	961.50	1143.23	1336.44	1288.01
14	Women, Child, Disabled and Senior Citizens	995.99	981.29	1513.03	2029.56	2031.82
15	Youth Advancement, Tourism and Culture	101.29	188.18	214.38	258.89	302.23
<b>Total (B)</b>		<b>29522.23</b>	<b>38726.05</b>	<b>44453.17</b>	<b>49721.47</b>	<b>52105.78</b>
<b>Grand Total (A+B)</b>		<b>58989.88</b>	<b>74286.72</b>	<b>83201.99</b>	<b>92045.58</b>	<b>99496.51</b>

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

<sup>s</sup>Under one Secretariat department 'Panchayat Raj and Rural Development'

### 1.3 Office of Principal Accountant General (G&SSA)

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



Offices of the Accountants' General

### 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 13<sup>1</sup> of the DPC Act. CAG is the sole auditor in respect of autonomous bodies/local bodies which are audited under Sections 19(2)<sup>2</sup> and 20(1)<sup>3</sup> of the DPC Act. In addition, CAG also conducts audit, under Section 14<sup>4</sup> 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.

<sup>1</sup> 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

<sup>2</sup> 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

<sup>3</sup> 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

<sup>4</sup> 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 ₹1 crore

## 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 the State 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 2014, 5460 IRs containing 36,726 paragraphs pertaining to years up to 2013-14 were pending settlement as detailed below. Of these, first replies have not been received in respect of 247 IRs (4,250 paragraphs). Department-wise details are given in *Appendix-1.1*.

**Table 1.2**

Year	Number of IRs/Paragraphs as of 30 September 2014		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
2010-11 and earlier years	4761	27188	205	3540
2011-12	447	4620	-	-
2012-13	146	2964	7	165
2013-14	106	1954	35	545
<b>Total</b>	<b>5460</b>	<b>36726</b>	<b>247</b>	<b>4250</b>

Lack of action on audit IRs and paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports, dilution of internal controls in 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 performance audit reports 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 2015, 15 departments have not submitted Explanatory Notes in respect of 32 paragraphs/performance audit reports that featured in Audit Reports for the years 2005-06 to 2012-13. 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 2014-15, three draft Performance Audit reports and 14 draft compliance audit paragraphs 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, two departments<sup>5</sup> did not furnish reply to one draft Performance Audit report and one compliance audit paragraph 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 nine departments of State Government during 2013-14. Audit focus during the year has been primarily on evaluating implementation of specific Government programmes and initiatives covering mainly Health, Medical and Family Welfare, Minorities Welfare, Women, Children, Disabled and Senior Citizens Departments under 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 reports of schemes/departments and 14 draft compliance audit paragraphs have been issued to Government.

The three Performance Audits included in this Report are (i) Andhra Pradesh Health Sector Reform Programme, (ii) Tribal welfare and (iii) Welfare and Protection of Girl Child.

**Significant results of audit that feature in this Report are summarised as follows.**

### **1.7.1 Andhra Pradesh Health Sector Reform Programme**

*Government of Andhra Pradesh implemented a DFID-supported (Department for International Development of the Government of United Kingdom) Health Sector Reform Programme (APHSRP) during July 2007 to June 2010. The programme was based on Health Sector Reform Strategy Framework for achieving improved access to quality health services, especially by the poor and vulnerable sections of society and underserved areas.*

---

<sup>5</sup> Department for Women, Children, Disabled & Senior Citizens and Minorities Welfare

*Performance Audit of implementation of APHSRP during the period 2009-14 was undertaken (2013-14) covering seven districts<sup>6</sup> (capital district of Hyderabad and two each from the three regions of the State) to assess the status of health services since the specified timeframe for implementation of reforms has expired and mission period of NRHM was also completed in 2012. Overall, 426 health units were selected for detailed study across seven districts. Significant findings of the performance audit are summarised below.*

### **Health care Set up**

- *There was shortage of health care units at all levels i.e. Sub-centres (SCs), Primary Health Centres (PHCs) and Community Health Centres (CHCs) vis-à-vis norms. Despite the shortfall (29 per cent in plain areas and 30 per cent in tribal areas), no new Sub-centres were set up in the State during entire mission period of NRHM (2005-12). Only 139 new Primary Health Centres were established during the last five years resulting in 42 per cent shortfall vis-à-vis norms.*
- *Although, Government sanctioned upgradation of 1,224 SCs and 249 PHCs under NRHM during 2005-14, only 654 SCs and 114 PHCs were upgraded.*

*(Paragraph 2.3)*

- *None of the test checked units complied with the requirement of equipment as per Indian Public Health Standards (IPHS) norms. Most of the Medical Colleges and Teaching Hospitals also did not comply with the norms prescribed by Medical Council of India (MCI) with regard to infrastructure, manpower, equipment and drugs & medicines.*

*(Paragraphs 2.3.3 and 2.4)*

### **Manpower planning**

*There were shortages in both medical and paramedical staff, especially personnel skilled in specialised branches of medicine at primary, secondary as well as tertiary health care institutions. Against the requirement of 20,006 posts there was a shortage of 10,534 posts (53 per cent) vis-à-vis IPHS norms.*

*(Paragraph 2.10)*

### **Fixed Day Health Services**

*The objective of Fixed Day Health Services (104 services) programme of providing medical facilities to habitations beyond three kilometres from SCs/PHC was partially fulfilled. Deficiencies of equipment in Mobile Health Units were noticed.*

*(Paragraph 2.5)*

### **Procurement of drugs/surgical and Drug Control Administration**

*Procurement was marked by delay in supply of drugs/surgicals by suppliers. Drug testing laboratories in Hyderabad and Vijayawada were functioning with outdated/non-functional equipment. Monitoring of drug control including licensing of blood banks was ineffective.*

*(Paragraph 2.12)*

<sup>6</sup> Chittoor, East Godavari, Hyderabad, Kurnool, Mahabubnagar, Visakhapatnam and Warangal

### **Financial Management**

- Government could not exhaust the funds allocated for health sector in any of the last five years and unutilised funds ranged from ₹409 crore to ₹1,040 crore.
- Under DFID aid, ₹55 crore (out of ₹299.04 crore) released to Strategic Planning Innovation Unit (SPIU) was not utilised for intended purpose.

(Paragraph 2.13)

### **1.7.2 Tribal welfare**

Performance audit of tribal welfare was conducted during April to July 2013 and April to May 2014 covering the implementation of various economic support schemes, schemes for development of education (other than scholarships) and infrastructure in tribal areas during the period 2009-14. Significant findings of this performance audit are summarised below.

#### **Planning**

- As against mandated 6.60 per cent allocation of total plan budget outlay for Tribal Sub-Plan (TSP), allocation was only about 3.97 per cent on an average during the last five years. Even out of the funds allocated, Government could not expend to the extent of 94 per cent (General sector), 36 per cent (Social sector) and 44 per cent (Economic sector). Though Government enacted 'Andhra Pradesh Scheduled Castes Sub-Plan and Tribal Sub-Plan (Planning, Allocation and Utilisation of Financial Resources) Act, 2013' in December 2012, there was no improvement in allocation and utilisation of funds under TSP during 2013-14.

(Paragraph 3.3)

#### **Financial Management**

- Allocated resources were not utilised fully in any of the years during the period 2009-14. As against total grant of ₹1,664 crore received, an amount of ₹725 crore (44 per cent) was only expended. There was Nil expenditure in respect of 59 (out of 243) sub-schemes which were allocated a total amount of ₹460.91 crore under TSP.
- There were persistent delays ranging from 13 to 24 months in releasing funds for grants provided under Article 275 (1).
- During the period 2009-14, funds amounting to ₹11.78 crore were lying idle in the PD Accounts of six ITDAs. As at end of March 2014, funds amounting to ₹94.27 crore remained unutilised and were lying in the PD Account of TRICOR.
- Advances amounting to ₹165.46 crore remained unadjusted as of March 2014 in seven ITDAs. Some of these advances (₹1.89 crore) are pending recovery/adjustment for over a decade and there was no effective mechanism in place to recover/adjust the pending advances.

(Paragraph 3.4)

### ***Economic Support Schemes (ESS)***

- *During the period 2009-14, 4.86 lakh beneficiaries (target: 7.14 lakh) were covered and the funds earmarked for providing sustainable livelihood support to the beneficiaries were utilised only to the extent of 51 per cent.*
- *Coffee and rubber plantations planned for the benefit of tribal population failed to achieve the desired results mainly due to non-availability of shade area/unsuitable agro-climatic conditions and unsuccessful maintenance of plants.*
- *In none of the test checked ITDAs was physical verification of economic support schemes by third party agencies carried out to evaluate commencement of the schemes.*

*(Paragraph 3.5)*

### ***Development of Infrastructure***

#### **Road Connectivity**

- *During 2009-14, 138 road works were taken up at an estimated cost of ₹194.80 crore. Of these, 48 (35 per cent) works were completed (expenditure incurred: ₹47.20 crore) and 63 works are in progress; the remaining 27 works were yet to be taken up (September 2014).*
- *Six works taken up without obtaining forest-clearance led to closure of works midway after incurring an expenditure of ₹5.61 crore. Six villages (out of 42 physically verified) in Adilabad, Khammam, Kurnool, Vizianagaram and Warangal districts have no transportation facilities of any type.*

*(Paragraph 3.6.1)*

#### **Amenities in Schools**

- *Test checked Government Ashram High schools/hostels/Gurukulam institutions lacked basic amenities and other facilities like drinking water, toilets, staff quarters, etc.*
- *Physical verification of sampled institutions revealed insufficient facilities like libraries, Arts and Crafts room, Computer room, Sports room, Dining hall, etc.*

*(Paragraphs 3.6.4 and 3.6.5)*

#### **Construction of school buildings**

*During 2009-14, only 152 (19 per cent) out of 807 sanctioned educational works had been completed. Thirty one per cent of the works remained at various stages of completion and nearly 47 per cent of the works remained incomplete.*

*(Paragraph 3.6.2)*

### **1.7.3 Welfare and Protection of Girl Child**

*Performance audit of implementation of schemes for welfare and protection of girl child during the period 2009-14 was conducted (April – July 2014) to assess whether Acts and schemes meant for the welfare of girl child in terms of providing nutrition, health and education and protection in terms of legal, physical and financial aspects have been implemented effectively. Significant findings of this performance audit are summarised below.*

#### **Fund utilisation**

- *Allocated funds were not released in full by the State Government in any of the years during 2009-14 and even the short released amounts were not expended which impacted implementation of the schemes viz., Kasturba Gandhi Balika Vidyalaya (KGBV), Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (SABLA), etc. (Paragraph 4.3)*

#### **Welfare of girl children**

##### **Education**

- *In 11 out of 12 test checked KGBVs, enrolment was less than the sanctioned strength and the shortfall ranged up to 86 per cent during the period 2009-14.*
- *Dormitories were inadequate in 11 out of 12 test checked KGBVs resulting in overcrowding. The rooms were also congested and the norms were not adhered to. There was shortage of toilet facilities in the test checked KGBVs.*

*(Paragraph 4.4.3)*

#### **Protection of girl children**

##### **Physical Protection**

- *Test checked welfare hostels suffered from inadequate dormitories resulting in overcrowding, shortage of toilet facilities, lack of provision of amenities, etc.*

*(Paragraph 4.5.1)*

##### **Financial Protection**

- *Against ₹79.19 crore released under Bangaru Talli Scheme to Society for Elimination of Rural Poverty (SERP) and Mission for Elimination of Poverty in Municipal Areas (MEPMA), an amount of ₹39.51 crore was only utilised, covering only 57 per cent of 2.76 lakh registered beneficiaries.*
- *SERP appropriated funds of ₹1.42 crore pertaining to Bangaru Talli scheme towards administrative expenses though not authorised as per the guidelines. Further, SERP furnished (March 2014) incorrect UC for ₹42.17 crore as against the actual expenditure of ₹20.33 crore with regard to the coverage of 81,309 beneficiaries.*

*(Paragraph 4.5.2)*

## **1.7.4 Compliance Audit Observations**

### **1.7.4.1 Archaeology and Museums**

*The Directorate, Archaeology and Museums did not have a comprehensive system to fulfil its core functions such as identification, survey, excavation, conservation and preservation of protected monuments. There were encroachments and illegal constructions within the proximity of protected monuments. Maintenance and upkeep of the museums was poor due to lack of funding base and other reasons exposing them to the risk of defacement, deterioration, theft and encroachments. (Paragraph 5.1)*

### **1.7.4.2 Minorities Welfare**

*Implementation of economic support as well as social security and welfare schemes was far from satisfactory as funds released were not utilised for the intended purposes in a majority of the cases. (Paragraph 5.2)*

### **1.7.4.3 Implementation of Crime and Criminal Tracking Network and Systems (CCTNS)**

*The main objective of Crime and Criminal Tracking Network and Systems (CCTNS) to capture the crimes and criminals related information online on real-time basis across the country and harness it for effective policing and crime investigation has not been achieved as implementation of the system suffered due to delay in release of funds by the Government of India, preparation of site and providing network connectivity, delay in commissioning of hardware, digitization of records and migration of legacy data, delays in system development, testing and roll-out. With only seven out of the fourteen modules of the system having been developed and tested, and only four out of these seven modules being functional in 262 out of 1,662 police stations, there could be further time overrun in implementation of the CCTNS project. (Paragraph 5.3)*

### **1.7.4.4 Infrastructure in Junior Colleges**

*Contrary to stipulations made in AP Educational Institutions (Establishment, Recognition, Administration and Control of Institutions of Higher Education) Rules, 1987 (APEI (ERA&CIHE) Rules), shortages were observed in all the test checked Junior Colleges with regard to provision of college infrastructure/basic amenities like number of buildings, classrooms, toilet facilities, furniture in classrooms/laboratories/libraries, laboratory equipment, library books/journals, delay/short supply of text books to ST students, safe drinking water facilities, barrier free access, etc. (Paragraph 5.4)*

### **1.7.4.5 Implementation of Food Safety and Standards Act**

*Survey of food business establishments was not carried out and database of food business establishments was not maintained. Adequate samples were not lifted from food establishments, indicating poor surveillance on food business operators and lack of assurance about compliance with food safety norms by various food establishments. (Paragraph 5.5)*

#### **1.7.4.6 Mismanagement of Examination Funds**

*Inadequate monitoring and control by The Andhra Pradesh State Council of Higher Education with regard to amounts available and spent by Convenors of Common Entrance Tests (CETs) led to several lacunae in financial management by the Convenors and blocked availability of funds with the Council. CET guidelines were not followed and delays in refunding unspent balances by Convenors, parking of CET funds outside Convenor accounts, non-maintenance of key control registers like cash book, register of valuables, etc. were fraught with risks of misutilisation of examination funds.*

*(Paragraph 5.6)*

#### **1.7.4.7 AP Text Book Press**

*Due to inadequate attention to modernisation of Text Book Press (established in 1958), Government was forced to incur additional expenditure on printing text books in private press which resulted in increased dependence on private printers without furthering the printing capabilities of the Press.*

*(Paragraph 5.7)*

#### **1.7.4.8 Idle/Unfruitful expenditure on equipment**

*Equipment procured by RGUKT at a cost of ₹3.18 crore without proper planning/immediate requirement, remained idle for over one to five years rendering the expenditure idle/unfruitful. Besides, equipment procured at a cost of ₹16.70 crore were also lying idle due to non-completion of civil works/non-appointment of skilled operators.*

*(Paragraph 5.8)*