# Chapter III

# Compliance Audit Observations

Pages 65 - 107

# Social Welfare Department

## 3.1 Implementation of Economic Support Schemes for Scheduled Castes

### 3.1.1 Introduction

The Scheduled Castes population was 84 lakh (2011 Census) in the State[1] which constituted 17.08 *per cent* of the total population of the State. The Andhra Pradesh Scheduled Castes Cooperative Finance Corporation Limited (Corporation) implements the Economic Support (ES) Schemes. The aim of the ES Schemes was to ensure economic empowerment of Scheduled Castes (SC) individuals and groups through creation of sustainable livelihood. The details of ES Schemes and funding pattern are detailed in **Table-3.1:**

**Table-3.1**

| Scheme | Subsidy | Beneficiary contribution | Loan |
|---|---|---|---|
| **Bank linked schemes** | 60 *per cent* of unit[2] cost or ₹ 1.00 lakh, whichever is less. | (1) Nil, if the unit cost is less than ₹ 2.00 lakh.<br>(2) 5 *per cent* of the unit cost if unit cost is ₹ 2.00 lakh or above. | Balance of the unit cost after subsidy and beneficiary contribution, if any. Loans organised from banks. |
| **Schemes without bank linkage** | 60 *per cent* of unit[3] cost or ₹ 1.00 lakh, whichever is less. | (1) Nil, if the unit cost is less than ₹ 2.00 lakh.<br>(2) 5 to 10 *per cent* of the unit cost depending on the scheme. | Balance of the unit cost after subsidy and beneficiary contribution, if any. Loans obtained from National Scheduled Castes Finance and Development Corporation (NSFDC) and National Safai Karamcharis Finance and Development Corporation (NSKFDC). |

*Source: Information provided by Corporation*

Management of the affairs of the Corporation is vested in a Committee of Persons[4] (CoP) headed by the Chairman. Vice Chairman & Managing Director (VC & MD) manages the affairs of the Corporation under the guidance of the CoP. The Executive Director (ED) of the District Co-operative Society (District Society) is responsible for implementation of the schemes in the district. The District Society functions under the guidance of the District Monitoring Committee[5] (DMC) chaired by the District Collector.

### 3.1.2 Audit Objectives

Audit was conducted (January to June 2017) with a view to examine

(i) whether beneficiaries were selected in accordance with the prescribed procedure; and

(ii) whether the implementation of the scheme was efficient and effective.

---

[1] 13 districts in the present State of Andhra Pradesh
[2] borewells with submersible pump sets, centering/roof making, paper or leaf plates making, passenger auto, sheep unit, etc.
[3] general engineering works, mini super bazar, pickup van, tractor with trolley & agriculture implements etc.
[4] consists of 19 persons (details in ***Appendix-3.1***)
[5] consists of 10 persons (details in ***Appendix-3.1***)

## 3.1.3 Audit scope and methodology

The Corporation implemented ES Schemes (i) with bank linkage and (ii) without bank linkage. Audit covered three year period from 2014-15 to 2016-17. Audit criteria were scheme guidelines and prescribed procedure. Audit was conducted by way of examination of records of the Corporation, District Societies of four[6] out of 13 districts in the State. Data available in the 'Online Beneficiary Management and Monitoring System' (OBMMS) of the Corporation was also analysed. Audit conducted a survey of 200 beneficiaries[7], 50 in each selected district. Audit conducted joint physical verification of the assets created by the beneficiaries for their livelihood through the scheme, along with the officers of the District Societies.

### *Audit findings*

## 3.1.4 Selection of beneficiaries

Every year during 2014-17, through an advertisement, the Corporation invited applications from the persons who seek benefit of ES Schemes for that year. The intended individuals were to register themselves through OBMMS. The Screening-Cum-Selection Committees (***Appendix-3.1***) convened meetings, where all the applicants were called and selection of the candidates (beneficiaries) was made. The details of candidates applied and selected in four test-checked districts during 2014-17 are detailed in **Table-3.2:**

**Table-3.2**

| District | Number of candidates | | Number of candidates | |
|---|---|---|---|---|
| | Bank-linked ES Schemes | | ES Schemes without Bank-linkage | |
| | Applied | Selected (*per cent*) | Applied | Selected (*per cent*) |
| Chittoor | 36153 | 7107 (20) | 3214 | 110 (03) |
| East Godavari | 36083 | 8172 (23) | 3388 | 272 (08) |
| Guntur | 53135 | 10981 (21) | 5164 | 490 (10) |
| Krishna | 42398 | 10161 (24) | 3509 | 409 (12) |

*Source: Information provided by Corporation*

Review of the selection process in the four test-checked districts revealed the following:

### *3.1.4.1 Identification of the deserving applicants*

District Society was expected to identify the poorest of the poor among SC population. The house-hold survey data collected by SERP[8] in each Mandal in rural areas and MEPMA[9] in urban areas was to be used for this purpose. Audit test-checked records of Mandal Selection Committees in Mandal Parishad Development Offices in Repalle and Nuzivid in Guntur and Krishna districts respectively. It was observed that both the Mandal Selection Committees had not conducted survey for identifying the poorest of

[6] East Godavari, Guntur, Krishna (Andhra region) and Chittoor (Rayalaseema region) were selected for test-check with highest Scheduled Castes population
[7] selected through Random Sampling without Replacement Method
[8] Society for Elimination of Rural Poverty
[9] Mission for Elimination of Poverty in Municipal Areas

the poor SC population. Further, the SERP/MEPMA data on the poorest of the poor SCs in the mandals was also not obtained. It was noticed that the selection of beneficiaries was made based on the White Ration Card, issued to a family Below Poverty Line. In the absence of list of the poorest of the poor individuals, it was not assured that selection committees had selected the poorest of the poor SC applicants. This was significant particularly in the situation where 75 *per cent* of the applications were eliminated. The Selection Committees had not specified any reasons for rejection of applications in such cases.

### 3.1.5 Implementation of Bank linked Schemes

Physical target was the number of units to be set up by the beneficiaries. Financial Target was the amount of subsidy allocated for the target number of units. Corporation communicated district wise physical and financial targets to the District Societies along with the timelines for starting the units in the same financial year. The Corporation releases subsidy amount directly into the non-operative SB accounts[10] of beneficiaries. The banks should ensure that the beneficiaries start the units within 15 days from the date of receipt of subsidy along with bank loans.

The details of targets and achievements in the four test-checked districts, as of July 2017 are detailed in **Table-3.3:**

**Table-3.3**

| Year | Number of units | | | | Amount of subsidy (₹ in crore) | | | |
|---|---|---|---|---|---|---|---|---|
| | Target | Sanctioned (*per cent*) | Subsidy Released | Started (*per cent*) | Target | Sanctioned (*per cent*) | Released | Started (*per cent*) |
| **2014-15** | 16735 | 12199 (73) | 12103 | 9453 (78) | 90.77 | 83.49 (92) | 83.29 | 64.64 (78) |
| **2015-16** | 16129 | 13385 (83) | 12656 | 7914 (63) | 103.50 | 92.71 (90) | 87.17 | 54.09 (62) |
| **2016-17** | 18849 | 10837 (57) | 8010 | 30 (01) | 129.70 | 78.13 (60) | 56.81 | 0.29 (01) |
| **Total** | **51713** | **36421 (70)** | **32769** | **17397 (53)** | **323.97** | **254.33 (79)** | **227.27** | **119.02 (52)** |

*Source: Information provided by Corporation*

In the four test-checked districts, it was noticed that, out of 32,769 units for which subsidy of ₹ 227.27 crore was released, 17,397 units were only started by utilising subsidy amount of ₹ 119.02 crore. The achievement of physical and financial target stood at 53 *per cent* and 52 *per cent* respectively. It was further noticed that during 2014-17, poor achievement in starting the units was mainly in minor irrigation[11] sector and in vulnerable groups[12] scheme.

The target and percentage of units started in these two sectors are detailed in **Table-3.4:**

---

[10] account opened by the Bank in the name of the beneficiary to facilitate the Corporation to credit subsidy. The beneficiary cannot operate this bank account

[11] Shallow tube wells with oil engines, pipeline for irrigation, submersible pump sets, etc.

[12] Rehabilitation of atrocity victims, bonded labour, jogins, manual scavengers, etc.

**Table-3.4**

**(Number of units)**

| Year | Minor irrigation sector | | Vulnerable groups scheme | |
|---|---|---|---|---|
| | Target | Started (percentage) | Target | Started (percentage) |
| 2014-15 | 2556 | 160 (06) | 2335 | 36 (02) |
| 2015-16 | 3959 | 207 (05) | 4260 | 11 (01) |
| 2016-17* | 2195 | 0 (0) | 1222 | 0 (0) |

* The sector/scheme were included under ES Schemes without bank linkage
*Source: Information provided by Corporation*

During 2016-17, Audit observed (July 2017) that no units were started in three out of the four test-checked districts and all the 30 units started were in Chittoor district. Year wise details are in ***Appendix-3.2***.

The Corporation attributed (January 2018) the shortfall in achievement of targets to bankers not evincing interest in starting of the units to the extent of subsidy released. The Corporation attributed the poor achievement in Minor irrigation sector and Vulnerable groups scheme to lack of awareness among rural SC population for registration in OBMMS.

This indicates the failure of the EDs of District Societies in creating awareness of the schemes among SC population, in co-ordination with line Departments.

### *3.1.5.1 Process delays*

Time taken for processing of the application at different stages is indicative of the efficiency/inefficiency in implementation of the scheme. Government had stipulated the time schedule for each stage. On an analysis of OBMMS data[13] for the years 2014-15 and 2015-16, Audit observed delays at different stages in the test-checked districts, even though the process is automated through OBMMS. The details of delay are in **Table-3.5**:

**Table-3.5**

| Sl.No | Norms as per guidelines | Audit observation |
|---|---|---|
| 1 | **Obtaining of Bank account numbers** | |
| | Implementation Guidelines stipulated that the EDs of the District Societies should obtain two account numbers (Non-operative and Loan) of the sanctioned beneficiaries from the banks within 15 days from date of selection of the beneficiaries by the Selection Committees. The EDs should upload the two account numbers in OBMMS to facilitate the | EDs of 13 districts failed to obtain two bank account numbers in respect of 3,527 beneficiaries selected during the years 2014-15 (261) and 2015-16 (3,266) as of May 2017. In four test-checked districts, the two bank account numbers were not obtained from the banks in respect of 1,433 beneficiaries selected during 2014-15 (96) and 2015-16 (1,337). |

[13] furnished by the Corporation in January 2017

| | | |
|---|---|---|
| | Corporation for release of subsidy online to non-operative bank account. | Corporation replied that beneficiaries had not shown interest and did not turn up to banks for documentation. However, Audit observed that certain bank branches demanded deposits equivalent to the loan portion for starting the units and to secure the loan. Failure of the Corporation authorities at District level to coordinate with the banks concerned and the beneficiaries resulted in stalling the process. |
| **2** | **Communication of selected beneficiaries list to District Societies** | |
| | The Corporation communicated the scheduled date for selection of beneficiaries. The scheduled date for completion of selection of beneficiaries was 07 December 2014 and 02 November 2015 for the years 2014-15 and 2015-16 respectively. Screening-cum-Selection Committees should adhere to the timelines fixed for selection of beneficiaries. Soon after selection of beneficiaries, the selected list has to be forwarded to District Societies. | Delay of more than 30 days was noticed between the scheduled date of selection and date of Mandal Parishad Development Officer (MPDO) communicating the list of selected beneficiaries to the District Societies. In respect of 7,919 out of 10,754 cases (74 *per cent*) in the test-checked districts, the delay ranged from 31 to 202 days for the year 2014-15. Similarly, for the year 2015-16, 12,194 out of 12,891 (95 *per cent*) cases were delayed, which ranged from 31 to 241 days. |
| **3** | **Issue of proceedings by the District Societies** | |
| | On receipt of the MPDO letter communicating the selected list of beneficiaries, the District Societies should issue proceedings indicating administrative approval for the beneficiaries selected by the MPDO within a period of 25 days. | In respect of 5,548 out of 10,754 (52 *per cent*) cases for the year 2014-15, this process[14] had taken 31 to 205 days. Similarly, in respect of 5,806 out of 12,891 (45 *per cent*) cases for the year 2015-16, this process had taken 31 to 266 days. Therefore, the objective of the scheme to extend the benefit to the beneficiaries in the same financial year was not achieved. |

[14] MPDO communicating the list of selected beneficiaries to the Society; issue of administrative approval by the ED, District Society and sending the proceedings to the Corporation

| | | |
|---|---|---|
| **4** | **Financial sanction and release of subsidy by the Corporation** | |
| **(i)** | After approval of the list of beneficiaries, EDs of District Societies forward the selected list to the Corporation for release of subsidy. | In test-checked districts, during 2014-15, 7,241 out of 10,754 (67 *per cent*) cases were communicated with a time gap[15] ranging from 31 to 586 days. Similarly, during 2015-16, there was a time gap ranging from 32 to 339 days in 11,941 out of 11,976 (99 *per cent*) cases. |
| **(ii)** | The Corporation accords sanction and releases subsidy amount to the banks for crediting to the non-operative bank accounts of beneficiaries. Even though, no timelines were fixed for Corporation for according financial sanction and issue of cheques for crediting the subsidy, a maximum period of 15 days was considered optimum. | Time lags of more than 15 days were noticed between the Corporation according financial sanction to the selected beneficiaries and the cheque issue date. In 2,578 out of 10,754 (24 per cent) cases in the test-checked districts during 2014-15, cheques were issued after a gap of 17 to 43 days from the date of financial sanction. Similarly, for the year 2015-16, in respect of 180 out of 11,863 cases, there was a gap of more than 15 days from the date of financial sanction to the cheque issue date. |
| **5** | **Submission of Utilisation Certificate** | |
| | The banks should take up starting of units within 15 days of receipt of subsidy along with bank loans. EDs of District Societies should collect UCs from Bank Managers and upload them in OBMMS within 15 days from the date of starting the unit. Overall, the unit should be started and UC should be uploaded within 30 days from the date of release of subsidy. | There were time lags beyond 30 days in uploading of UCs in OBMMS. In 4,671 out of 6,715 (70 *per cent*) cases in the test-checked districts during 2014-15, the time gaps from cheque issue date to UC date ranged between 31 to 516 days. Similarly, in 1,542 out of 2,078 cases during 2015-16, the time gap ranged between 31 to 174 days. |

On the whole, the timelines stipulated for completion of process starting from selection of beneficiary to starting of the unit was not followed in any year during 2014-17. ***Only eight out of 8,793 units for the years 2014-16 were started within the timelines.  The***

[15] from the date of proceedings of the District Societies communicating the selected list of beneficiaries to the Corporation to the date of financial sanction by the Corporation

***average delay for starting of the units sanctioned for the years 2014-15 and 2015-16 were 304 days and 331 days respectively***.

For the year 2016-17, the entire process was to be completed by 15 March 2017. However, the selection of beneficiaries was still in progress as of September 2017. This shows the poor adherence of timelines by the District Societies and failure of the Corporation in overall implementation of the scheme. Thus, the intention of Government to provide benefits within the same financial years was defeated.

The Corporation accepted (January 2018) the audit findings and stated that suitable instructions were issued to avoid delays at various levels. The Corporation attributed the delays in issue of cheques to non-availability of funds with the Corporation. The Corporation also stated that issues related to bankers were brought to the notice of Bank controllers at regional and state level to avoid delays.

### *3.1.5.2 Uploading of incorrect asset photographs*

As per the Implementation Guidelines, ED, District Society was responsible for uploading of the photographs of the units started. Audit observed that ***District Societies uploaded photograph of the same asset for two beneficiaries in 46[16] cases during 2014-15 and 2015-16***. The District Societies assured to take up the matter duly calling explanation from the Bank Authorities and MPDOs.

Until and unless the particulars of the units started (UCs) were entered into OBMMS, the process would neither be completed nor would it be accounted for as achievement of targets. In Krishna District, District Society uploaded UCs obtained from the bankers for 12[17] beneficiaries in both UC field as well as asset photograph field in OBMMS during 2014-15 and 2015-16. The incorrect uploading of photographs raised doubts about the authenticity of the units stated as started. On being pointed out, the ED assured to upload the asset photographs.

## 3.1.6 Economic Support Schemes without Bank Linkage

Under ES Schemes without bank-linkage, the Corporation gave the loans to the selected beneficiaries by borrowing from the National Scheduled Castes Finance and Development Corporation (NSFDC) and National Safai Karamcharis Finance and Development Corporation (NSKFDC).

The Corporation sanctioned an amount of ₹ 20.65 crore to 2,642 beneficiaries during 2015-16 and ₹ 26.97 crore to 1,780 beneficiaries during 2016-17. Of this (₹ 47.62 crore), the Corporation released only ₹ 29.36 crore[18] for covering 3,025[19] beneficiaries in place of 4,422 beneficiaries. However, it was noticed in audit that, as of July 2017, only 1,655 units[20] were actually started by availing a subsidy of ₹ 20.94 crore[21]. The Corporation replied (January 2018) that necessary instructions were issued to EDs for

[16] 28 in 2014-15 and 18 in 2015-16
[17] 11 in 2014-15 and one in 2015-16
[18] 2015-16: ₹ 20.33 crore; 2016-17: ₹ 9.03 crore
[19] 2015-16: 2,605; 2016-17: 420
[20] 2015-16: 1,235; 2016-17: 420
[21] 2015-16: ₹ 11.91 crore; 2016-17: ₹ 9.03 crore

creation of awareness among SC population about the schemes and expedite the starting of the units.

Details of units started in the four test-checked districts during 2015-17 are given in **Table-3.6:**

**Table-3.6**

**(₹ in crore)**

| District | Target | | | Subsidy released to | | Loan Released to | | Units Started |
|---|---|---|---|---|---|---|---|---|
| | Units | Subsidy | Loan | District Societies | Beneficiaries | District Societies | Beneficiaries | |
| Chittoor | 723 | 6.61 | 9.14 | 3.45 | 0.78 | 3.34 | 1.18 | 79 |
| East Godavari | 791 | 6.99 | 10.04 | 3.71 | 1.14 | 3.60 | 2.01 | 88 |
| Guntur | 966 | 6.31 | 8.50 | 4.78 | 2.28 | 5.50 | 3.63 | 189 |
| Krishna | 677 | 3.05 | 3.26 | 4.32 | 1.67 | 3.29 | 2.65 | 125 |
| Total | **3157** | | | | | | | **481** |

*Source: Information provided by respective District Societies*

***Number of units started (under NSFDC and NSKFDC) during 2015-17 was only 481 (15 per cent) against the target of 3,157 in these districts.*** The Corporation replied that the shortfall was due to ignorance of eligibility criteria and non-completion of documentation process after selection of beneficiaries. For the year 2016-17, the process of selection of beneficiaries was still in progress as of July 2017.

## 3.1.7 Results of Survey conducted by Audit

Audit team conducted a joint survey of 200 beneficiaries along with the officials of the District Societies. This involved joint physical verification of the assets created by the beneficiary for his or her livelihood through the ES Schemes. The observations based on physical verification are as follows:

***During joint survey, teams could not meet/ locate 62 out of the 200 beneficiaries selected***. According to OBMMS data, 45 out of these 62 beneficiaries had started functioning. The MPDOs of test-checked Mandals (Nuzivid and Repalle) stated that the address mentioned in Ration Card was accepted for consideration of application of beneficiary. Correctness of the address of the beneficiary would be verified only in cases of doubt. Thus, the residence of the beneficiary at the given address was not verified at the time of sanction. As such, there was no assurance that the 45 units were actually started.

Out of the 138 beneficiaries visited by audit teams, it was noticed that 13 units were closed after starting. ***Nineteen beneficiaries stated that they could not start the unit because loan was not released by the bank***. Fifteen beneficiaries stated that subsidy was not released to them due to non-opening of bank account or non-submission of surety bond. Three stated that both subsidy and loan were not released. ***Six beneficiaries stated that bank retained the loan amount as fixed deposits and released only the subsidy amount***. Overall, 82 out of 200 beneficiaries who were accorded sanction by the Corporation had only started the units and were functioning.

## 3.1.8 Issues relating to OBMMS package

The Corporation automated the entire process of the bank-linked schemes through Online Beneficiary Management and Monitoring System (OBMMS). The OBMMS package was operational in all the 13 districts of the State from 2014-15 with the assistance of Centre for Good Governance (CGG). It was meant to facilitate transparency and accountability, avoid duplication and curtail the delays in implementation of the schemes. A review of the OBMMS package and the analysis of the data revealed the following deficiencies.

- As per Implementation Guidelines, entry of Aadhaar/UID number in the OBMMS was mandatory. OBMMS accepted applications without the Aadhaar/ UID number. Audit observed that the Corporation had released subsidy of ₹ 51.54 lakh to 70[22] beneficiaries in these four districts during the year 2015-16 without entering Aadhaar/ UID numbers in OBMMS. Audit further observed that the same Aadhaar/ UID number appeared against two beneficiaries in five[23] cases where subsidy was released. On being pointed out, the Corporation stated that it would verify from District Societies.

The portal also accepted:

- The applications without filling the income field.
- The applications where the income was beyond the prescribed level.
- The applications where the age entered was outside the prescribed range.
- The applications without filling the names of the Sub-Caste field, Sector/ Scheme field.
- The same account number in both the fields of non-operative account and loan account.
- The same account number to multiple beneficiaries.

The portal did not provide for (i) address of the unit started, (ii) date of starting of the unit (iii) the data pertaining to ES Schemes without bank linkage except initial registration and (iv) recording the revised cheques issued by the Corporation where required[24].

Audit was of the view that due to lack of validation controls in the OBMMS package to prevent the above lapses, risk of flow of incorrect information was high. There is a risk of ineligible applicants being covered under the scheme. The deficiencies need to be rectified immediately to avoid the above risks. The Corporation stated (January 2018) that the issue would be referred to the CGG for improvement of the OBMMS package.

---

[22] Chittoor: 25, East Godavari: 02, Guntur:17 and Krishna :26

[23] nine in 2014-15 and one in 2015-16

[24] In cases where the beneficiaries reported of non-crediting of the subsidy amount due to incorrect account numbers, wrong IFSC codes, etc.

### 3.1.9 Conclusion

The Corporation had not conducted survey to identify the poorest of the poor beneficiaries; hence their selection could not be ensured. The Selection-cum-Screening Committee had not obtained database of household survey from SERP/MEPMA. The achievement of targets stood at 53 *per cent* in the test-checked districts in respect of bank linked schemes. Timelines were not adhered to, leading to delay in implementation of the schemes. OBMMS lacked validation controls to check eligibility norms and control the repetition of beneficiary data.

The matter was reported to Government in September 2017; reply has not been received (December 2017).

## Tribal Welfare Department

## 3.2 Implementation of Economic Support Schemes for Scheduled Tribes

### 3.2.1 Introduction

The Scheduled Tribes population in the State was 27.39 lakh (2011 census) constituting 5.53 *per cent* of the total population of the State[25]. Andhra Pradesh Scheduled Tribes Cooperative Finance Corporation Limited (TRICOR) was responsible for monitoring the implementation of the Economic Support (ES) Schemes in the State. The ES Schemes are intended for the socio economic development of Scheduled Tribes (STs) individuals and Groups through sustainable livelihood. TRICOR implemented these Schemes under Normal State Plan (NSP) and Special Central Assistance (SCA) to Tribal Sub Plan (TSP). The details of the ES Schemes and their funding pattern are detailed in **Table-3.7:**

**Table-3.7**

| Scheme | Subsidy | Beneficiary contribution | Loan |
|---|---|---|---|
| **ES Schemes with bank linkage** | 60 *per cent* of unit cost or ₹ one lakh whichever is less. (Subsidy in respect of PVTGs[26] is 90 *per cent* from 2015-16) | Nil | Balance unit cost |
| **ES Schemes without bank linkage** | 90 *per cent* of unit cost or ₹ one lakh whichever is less | Two to five *per cent* of unit cost | Balance unit cost |
| **Energisation[27]** | 100 *per cent* subsidy | Nil | Nil |

*Source: Implementation guidelines of Corporation*

[25] 13 districts in the present State of Andhra Pradesh
[26] Particularly Vulnerable Tribal Groups
[27] Providing of electrical connection to the bore wells in agricultural fields

The Managing Director (MD) manages the affairs of the TRICOR under the guidance of Committee of Persons[28] (CoP). The CoP is headed by the Principal Secretary to Government in Tribal Welfare Department. Project Officers (PO) of Integrated Tribal Development Agency (ITDA) / District Tribal Welfare Officers (DTWO) are responsible for implementation of the ES Schemes at district level. District Monitoring Committees[29] (DMCs) under the chairmanship of the District Collector monitor the implementation of schemes in the districts.

## 3.2.2 Audit Objectives

Audit was conducted (January-June 2017) with a view to assess

i) whether beneficiaries under ES Schemes were selected in accordance with the prescribed procedure; and
ii) implementation of the scheme was efficient and effective.

## 3.2.3 Audit Scope and methodology

Audit scrutinised records of the Managing Director, TRICOR and Project Officers of ITDAs / DTWOs in four[30] districts for the period 2014-17. Audit also conducted joint physical verification of assets created by 200 beneficiaries (50 in each district) under the scheme for his/ her livelihood. Audit observations were benchmarked against the criteria sourced from the scheme guidelines, Annual Action Plans and Government Orders/ instructions issued from time to time.

## *Audit findings*

## 3.2.4 Bank-linked Economic Support Schemes

### *3.2.4.1 Selection of beneficiaries*

Every year during 2014-17, the POs of ITDAs / DTWOs (District Officers) issued notification calling for applications from eligible persons for financial assistance under ES Schemes. Mandal Level Screening-cum-Selection Committee[31] was responsible for screening the applications and selection of beneficiaries under the ES Schemes. The Mandal Parishad Development Officers (MPDOs) at Mandal level/ Municipal Commissioners in municipalities convened the Committees. During the three-year period 2014-17, 31,746 beneficiaries attended before the Screening-cum-Selection Committees in the four test-checked districts. Of these, benefit under ES Schemes was extended to 9,329 (29 *per cent*) beneficiaries (***Appendix-3.4***).

As per the guidelines, poorest of the poor among STs were to be given priority in selection of beneficiaries in the Scheme. The poorest of the poor were to be identified

[28] Consists of 15 persons (Details are given in ***Appendix-3.3***)
[29] Consists of 10 persons (Details are given in ***Appendix-3.3***)
[30] ITDA districts: SPS Nellore, Visakhapatnam & East Godavari and Non-ITDA district: Chittoor selected on the basis of the highest ST population
[31] Details are given in ***Appendix-3.3***

by obtaining the household survey data available with SERP[32] and MEPMA[33]. Audit test-checked records of MPDOs relating to the selection of beneficiaries in Tirupati (Rural) and Hukumpet Mandals in Chittoor and Visakhapatnam districts respectively. ***It was noticed that Mandal level Screening-cum-Selection Committees of both the Mandals had not collected the data from SERP/ MEPMA***. The MPDOs stated that they had selected beneficiaries based on data from White Ration Cards[34].

The reply of the MPDOs was not acceptable as the White Ration Card was indicative that a family was Below Poverty Line. It did not indicate the poorest of the poor among families Below Poverty Line. In the absence of list of the poorest of the poor individuals, it was not assured that selection committees had selected the poorest of the poor ST applicants. Further, the Committees had not recorded any reasons for not selecting the beneficiaries, in cases of applications rejected. Non-recording of reasons for rejection of applications indicated that selection of beneficiaries was not transparent. Further, malpractices could not be ruled out.

### 3.2.4.2 Selection of over aged beneficiaries

Scheme guidelines for the year 2014-15 stipulated that the beneficiaries in the age group of 21-45 years should be selected. For the year 2015-16, the age limit was revised to 18-40 years for self-employment schemes and 18-50 years for land based schemes, *viz.*, agriculture and horticulture. Relaxation of upper age limit by five years was allowed in respect of vulnerable tribal groups.

Audit noticed that during 2014-16, TRICOR had released subsidy of ₹ 76.56 lakh to 122 over aged beneficiaries[35]. TRICOR replied (May 2017) that the matter would be pursued with the District Offices. In the four test-checked districts, 35 over aged beneficiaries[36] were selected during 2014-15 and 2015-16. The DTWOs had not furnished any specific reason for selection of beneficiaries above the prescribed age limit.

## Implementation

### 3.2.4.3 Process delays

In the Annual Action Plans (AAPs) for each year during 2014-17, the TRICOR fixed timelines for selection of beneficiaries, release of subsidy and starting of units. The timelines were meant to ensure that the intended benefits reach the beneficiaries within the current financial year. Audit noticed delays in various stages of process leading to delays in starting of units.

---

[32] Society for Elimination of Rural Poverty

[33] Mission for Elimination of Poverty in Municipal Areas

[34] Issued to Below Poverty Line families whose annual income is below ₹ 81,000 in rural areas and ₹1,03,000 in urban areas (2016-17)

[35] 2014-15: ₹30.06 lakh (56 beneficiaries) and 2015-16: ₹46.50 lakh (66 beneficiaries)

[36] 2014-15: SPS Nellore (3), Visakhapatnam (18); 2015-16: SPS Nellore (1) East Godavari (7), Chittoor (3) and Visakhapatnam (3)

**a) Delay in submission of sanctioned list of beneficiaries to TRICOR:** After completion of screening and selection process, the details of the selected applicants are registered in the Online Beneficiary Management and Monitoring System (OBMMS). The MPDO/ Municipal Commissioner should send a copy of the list of selected beneficiaries to the POs of ITDAs /DTWOs for obtaining sanction of the District Collector.

In the test-checked districts, Audit noticed delays in submission of list of sanctioned applications by District Officers[37] to TRICOR for release of subsidy in the years 2014-16. The delays ranged between one month and 16 months as detailed in **Table-3.8**:

## Table-3.8

| District | Total no. of applications sanctioned | | No. of applications submitted with delay | | Delay in submission |
|---|---|---|---|---|---|
| | 2014-15 | 2015-16 | 2014-15 | 2015-16 | |
| Chittoor | 515 | 747 | 371 | 518 | 1 to 15 months |
| East Godavari | 556 | 598 | 236 | 290 | 1 to 14 months |
| SPS Nellore | 1569 | 632 | 1409 | 632 | 1 to 12 months |
| Visakhapatnam | 2628 | 433 | 2311 | 394 | 1 to 16 months |

*Source: OBMMS data*

The District Officers had not furnished any reasons for delays in submission of sanctioned applications to TRICOR.

**b) Delay in release of subsidy:** After obtaining the sanction of the District Collector, the District Officers were to submit the list of sanctioned beneficiaries to the TRICOR for release of subsidy. The TRICOR should release the subsidy component of financial assistance to the bankers for crediting the money to non-operative savings bank account of the beneficiary. The banker was to release the loan component to the loan account of the beneficiary and also take up starting[38] of the unit.

Every year during 2014-17, TRICOR stipulated schedule of dates for starting of units. However, Audit observed that there were delays in sanction and release of subsidy in all the years, ranging from one to 23 months. Further, Audit observed that the subsidy was released during subsequent financial year in respect of 94 *per cent* of the beneficiaries as detailed in **Table-3.9:**

[37] Project Officers of ITDAs and DTWOs
[38] establishing the sanctioned unit by utilising the total unit cost (subsidy *plus* loan) for income generation

**Table-3.9**

| Year | No. of beneficiaries applied | No. of beneficiaries selected/ sanctioned | No. of beneficiaries sanctioned within the financial year | No .of sanctioned applications received from District Officers during the same year | No. of beneficiaries to whom the subsidy was released during the same year | No. of cases of delayed release of subsidy *(Col. 3 minus Col.6) (Percentage)** | Due date for starting the units | Release of last spell of subsidy by TRICOR |
|---|---|---|---|---|---|---|---|---|
| *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* |
| **2014-15** | 34654 | 10386 | 7483 | 1382 | 948 | 9438 (*91*) | February 2015 | August 2016 |
| **2015-16** | 42466 | 6737 | 3906 | 590 | 225 | 6512 (*97*) | September 2015 | August 2017 |
| **2016-17** | 37801 | 3875 ^ | 683 | Nil | Nil | 3875 (*100*) | March 2017 | In Progress |
| **Total** | **114921** | **20998** | **12072** | **1972** | **1173** | **19825 (*94*)** | | |

*Source: OBMMS data*
^ as on 12 September 2017 - selection was under progress;
*percentage out of beneficiaries selected/sanctioned (Col.3)

***As seen from the above table, during the three-year period TRICOR released subsidy in the same financial year only to 1,173 beneficiaries.*** TRICOR attributed (June 2017) the delay in release of subsidy to delayed receipt of list of sanctioned beneficiaries from the District Offices.

However, the reply of TRICOR was not convincing as there were delays at TRICOR level also. On submission of list of sanctioned beneficiaries by the District Offices, TRICOR was to release subsidy component to bankers within 15 days for crediting the money to accounts of the beneficiaries. Audit noticed that TRICOR had delayed release of subsidy up to 16 months from receipt of list of sanctioned beneficiaries during 2014-15 and 2015-16.

In the four test-checked districts, the delays ranged from one day to six months in release of subsidy in 5002[39] out of 7678 cases during 2014-15 and 2015-16.

### 3.2.4.4 Sanction of units in deviation from guidelines

In the Implementation guidelines, TRICOR stipulated norms for sanction of units and the unit cost for various types of units under ES Schemes. However, the District Officers sanctioned units in deviation from the guidelines as detailed in **Table-3.10:**

[39] 2014-15: Chittoor: 260 cases (2-50 days), East Godavari:298 cases (2-101 days), Visakhapatnam:1440 cases (1-121 days) and SPS Nellore: 1156 cases (1-91 days); 2015-16: Chittoor: 566 cases (1-89 days), East Godavari: 289 cases (2-52 days), SPS Nellore: 632 cases (50-78 days) and Visakhapatnam:361 cases (3-181 days)

**Table-3.10**

| Criteria | Audit observation |
|---|---|
| **In the AAPs, the TRICOR stipulated the unit cost to be adopted for different categories of units to be sanctioned to the beneficiaries.** | The District Officers adopted incorrect unit costs in respect of five and 39 units sanctioned in Chittoor[40] and SPS Nellore[41] districts respectively. This had resulted in excess release of subsidy of ₹ 0.78 lakh and ₹5.04 lakh during 2014-15 and 2015-16 respectively. The PO, ITDA, SPS Nellore stated that the unit cost was changed as per the local requirement.<br>The reply of the PO, ITDA was not convincing as the AAP did not have any provision for relaxation of unit cost. Further, the increase in unit cost in some cases would lead to decrease in number of beneficiaries that could be covered within the financial resources available. |
| **Every year during 2014-17, in the AAPs, TRICOR communicated the list of schemes approved by the Government to District Offices for implementation.** | The District Offices sanctioned schemes[42] that were not included in the AAP to 40 beneficiaries under ISB/SE Sector in SPS Nellore[43] and Chittoor[44] districts. Subsidy released in these cases amounted to ₹ 22.17 lakh. The District Officers had not furnished any specific reasons. |
| **As per Implementation guidelines for the years 2014-15 and 2015-16, Aadhaar/UID number of the applicant was to be entered in the OBMMS at the time of applying for the Scheme.** | During 2014-16, the District Officers sanctioned ES Schemes and released subsidy to 61 beneficiaries (₹36.50 lakh) in the four test-checked districts without entering the Aadhaar/ UID number. The TRICOR stated (June 2017) that the matter would be pursued with the District Offices. |

## Release of financial assistance

### *3.2.4.5 Non-credit of Subsidy by TRICOR*

As per AAP guidelines, on selection of beneficiaries, bank branch should give the non-operative SB account number and loan account number in the name of the beneficiary. The POs of ITDAs/ DTWOs should upload the bank account numbers of the selected beneficiaries and IFSC code of respective bank branch in OBMMS for facilitating release of subsidy by TRICOR.

Scrutiny of the Personal Deposit account of the MD, TRICOR revealed that subsidy amount of ₹ 3.33 crore was not credited to the bank accounts of beneficiaries. ***The subsidy amount (to be released to 648 beneficiaries during February 2015 to March 2017) was not credited to their bank accounts due to invalid account numbers.***

---

[40] 2014-15: 5 beneficiaries ₹ 78,000 – ISB/SE Sector

[41] 2014-15: 27 beneficiaries ₹ 2,64,000 and 2015-16:12 beneficiaries ₹ 2,40,000 (Animal Husbandry & ISB sectors)

[42] SPS Nellore district: Cell point, Motor cycle repair shop, Centering unit, Welding unit, Water plant, Electrical shop, etc., Chittoor district: Fruit vending, Tailoring shop, etc.

[43] 2014-15: 28 PVTG beneficiaries ₹ 15.21 lakh and 7 ST beneficiaries ₹ 3.66 lakh

[44] 2015-16: 5 beneficiaries ₹ 3.30 lakh

Further, Audit observed that the TRICOR did not have the details of beneficiaries in respect of whom the subsidy was to be credited. Thus, the District Offices failed to ensure uploading of correct details of the bank account numbers in respect of these 648 beneficiaries. As a result, these beneficiaries were deprived of the financial assistance required for taking up income generating activities although ES Schemes were sanctioned to them.

TRICOR replied (June 2017) that the re-credit of subsidy to these beneficiaries was under examination.

### 3.2.4.6 Subsidy credited twice to the beneficiaries

The Bank[45] credited (28 March 2016) an amount of ₹ 1.40 crore[46] in the non-operative Savings Bank accounts of 216 beneficiaries[47] in four ITDAs and four DTWOs[48]. Further, the Bank credited equal amounts to the accounts of these beneficiaries' again on 31 March 2016 without any proceedings from TRICOR.

TRICOR replied (June 2017) that ₹ 1.26 crore was recovered and the balance ₹ 0.14 crore[49] would be recovered from the banks concerned. However, entries in support of the recovery were not available in the cash book of TRICOR. Specific reasons for duplicate credits by banks were not on record.

## Starting of units

### 3.2.4.7 Units not started

As per ES Scheme guidelines, upon credit of subsidy into non-operative SB account of the beneficiary, the bank branch should take up starting of the units along with loan component within a maximum period of 15 days. During scrutiny, the following deficiencies were noticed.

***Audit noticed that the banks had not ensured starting (September 2017) of 5,102 (24 per cent) out of 20,998 units sanctioned although subsidy was credited into the bank accounts of the beneficiaries***. Audit observed that the banks had not released the loan component of financial assistance to these beneficiaries. As a result, the intended financial assistance had not reached the beneficiaries for taking up the income generating activities. The subsidy amount of ₹ 37.52 crore was lying unutilised (September 2017) in non-operative savings bank accounts of the beneficiaries. Details are given in the **Table-3.11:**

---

[45] State Bank of India, Gowliguda Branch, Hyderabad

[46] Vide proceeding no. TRICOR/B1/673/2015 dated 10 March 2016 & 15 March 2016 (Cheque No. 019995 dated 15 March 2016 from the PD account of TRICOR)

[47] Beneficiaries sanctioned in the year 2014-15

[48] **ITDAs**: KR Puram, Paderu, Seethampeta and SPS Nellore; **DTWOs:** Chittoor, Guntur, Krishna and Kurnool

[49] **ITDAs**: Seethampeta (2 cases): ₹ 1.30 lakh, Paderu (9 cases): ₹ 5.80 lakh and KR Puram (2 cases): ₹ 1.39 lakh; **DTWOs**: Krishna (7 cases): ₹ 4.60 lakh and Kurnool (1 case): ₹ 0.60 lakh

**Table-3.11**

| Year | No of units for which subsidy released by TRICOR | Amount of subsidy released (₹ in crore) | No of units started | Subsidy released for the units started (₹ in crore) | No of units not started (Percentage) | Subsidy lying in beneficiaries accounts (₹ in crore) |
|---|---|---|---|---|---|---|
| **2014-15** | 10386 | 57.59 | 9803 | 54.52 | 583 (5) | 3.07 |
| **2015-16** | 6737 | 52.40 | 5943 | 45.97 | 794 (12) | 6.43 |
| **2016-17** | 3875 | 29.15 | 150 | 1.13 | 3725 (96) | 28.02 |
| **Total** | **20998** | **139.14** | **15896** | **101.62** | **5102** | **37.52** |

*Source: Information furnished by TRICOR and OBMMS data*

***In the four test-checked districts, the banks had not ensured starting of 2,504 (27 per cent) out of 9,329 units for which TRICOR released subsidy during 2014-17.*** The subsidy amount of ₹ 19.14 crore released by TRICOR for these beneficiaries was lying in non-operative savings bank accounts (September 2017) of the beneficiaries without utilisation. The reasons for failure of the banks in releasing the loan component and taking up the starting of the units were not on record.

## 3.2.4.8 Delay in starting of units

In all the districts of the State, Audit noticed that the units sanctioned during 2014-16 were started with a delay up to 29 months. ***In the test-checked districts, it was noticed that 6,324[50] (93 per cent) out of 6,771 units[51] sanctioned during 2014-16 were started with delays up to 27 months.*** The delay in starting was one month to six months in 3,161 cases and six months to one year in 1,707 cases. In 618 cases the delay was above one year. The Department had attributed the delays to delay in release of loan component of financial assistance portion by the banks.

## 3.2.4.9 Targets and achievements

Scrutiny of records of the TRICOR revealed that financial assistance was provided to only 20,998 (65 *per cent*) out of 32,483 beneficiaries targeted to be covered under NSP during 2014-17. During the period, TRICOR released only ₹ 139.14 crore (67 *per cent*) against the target of ₹ 206.87 crore as subsidy. ***The shortfall in achievement of physical target stood at 31 per cent and 33 per cent during the years 2014-15 and 2015-16 respectively***. In the year 2016-17, subsidy was released to beneficiaries only from the month of May 2017, i.e., after completion of the financial year.

***In the four test-checked districts, the shortfall in achievement of physical targets was 25 and 55 per cent in the years 2014-15 and 2015-16 respectively***. In respect of financial targets, the shortfall was 17 *per cent* and 42 *per cent* in the years 2014-15 and 2015-16 respectively. Details of targets and achievements are given in ***Appendix-3.5(A&B).***

[50] 2014-15: 4,637; 2015-16: 1,687
[51] 2014-15: 4,913; 2015-16: 1,858

TRICOR stated that budget was utilised as per sanction of the District Offices. However, the process delays and delays in release of financial assistance mentioned above explain the non-achievement of targets.

### 3.2.4.10 Results of survey of sanctioned beneficiaries

Audit conducted a survey of 200 beneficiaries along with Departmental officials in the four test-checked districts with three Mandals[52] in each district. The survey was intended to verify the starting and sustenance of units sanctioned under the scheme during 2014-15 and 2015-16. The following were observed:

- Banks and Mandal Mahila Samakhyas (MMS[53]) were not required to demand any deposits from beneficiaries for release of loan. ***However, during 2014-16, Banks and MMS collected amount equal to the loan component from the beneficiaries (MMS: 54; Banks: 13) before releasing total unit cost to start the units***.

  Audit noticed that 11 units[54] were started only with subsidy component in 2014-15 due to non-release of the loan component. Further, 40 units were not started as the banks had not released loan component although TRICOR had released subsidy during 2014-16. Thus, the units were either not started or started with less investment than the approved unit cost. As a result, the economic support intended for income generation activities was not extended to the beneficiaries.

- Audit observed that 109 units (out of 160 units) were started in the test-checked districts with a delay ranging from one to 22 months during 2014-15 and 2015-16.

- In SPS Nellore District, the beneficiaries were not available at the given address in 18 cases[55] (₹ 10.54 lakh) which were stated as started during 2014-16. Further, four units[56] (₹ 1.62 lakh) started in 2014-15 were closed (as of April 2017).

- In five sheep rearing units started in 2014-15 in Chittoor district, beneficiaries purchased only 12-15 sheep against 21 sheep to be purchased out of the unit cost. Less number of sheep were purchased due to non-release of loan component by MMS, adversely affecting the income to be generated.

- The proposed unit cost under Animal Husbandry sector was inclusive of insurance besides feed cost, medical aid and transport. Insurance was not obtained in respect of 30 units in Chittoor (25 units) and SPS Nellore (5 units) districts during 2014-16.

The District Officers had not furnished any specific reasons for the deviations/ deficiencies noticed in survey.

---

[52] **Chittoor**: Thottambedu, Tirupati (Rural) and Palamaneru; **East Godavari**: Devipatnam, Kunavaram and Maredumalli; **SPS Nellore**: Nellore (Urban), Nellore(Rural) and Kovvur; and **Visakhapatnam:** G Madugula, Hukumpeta and Dumbriguda

[53] MMS is an apex body of Village Organisations (VOs) at the mandal level which plays a supporting role in sustaining of VOs

[54] Chittoor district: 7 (MMS); SPS Nellore district: 4 (Bank)

[55] Sheep units (2), buffalos (3), mini rice mill (2), fancy/kirana (7), Petty business (3) and cloth business (1)

[56] Sheep unit, Kirana shop, Fancy and provision shop, Graded Murrah Buffalos

### 3.2.5 Economic Support Schemes without Bank Linkage

Based on proposals (August 2014) from TRICOR, National Scheduled Tribes Finance and Development Corporation[57] (NSTFDC) released (March & April 2016) loan of ₹ 40.04 crore. The assistance was meant for ES Schemes for PVTGs and other Vulnerable Groups inhabiting the remote and interior areas where there was no proper banking network. Of this, TRICOR released (December 2016) an amount of ₹ 10 crore to GCC[58] Visakhapatnam towards 'crop loans to tribal farmers'. This release was contrary to the agreement conditions and did not have approval of NSTFDC. Of the remaining amount, the TRICOR released ₹ 4.15 crore (April 2017) to POs, ITDA, Seethampeta and Paderu and DTWO, Prakasam for extending the loans to the beneficiaries. The balance amount of ₹ 25.89 crore was lying idle in the bank account of TRICOR.

Thus, the objective of obtaining loan from NSTFDC was not achieved. Besides, TRICOR had to bear an interest burden of ₹ 39.91 lakh (up to March 2017) on the loan as TRICOR had not extended loans to the beneficiaries.

### 3.2.6 Energisation Programme

Energisation programme was introduced in the year 2015-16 for energisation of agriculture pump sets[59]. State Government funded the programme under Normal State Plan. Scrutiny revealed the following:

- As per Approved Action Plan 2015-16, 75 beneficiaries (₹ 75 lakh) in East Godavari and 116 beneficiaries (₹ 1.16 crore) in Visakhapatnam districts were planned to be covered under the scheme. However, the POs of ITDA, Rampachodavaram (East Godavari) and Paderu (Visakhapatnam) had not selected any beneficiary during the year 2015-16. The amount (₹ 1.91 crore) was lying idle without utilisation. The PO, ITDA, Rampachodavaram stated (June 2017) that funds were not required as the APSPDCL met the expenditure from its own funds. The PO, ITDA, Paderu did not furnish specific reply.
- The PO, ITDA SPS Nellore, had utilised ₹14.98 lakh[60] pertaining to 'energisation of agricultural borewells' for purposes not covered under the programme[61]. The PO, ITDA replied (April 2017) that funds were given as reimbursable advance to the Executive Engineer, Tribal Welfare Department.

It is evident from the above that TRICOR released funds without assessing the requirement of funds which resulted in diversion/ non-utilisation of funds.

[57] an apex organisation under the Ministry of Tribal Affairs with the sole aim of economic upliftment of the Scheduled Tribes in the country by way of extending concessional financial assistance to the target group under its various schemes
[58] Girijan Cooperative Corporation Limited
[59] the pump sets in agricultural fields are provided with electrical service lines to run the motors in borewells
[60] in Minor Irrigation sector for the year 2015-16
[61] electrification of ST Colonies, arranging of 35 KV transformer to Youth Training Centre and supply of Taiwan sprayers (utilised for spraying of pesticides in agriculture fields) to farmers

## 3.2.7 Issues relating to OBMMS package

The OBMMS package was designed and developed by Centre for Good Governance (CGG) during 2014-15. The objective of the OBMMS was to improve the planning, monitoring and service delivery in the implementation of ES Schemes. Further, the package was to facilitate the transparency and accountability, avoid duplication and curtail the delays in the implementation of the schemes. On an analysis of the OBMMS data pertaining to 2014-15 and 2015-16, Audit noticed that there were system control lapses in the package. The package accepted the applications without ensuring the eligibility norms stipulated in the Implementation guidelines of respective years as indicated below:

- Beneficiary applications were accepted without Aadhaar Number.
- Accepted the application though the age of the beneficiary was above the stipulated age limit.
- Separate column for identification of other vulnerable groups was not available for release of higher subsidy and age relaxation.

Further, as per guidelines for implementation, ES Schemes should not be sanctioned to beneficiaries without registering in the OBMMS. However, OBMMS did not provide for registration of beneficiaries sanctioned under 'SCA to TSP' (bank linked schemes), non-bank linked schemes and 'Energisation Programme'. As a result, the monitoring for timely implementation of these schemes was not brought under OBMMS.

The deficiencies indicated that sufficient controls did not exist in the OBMMS package to ensure fulfillment of eligibility criteria stipulated in implementation guidelines. The deficiencies need to be rectified immediately to avoid the above risks. TRICOR replied that the issue would be pursued with CGG for rectification and to upgrade the OBMMS.

## 3.2.8 Conclusion

There were delays in processing of applications leading to delay in starting of units. Subsidy amount was lying in personal deposit account due to entry of invalid bank account numbers. Non-release/ delayed release of loans to the beneficiaries resulted in non-starting of the units. As a result, it was not assured that the intention of the ES Schemes to ensure economic empowerment of STs through sustainable livelihood was achieved.

The matter was reported to Government in September 2017; reply was awaited (December 2017).

**Home Department**
**(State Disaster Response and Fire Services)**

## 3.3 Follow-up on Performance Audit of Functioning of State Disaster Response and Fire Services Department

### 3.3.1 Introduction

The 'State Disaster Response and Fire Services Department' (Department) has been identified as a multi hazard first responder. The Department was also entrusted with the task of safeguarding life and property during fire, floods, cyclones, earthquakes, etc. Standing Fire Advisory Council[62] (SFAC) advises the State Government on various issues relating to fire services including administration, legislation, training and equipment.

Performance Audit of functioning of the Department covering the period 2007-12 featured in the Report of the Comptroller and Auditor General (CAG) of India for the year ended March 2012. In the Performance Report, CAG had issued five recommendations to the Government. The recommendations were made to ensure that the deficiencies and irregularities flagged in the Report are addressed. The recommendations were also made to ensure necessary corrective action is taken by the Government so that the lapses/ shortcomings do not recur. Government accepted (November 2012) all the five recommendations and assured that appropriate corrective action would be initiated for strengthening the system.

### 3.3.2 Audit objective, scope and methodology

CAG decided to carry out a follow-up audit of the Performance Audit of "Functioning of State Disaster Response and Fire Services Department". The objective of follow-up Audit was to see whether the Government had addressed the concerns raised and remedied the underlying conditions highlighted in the Audit Report. Further, it was taken up also to see whether the Government had implemented the accepted recommendations during the period 2014-17.

Audit methodology involved issue of specific structured questionnaire and also scrutiny[63] of records of Secretariat in Home Department and Director General of Fire Services (DGFS). Audit verified the records at District Fire Officers (DFO) in four sampled districts (Chittoor, Krishna, Visakhapatnam and YSR). Audit also covered all the 59[64] fire stations in the four sampled districts for eliciting responses with regard to the action taken by the Government to implement the recommendations. Audit also conducted joint physical verification of Hospitals (3), Educational Institutions (2), Function Halls (2) and Theatres (2) along with departmental officials.

[62] an apex body at National level under the Union Ministry of Home Affairs
[63] during May-July 2017
[64] Chittoor (15); Krishna (21); Visakhapatnam (11) and YSR (12)

***Audit findings***

## 3.3.3 Implementation of audit recommendations

The status of implementation of five audit recommendations accepted by the Government has been arranged in three categories.

### A) Insignificant or No progress

| Gist of observations made in earlier Audit Report | Recommen-dation made | Findings in follow-up audit and current status | Replies/ comments of Department | Audit comments |
|---|---|---|---|---|
| ***Annual Plans of Government did not include plans/priorities relating to the Department. There were no Perspective Plans to fulfill the infrastructural and other institutional requirements in the Department. There were no annual action plans in any of the four sampled districts indicating the local level requirements and proposed mode of achieving them.*** **(Paragraph 2.3.1)** | *Government should take appropriate steps to formulate a long term perspective plan and annual action plans to ensure that the functioning of the Department is streamlined and modernised to deliver the envisaged services to public.* | The Department had not prepared any long term perspective plan. During 2014-17, Annual Action Plans, duly prioritising the local requirements to ensure that envisaged services are delivered to public, were not prepared in any of the four sampled districts. | The DGFS stated (June 2017) that there were no Annual Action Plans after bifurcation [65] of the State and no perspective plans were available. | In the absence of Perspective Plan / Annual Action Plan, priorities could not be identified and no specific measures were undertaken in a planned manner to achieve the objectives of the Department. |
| ***Department did not have any comprehensive database containing the details relating to area-wise distribution of population, service area villages [66] and houses with category of premises (like hazardous/non-hazardous), fire stations and their*** | | Comprehensive data was not maintained at DGFS at State level or at DFO level in sampled districts. It was noticed that the database contained only the data of hazardous premises [67] with their addresses, | DGFS stated (June 2017) that the database with the details of hazardous premises identified, mapping of fire stations and availability of water sources | The comprehensive database, with all details mentioned in column (1) enables the Department to reach the fire site or incidence of disaster within the shortest time and attend rescue operations. The comprehensive database had not been maintained in |

[65] 2 June 2014

[66] villages covered under jurisdiction of a particular Fire Station

[67] The areas which are more prone to produce an explosion or fire owing to usage of flammable liquids, gases or vapours in any establishment / factory

| | | | | |
|---|---|---|---|---|
| ***location, geographical mapping of distances between places, short/traffic free routes, etc. within the jurisdiction of a fire station along with the water sources in the vicinity.*** **(Paragraph 2.3.2)** | | type of occupancy, mapping of fire stations and availability of water source. | was maintained. | any of the sampled districts. This would have adverse impact on efficiency of the Department. |
| ***The State Government constituted (May 2008) a Sub-Committee headed by the Home Minister, for restructuring the Department. The Government had not implemented any of the recommendations of the Sub-Committee except re-naming of the Department.*** ***(*****Paragraph 2.3.3)** | | Audit observed that the recommendations [68] of the sub-committee had not been implemented by the Government. | DGFS replied (June 2017) that the recommendations were not implemented due to paucity of funds, manpower and equipment. | At the time of Performance Audit, the DGFS attributed (November 2012) the inaction in implementation of the recommendations of Sub-Committee to non-allocation of funds by the Government. The reply (June 2017) of the DGFS indicated that poor allocation of funds to the Department persists even after passage of eight years of acceptance (July 2009) of the Sub-Committee recommendations by Government, hampering the strengthening of the Department. ***Thus, the recommendation was not implemented.*** |

[68] establishing of new fire stations in the Assembly constituencies where not a single fire station exists; formation of search and rescue teams at district level; allocation of 20 *per cent* of the Calamity Relief Fund for procurement of specialised equipment etc.

| | | | | |
|---|---|---|---|---|
| ***The budget allocations by the Government constituted only 34 to 50 per cent of the requirement sought by the Department in all the years during 2007-12. Due to non-release of the budgeted funds in full, the Department could not go ahead with construction of permanent buildings for the existing fire stations, purchase of fire tenders, provision for water source and setting up new fire stations.*** ***(*****Paragraph 2.4*****)*** | *Government should allocate adequate funds to meet the requirements of the Fire Services Department. Funds should also be released from Calamity Relief Fund as prescribed by GoI to augment the search and rescue operations and equip the Department with modern gadgets required for effective firefighting services* | During the three years from 2014-15 to 2016-17, Government allocated ₹475.36 crore (39 *per cent*) against ₹1210.17 crore proposed by the Department. The Department utilised ₹442.98 crore during the period. | DGFS stated (June 2017) that though the proposals were submitted every year, Government had not sanctioned the budget as per requirement. | Due to non-release of budget as per requirement, the establishment of fire stations, construction of permanent buildings, firefighting and other equipment was not adequate as discussed in the subsequent paragraphs. |
| ***Government released less than one per cent (₹1.83 crore) from Calamity Relief Fund (CRF) instead of 10 per cent (₹213.90 crore) as permitted (2006) by GoI for procurement of modern equipment for Search and Rescue operations including Communication equipment.*** ***(*****Paragraph 2.4.1*****)*** | | During 2014-17, the fund releases had further deteriorated. Government had not released any funds from CRF during this period. | DGFS stated (June 2017) that though it was requested to release funds from CRF, there was no response from Government. | Due to non-release of funds from CRF, the process of modernisation could not be taken up. The proposal to set up Search and Rescue teams at Vijayawada, Visakhapatnam and Tirupati had not materialised even after lapse of more than a decade from the date of proposal. |

| | | | | |
|---|---|---|---|---|
| ***Although AP Fire Service Act and the Rules came into force in 2001 and 2006 respectively, Government did not issue orders for collection of fire tax by the local bodies. As a consequence, Government lost possible revenue amounting to ₹49.11 crore being fire tax during the period April 2007 to March 2012.*** ***(*****Paragraph 2.4.2*****)*** | | No Fire Tax was collected during the period 2014-17. Due to this, Government had foregone possible revenue of ₹ 24.33 crore during the period 2014-17. | DGFS stated (June 2017) that Government had not issued orders for collection of fire tax so far. | Government had not issued orders for collection of fire tax in pursuance of Rules made by it. As a result, the activities of improvement of fire and emergency services could not be taken up. ***Thus, the recommendation was not implemented.*** |

## B) Partial implementation

| Gist of observations made in earlier Audit Report | Reco-mmen-dation made | Findings in follow-up audit and current status | Replies/ comments of Department | Audit comments |
|---|---|---|---|---|
| ***DFOs did not identify all the hazardous premises through any survey or in coordination with other Departments to verify the premises and issue licenses. DGFS stated (November 2012) that instructions were issued to the concerned DFOs to identify hazardous buildings in the districts in co-ordination with other Departments.*** **(Paragraph 2.5.2.2)** | *The Department should chalk out a strategy to survey the hazard prone areas that need specific fire safety measures and an action plan to cover the other areas. Fire preventive inspections should be carried out at prescribed* | It was noticed that the survey to identify hazardous premises, in co-ordination with other Departments, had been conducted only in two (Krishna and Visakhapatnam) out of the four sampled districts. | DGFS stated (September 2017) that although they had not conducted any survey in co-ordination with other Departments, 26436 hazardous premises had been identified in the State. | The data of the fire hazardous premises were identified when the entrepreneurs approach the Department for permissions/ NOCs, and the details were maintained. As the Department did not conduct any survey, there is risk of hazardous premises existing without requisite permissions/ NOCs. |
| ***Department did not maintain Watch registers relating to No Objection*** | | Audit noticed that Department had not maintained the watch registers | The DGFS stated (May 2017) that watch registers for BGs, NOCs | Due to non-maintenance of the watch registers, the Department failed |

| | | | | |
|---|---|---|---|---|
| ***Certificate (NOC) issued, renewal, Bank Guarantee (BG) and Demand, Collection and Balance (DCB) in respect of high-rise buildings[69] to ensure fire safety installations and fire protection measures[70].*** ***During the period 2007-12, 14 BGs (worth ₹4.28 crore) were time barred. Though occupancy certificates were yet to be issued to these buildings, BGs were not revalidated as of June 2012.*** ***Though DFO, Visakhapatnam reported that 125 Multi Storied Buildings (MSBs) had not followed fire safety measures as required under National Building Code (NBC) and had not obtained NOCs, DGFS did not take any action on the report.*** ***Further, an amount of ₹44.58 lakh towards Fire Precaution Fee was also not collected.*** **(Paragraph 2.5.2.2)** | *intervals and prompt action should be taken to address the deviations and violations.* | relating to NOCs issued, their renewal, BGs, DCB It was further noticed that BGs (₹ 1.27 crore) obtained in respect of 35 MSBs during the period from November 2008 to June 2017 had become time barred. In respect of all these MSBs it was noticed that provisional NOCs were issued but final NOCs for occupancy of the buildings were not issued indicating the possibility of these MSBs not rectifying the defects pointed out by the Department. Thus, there is risk of the MSBs getting occupied without compliance to the fire safety norms. Further, Fire Precaution fee was collected in the sampled districts only in respect of MSBs who applied for NOCs from the Department during 2014-17. | and DCB Register would be maintained. Further, in respect of Fire Precaution fee, DGFS stated that Commissioner of Greater Visakhapatnam Municipal Corporation was addressed to collect the fire Precaution fee. | in ensuring that all the MSBs for which provisional NOCs were issued had actually rectified the defects and were fit for occupancy. As there is risk of these MSBs getting occupied with provisional NOC, the residents of these ***MSBs are also at risk***. Meanwhile, the BGs also had become time barred leaving no scope for enforcing fire safety norms. |

[69] buildings with 15 meters and above for commercial purpose and 18 meters and above for residential purpose in height are treated as high-rise buildings

[70] provision for movement of Fire tender at least on three sides of the building, water storage tank, firefighting systems, smoke management and ventilators, trained security staff, openable windows, public address system etc.

| | | | | |
|---|---|---|---|---|
| ***As per recommendations of High Power Committee, Government created (February 2009) fire prevention wings in five Municipal Corporations[71] (MCs) to scrutinise the plans of all non-high rise buildings and issue NOCs. No action was however, taken to create fire prevention wings in respect of other MCs.*** **(Paragraph 2.5.2.2)** | | No action was taken for creation of Fire Prevention Wings in the State during 2012-17. | DGFS stated (June 2017) that a proposal submitted (September 2012) for creation of Fire Prevention Wings in other nine Municipal Corporations[72] was pending with Government. | Due to non-creation of Fire Prevention Wings in other Municipal Corporations, the recommendation (December 2006) of High Power Committee to scrutinise the plans of all non-high rise buildings and issue of NOCs could not be materialised even after lapse of more than a decade from the date of issue of recommendations. |
| ***Inspections conducted by DFOs in sampled districts revealed that 93 to 100 per cent of hospitals, 59 to 100 per cent of theatres, 52 to 100 per cent of educational institutions and almost 100 per cent of hotels, petrol bunks, gas godowns, factories and function halls had violated specific fire safety norms and did not take any fire precautionary measures. However, DFOs had not taken any penal measures against the management of the above institutions.*** **(Paragraph 2.5.2.2)** | | It was noticed that the DFOs inspected 1593 out of 26436 hazardous premises during 2014-17. Department issued notices against managements of 853 institutions for violations of fire safety norms. | The DGFS stated (June 2017) that the cases of violations of fire safety norms were viewed seriously. Notices were issued to managements of 853 institutions for violations of fire safety norms as per APFS Act. | Fire preventive inspections had been conducted and notices were issued in cases of violations. However, during 2014-17, the DFOs had inspected only 1593 (six *per cent*) hazardous units out of 26436 identified. |

[71] Hyderabad, Visakhapatnam, Vijayawada, Tirupati and Warangal
[72] Anantapuramu, Eluru, Guntur, Kadapa, Kakinada, Kurnool, Rajamahendravaram, Nellore and Ongole

| | | | | |
|---|---|---|---|---|
| ***Joint physical verification of Hospitals[73], Educational Institutions[74], Function halls[75] and Theatres[76] in sampled districts revealed that there were no adequate fire safety measures[77] in the institutions.*** **(Paragraph 2.5.2.2)** | | Fire safety deficiencies pointed out in earlier audit were adequately addressed in the hospitals visited. However, fire safety deficiencies still persist in all the educational institutions, function halls and theatres visited. | The DGFS stated (June 2017) that after bifurcation of the State, NOCs had not been given to the institutions which had not followed the fire safety norms. | Though there was minimal improvement in ensuring fire safety measures in some institutions, there was no stringent action to ensure provision of fire and life safety measures. Continued existence of deficiencies in fire and life safety norms in various premises further strengthens the audit contention on non-conduct of survey and non-maintenance of database of hazardous premises. ***Thus, the recommendation was only partially implemented.*** |
| ***Standing Fire Advisory Council (SFAC) recommended a scale of one fire station for 10 sq km / 50 sq km radius for towns and rural/ open areas. However, Audit scrutiny revealed that*** | *Recommendations/ norms of SFAC should be complied with scrupulously with regard to setting up* | Only four new fire stations were established on temporary basis during 2014-17, besides dedicated fire stations in premises of two Agriculture Market Committees (Adoni | The DGFS stated (June 2017) that proposals were sent (September 2014 - January 2017) to Government for opening of new fire stations. | Department had not adequately complied with the recommendations of SFAC with regard to setting up of fire stations. Department had established dedicated fire |

[73] Elite Hospital and Ravi Neuro Hospital (Tirupati) in Chittoor district and Nagarjuna Hospital (Vijayawada) in Krishna district

[74] Annamacharya Institute of Technology & Sciences, Rajampet (YSR district) and Chaitanya Bharathi Institute of Technology, Proddatur (YSR district)

[75] Chittoor (3); Krishna (1) and YSR (2) districts

[76] Chittoor (9) and YSR (2)

[77] fire safety norms prescribed by Standing Fire Advisory Council at National level, Fire safety measures stipulated in Multi Storied Buildings Regulations, 1981, AP Fire Service Act 1999 and AP Fire and Emergency Operations and Levy of Fee Rules, 2006

| | | | | |
|---|---|---|---|---|
| ***no new fire stations had come up during the period 2007-12 and shortfall of fire stations against SFAC norms stood at 95 per cent. The proposal to establish dedicated fire stations in marketing yards with Agricultural Marketing Committee (AMC) funds was not materialised even though funds were available.*** **(Paragraph 2.5.1.1)** | *of fire stations, response time, infrastructure, equipment etc.,* | and Guntur). Audit assessed the requirement of 3534 fire stations in the State as per SFAC norms. However, 177 (including the above four) fire stations existed in the State. | | stations in two out of three AMCs in the State. Establishment of dedicated fire stations at AMCs was a positive development. |
| ***The existing fire stations lacked infrastructure facilities as per SFAC norms as detailed below.*** **Land, Buildings and Water source** ***In the sampled districts, 92 per cent of the fire station buildings did not have prescribed[78] land; 88 per cent of the fire stations were functioning without own buildings; and 20 per cent of fire stations were in dilapidated buildings. The shortage of availability of water source to fire stations within their premises was 89 per cent.*** **(Paragraph 2.5.1.2)** | | There was no further improvement in providing infrastructural facilities like land, buildings, water source. However, permanent building had been provided to fire station at Nagari, Chittoor district. | DGFS attributed (June 2017) the failure to shortage of funds. | Department had not complied with the SFAC norms with regard to provision of land, buildings and water source which may cripple the Department in its activities of firefighting and rescue operations. |

[78] two acres of land for each fire station

| | | | | |
|---|---|---|---|---|
| **Equipment**<br>**Fire tenders and first aid kits**<br>***The shortage of fire tenders and rescue vans was 85 and 90 per cent respectively in sampled districts as against the SFAC norms[79]. In respect of sampled districts, fire tenders were not provided to four fire stations [80] during 2007-12. Fire tenders were not provided with first aid kits in any of the fire stations in the sampled districts.***<br>**(Paragraph 2.5.1.2)** | | The Department had not addressed the shortage in respect of fire tenders, rescue vans and first aid kits. In sampled districts, there were only 80 fire tenders against 318 required as per SFAC norms. Thus, shortage of fire tenders was 75 *per cent*. | The DGFS stated (June 2017) that the Department had not addressed the shortfall in fire tenders, rescue vans and first aid kits due to lack of funds. | Department had not complied with SFAC norms in respect of providing fire tenders, rescue vans and first aid kits which would have adverse impact on firefighting services and rescue operations. |
| **Staff quarters, Rest rooms and toilets**<br>***Staff quarters in the fire stations were not provided in the sampled districts as per SFAC norms. Further, 25 per cent fire stations had no rest rooms and toilets.***<br>**(Paragraph 2.5.1.2)** | | There was no development in providing staff quarters, rest rooms and toilets during 2014-17.<br>In the sampled districts, staff quarters were not provided in any fire station as of now. Further, 19 and 17 *per cent* of fire stations have no toilet and rest room facility respectively. | DGFS attributed (June 2017) non-provision of Staff quarters, rest rooms and toilets to non- sanction of sufficient funds by Government. Government stated (January 2018) that rest rooms and toilets would be constructed. | Department had not complied with SFAC norms in respect of providing staff quarters within the premises of fire station. Thereby the presence of fire personnel at all times within the premises of the fire station could not be ensured. |
| **Communication system**<br>***Global Positioning System (GPS) to*** | | GPS to identify the exact location of fire premises was not available in the | DGFS replied (June 2017) that GPS is not available in this | Non-usage of advanced Communication systems had |

[79] one fire tender for every 50,000 of population and one rescue van for three lakh population
[80] Ajithsing nagar in Vijayawada, Kanchikacharla (Krishna district), Mulakalacheruvu (Chittoor district) and Visakhapatnam

| | | | | |
|---|---|---|---|---|
| ***identify the exact location of fire premises, was not available with the Department to reach the fire accident site within the shortest possible time[81].*** ***Very High Frequency (VHF) sets, though procured in 2009, were not put to use in any of the sampled fire stations except in Vijayawada city due to non-receipt of licences.*** **(Paragraph 2.5.1.2)** | | Department except the CRDA[82] area in Vijayawada (Krishna district). Similarly, VHF sets were not put to use in sampled districts except Vijayawada city due to lack of repeaters and radio air frequency. | Department. However, DFO, Krishna district stated (September 2017) that GPS system was provided to all the vehicles in CRDA area in the district; however, the GPS was not working as of September 2017. In respect of VHF sets, DGFS stated that they were being used in all the fire stations. However, in the sampled districts, Audit noticed that the VHF sets were not put to use. The DFO, Krishna district stated (September 2017) that communication system was not being used due to lack of towers and frequency issues. | adverse effect on the efficiency of the Department to reach the fire accident site within the shortest possible time. |
| ***SFAC recommended a maximum response time of 5 minutes for built up urban areas and 20 minutes for non-built up open and rural areas.*** ***In sampled districts, the response time in respect of major and serious fire incidents[83] in the urban areas ranged*** | | Audit noticed that the response time was taken as two minutes per kilometer uniformly without considering the actual time taken in each case. In the four sampled districts, the response time in urban areas ranged | DGFS attributed (June 2017) the high response time to (i) increase in workload of the Department (ii) attending to standby duties during VVIP visits, fairs, exhibitions and (iii) inadequacy of | Government stated (January 2018) that the procedure prescribed in the AP Fire Services manual was followed for attending to fire. However, the norms of SFAC were not complied with by the Department with |

81 within five minutes in urban and 20 minutes in rural areas as per SFAC norms
82 Capital Region Development Authority of AP
83 Serious fire accidents: property loss of ₹ 10 lakh to ₹ 25 lakh (or) human loss irrespective of property loss; Major fire accidents: property loss of ₹ 25 lakh and above

| | | | | |
|---|---|---|---|---|
| ***from 6 to 70 minutes in 296 out of 362 test-checked cases. In rural areas, the response time ranged from 28 to 152 minutes in 355 out of 492 cases.*** **(Paragraph 2.5.2.1)** | | from 6 to 70 minutes in 9 out of 10 cases test-checked. In rural areas, it ranged from 21 to 91 minutes in 4 out of 10 test-checked cases. | fire stations. | regard to response time. ***Thus, the recommendation was only partially implemented.*** |
| ***The vacancies in the Department ranging from 5 per cent (Leading Fireman) to about 20 per cent (Fireman) affected its operational efficiency adversely. Firefighting operations were carried out without the full complement of staff in 207 out of 293 major / serious fire accident cases verified in test-checked districts. No action plan for imparting training to the in-service personnel and direct recruit trainees was prepared by the Department. None of the 811 Home Guards drawn from Home Department and deputed in the vacant post of Firemen and Driver operators was trained in firefighting at State Training School.*** **(Paragraphs 2.6.1; 2.6.2; 2.6.3.1; 2.6.3.2)** | *Vacancies in all the key areas should be filled and skills of fire service personnel should be upgraded with appropriate trainings at regular intervals.* | Vacancies in all the key posts still continued and none of staff had been trained during 2014-17 as there was no State Training School established in Andhra Pradesh State after bifurcation. The shortage of Riding strength [84] was 26 *per cent* at State level. It ranged from 08 to 35 *per cent* in test-checked districts. | Department promised action to fill the vacancies. DGFS further replied (June 2017) that there was no State Training School in the State after bifurcation. Hence, no action plan for imparting training was prepared during 2014-17. | Due to shortfall in key posts such as Fireman and Driver operator, firefighting operations had to be carried out without full strength which adversely impacted firefighting efficiency of the Department. ***Thus, the recommendation was only partially implemented.*** |

[84] The firefighting staff to accompany a fire tender consists of one Station Fire Officer, one Leading Fireman, one Driver Operator and three Firemen

### C) Full implementation

As of July 2017, none of the five recommendations made by CAG had been implemented fully by the Government.

## 3.3.4 Conclusion

Of the five recommendations, Government had implemented three recommendations partially. There was no progress in implementation of the remaining two recommendations as of July 2017. Government had not initiated appropriate measures for strengthening and modernisation of Department through provision of adequate fire stations, modern equipment, manpower and budgetary support in pursuance of recommendations/ norms of Sub-committee and Standing Fire Advisory Council (SFAC). Thus, a great deal was needed to be carried out by the Government especially in the area of budgetary support/ allocation of funds from Calamity Relief Fund.

## Higher Education (Technical Education) Department

**(Jawaharlal Nehru Technological University (JNTU), Anantapur)**

## 3.4 Excess payment

**Contrary to agreement conditions, JNTU, Anantapur allowed extra lead to the contractor on conveyance of materials procured during execution of work. An excess payment of ₹3.94 crore was made to the contractor in construction of University College of Engineering at Kalikiri (Chittoor district).**

Government accorded (January 2013) Administrative sanction for ₹ 198.67 crore for establishing University College of Engineering at Kalikiri as a constituent college of Jawaharlal Nehru Technological University, Anantapur (JNTU-A) in Chittoor District. The Administrative sanction was revised to ₹ 359.67 crore[85] in July 2013 due to increase in proposed built up area and other infrastructural facilities to be created. The JNTU-A entered into an MoU[86] with Jawaharlal Nehru Architecture and Fine Arts University, Hyderabad (JNA&FAU) for execution of the work.

Government formed (December 2013) a Nodal Committee[87] to supervise and monitor the work. The Registrar, JNA&FAU awarded (February 2014-July 2016) the work to a contractor for ₹ 399.76 crore at a tender premium of 4.95 *per cent* over estimated contract value of ₹ 380.91 crore[88] as a Lump sum contract[89]. JNTU-A deposited an

[85] Infrastructure Development: ₹295.00 crore, Furniture: ₹7.42 crore, Lab equipment: ₹23.25 crore, Library books & journals: ₹1.00 crore, Hostel furniture: ₹3.85 crore, Vehicles: ₹0.43 crore, Construction of Pylon and Gate: ₹0.58 crore and Salaries of teaching & non-teaching staff for four years: ₹28.14 crore

[86] Memorandum of Understanding

[87] Vice-Chancellors or their representatives of JNTU-A and JNA&FAU, Registrars of JNTU-A and JNA&FAU and one representative each from Roads & Buildings and Finance Departments

[88] ₹199.44 crore, ₹143.91 crore and ₹37.56 crore

[89] A lump sum contract where the contractor agrees to execute the work with all its contingencies in accordance with the drawings and specifications for a fixed sum

amount of ₹ 403.97 crore[90] with JNA&FAU for execution of the work. As of November 2016, the work was in progress and the contractor was paid ₹ 287.39 crore.

Clause 12.2 of Notice inviting tenders forming part of the agreement stipulated that the tenderer should workout his own rates keeping in view the work, site conditions and quote his overall tender percentage with which he intends to execute the work. Clause 10.1 of General conditions of contract and clause 9 of preamble to Bill of Quantities of agreement also stipulated that the contractor should inspect the site and also proposed quarries of his choice for materials and source of water before quoting his percentage including quarrying, conveyance and all other charges. Further, the contractor certified in the tender documents that he had inspected the site of the work before quoting his percentage excess on estimated contract value and satisfied about the quality, availability and transport facilities for stones, sand and other materials.

Audit scrutinised (December 2016-February 2017) the records of the JNA&FAU relating to the work. Audit observed that the JNA&FAU allowed extra lead on conveyance of the materials procured by the contractor *viz*., bricks, sand, water, metal for execution of work. This was contrary to the agreement conditions and resulted in excess payment to the contractor as detailed in **Table-3.12:**

**Table-3.12**

**(₹ in crore)**

| Item of work (material used) | Amount to be paid as per agreement | Amount actually paid | Excess payment (*Col 3- Col 2*) |
|---|---|---|---|
| *1* | *2* | *3* | *4* |
| Panel walls/ partition walls (Bricks and water) | 5.42 | 6.77 | 1.35 |
| Plastering work (Sand) | 0.12 | 1.51 | 1.39 |
| Design Mix Concrete (Metal and water) | 34.90 | 35.77 | 0.87 |
| Excavation of earth (Carting and re-carting) | 0.57 | 0.90 | 0.33 |
| Total | **41.01** | **44.95** | **3.94** |

Government accepted (November 2017) that the tenderer should work out his own rates keeping in view the work. Government also accepted that it was the responsibility of contractor to quote his percentage including quarrying, conveyance. However, Government stated that the agreement did not prohibit additional payments for conveyance of material where there was a change in the source of the material.

Further, Government stated that there was a cap of five *per cent* over and above the estimate value for submission of tenders. Hence, the contractor was bound to quote his rate keeping in view the limit of five *per cent*. At the time of execution, change in quarries might be unavoidable due to numerous changes which occur in identified quarries/ time gap in execution. Government sought to justify the excess payment

[90] 2014-15: ₹ 129.47 crore, 2015-16: ₹ 165.00 crore and 2016-17: ₹ 109.50 crore

stating that the material was not procured from the identified locations for reasons beyond the control of the contractor.

The tender, after acceptance becomes a legally enforceable contract and the rates quoted by the contractor in the tender hold good irrespective of the source of materials. The ceiling of five *per cent* over and above the estimates for tendering was applicable to all the bidders. As per tender conditions all the prospective bidders were required to verify the source of materials and satisfy themselves about availability, sufficiency and suitability before bidding for the work. As such any payment towards additional lead after conclusion of agreement was not admissible as it tantamount to vitiation of tender conditions and unfair to other bidders. Accordingly, the contention of the Government was not convincing and the explanation for allowance of extra lead was not justified.

Thus, the allowance of extra lead on conveyance of material procured by the contractor was contrary to the tender/ agreement conditions which resulted in excess payment of ₹ 3.94 crore.

## Higher Education (Technical Education) Department

## 3.5 Construction of Women's hostel buildings in Polytechnics

**Injudicious selection of Government Polytechnics for construction of buildings for women's hostels without need analysis resulted in idle infrastructure and wastage of resources. The expenditure of ₹ 5.65 crore incurred on eight hostel buildings remained unfruitful. Another two buildings constructed at a cost of ₹ 1.78 crore were being used for other purposes defeating the objective of the scheme.**

Article 3 of AP Financial Code (Vol-I) stipulates that every Government servant is expected to exercise the same diligence and care in respect of all expenditure from public moneys under his control as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Government of India (GoI) introduced (May 2008) a scheme 'Construction of Women's Hostels in Government polytechnics'[91]. This was intended to enhance women enrollment in Polytechnic education. The scheme envisaged providing a one time financial assistance subject to a maximum of ₹ one crore per polytechnic to provide 50 bedded hostels. The funds were to be released in a phased manner based on the progress of construction. During the period from 2009-10 to 2014-15 GoI released ₹ 22.70 crore for construction of hostel buildings in 27 Government Polytechnics (GPs) in the State.

Audit scrutinised (February/April 2017) records of two GPs[92] and obtained (March 2017) information from eight other GPs about the status of constructions. Audit observed that hostel buildings constructed in five GPs at a cost of ₹ 4.62 crore remained unoccupied as of May 2017. The hostel buildings in two other GPs constructed at a cost of ₹ 1.78 crore were being used for purposes not related to the intention of the scheme. Details are given in **Table-3.13:**

---

[91] a component of 'Sub-Mission of Polytechnics Development' under 'Skill Development Mission' of GoI
[92] MBTS Government Polytechnic, Guntur and Government Polytechnic for Women, Nellore

**Table-3.13**

| Name of the GP | Date of completion of construction | Expenditure (₹ *in crore)* | Reasons for the building remaining vacant |
|---|---|---|---|
| **Hostel buildings unoccupied** | | | |
| **Sri Venkateswara GP, Tirupati, Chittoor district** | May 2013 | 0.90 | The hostel building was completed in May 2013. Construction of compound wall was not envisaged in the original work plan. Later, compound wall was constructed in April 2017. The building had not been occupied on the grounds of security of women boarders. |
| **GP, Hindupur, Anantapuramu district** | September 2013 | 1.00 | One hostel building consisting of sixty rooms in three floors already existed in the GP, Hindupur. It was more than sufficient for accommodating the boarders. The Principal intimated (April 2011) the Commissioner of Technical Education (CTE) that there was no need for construction of a new hostel building in the GP. However, Government went ahead with construction. |
| **GP, Nellore, SPS Nellore district** | January 2014 | 0.86 | The hostel building was completed in January 2014. Construction of compound wall was not envisaged in the original work plan and the same was not constructed so far (May 2017). The building had not been occupied on the grounds of security of women boarders. |
| **MBTS GP, Guntur, Guntur district** | January 2015 | 0.96 | The hostel building was completed in January 2015. Construction of compound wall was not envisaged in the original work plan and the same was not constructed so far (May 2017). The building had not been occupied on the grounds of security of women boarders. |
| **GP, Proddatur, YSR district** | December 2015 | 0.90 | There were no sufficient students to start the hostel. Further, most of the students were from the areas in and around Proddatur town. As such, they were not willing to join the hostel. |

| Hostel buildings used for other purposes | | | |
|---|---|---|---|
| **GP for Minorities, B.Thandrapadu, Kurnool district** | September 2013 | 0.88 | There were only three women students studying in the polytechnic who were not willing to join the hostel. The building was being used as 'administrative office and staff rooms' of the polytechnic. |
| **GP for Minorities, Guntur, Guntur district** | July 2014 | 0.90 | Government had allotted 6.6 acres of land to the polytechnic for construction of permanent buildings for academic, administrative and hostel purposes. The land was situated in an isolated area at a distance of 10 km from the existing polytechnic. The Department had constructed hostel building in the allotted land. However, academic and administrative buildings were not constructed. The number of women students was as less as 10-14 during the period 2014-17. The students had not shown willingness to join the hostel, being day scholars from areas in and around Guntur city. The building was leased out (December 2015) to the police Department for running 'District Training College'. |

Further, the construction of hostel buildings at three GPs was stopped midway after incurring an expenditure of ₹ 1.03 crore due to non-release of funds as detailed below:

- Construction of hostel building at GP, Vijayawada was stopped (April 2014) midway after incurring an expenditure of ₹ 82.18 lakh for want of funds to a tune of ₹ 31 lakh. The building remained incomplete as of May 2017 leaving the expenditure ₹ 82.18 lakh unfruitful for over three years.
- Construction of hostel building at GP, Narsipatnam (Visakhapatnam district) was scheduled to be completed by September 2014. However, it was not completed even after lapse of more than two years. Out of ₹ 93.40 lakh[93] sanctioned in two phases, ₹ 8.81 lakh was only utilised so far (May 2017) and the remaining funds lapsed. The building was not completed.
- An amount of ₹ 50 lakh was released (February 2013) for construction of hostel building at Andhra GP, Kakinada (East Godavari district). The work was executed up to basement level and there was no further progress. Government had not specified any reasons for not completing the building. The expenditure of ₹ 11.51 lakh incurred on it remained unfruitful.

Audit enquired from the Commissioner of Technical Education (CTE) for the details of any study conducted to assess the requirement of construction of hostels. The CTE stated (June 2017) that it was an initiative taken during 11th five-year plan. He stated

[93] September 2013: ₹ 50 lakh and March 2017: ₹ 43.40 lakh

that the hostels were constructed in anticipation of better enrolment. This indicated that the Department had not conducted any need analysis before taking up the constructions.

Thus, the Department had violated the provisions of the Financial Code by injudicious selection of GPs without need analysis for construction of buildings for women's hostels. This coupled with non-construction of compound wall and non-release of funds resulted in idle infrastructure and wastage of resources. The expenditure of ₹ 5.65 crore[94] incurred on eight hostel buildings remained unfruitful. Another two buildings constructed at a cost of ₹ 1.78 crore were being used for other purposes defeating the objective of the scheme.

Government stated (November 2017) that the hostel buildings would be utilised for the purposes for which they were sanctioned.

## Minorities Welfare Department

## 3.6 Urdu Ghar-cum-Shadikhana remained incomplete

**Government had not released the funds fully for construction of 'Urdu Ghar-cum-Shadikhana' at Ongole sanctioned by it. The work suffered from shortage of funds and lacked holistic approach in execution. The building remained incomplete even after nine years of its sanction.**

Government accorded (July 2008) administrative sanction for construction of 'Urdu Ghar-cum-Shadikhana' at Ongole in Prakasam district at a cost of ₹ one crore. The construction was intended to facilitate Minority community to celebrate auspicious occasions. The work was executed through the Panchayat Raj Engineering Division, Ongole, Prakasam district. The Superintending Engineer, Panchayat Raj Circle (SE, PR), Ongole awarded (August 2009) the work to a contractor at ₹ 93.91 lakh. The Agreement conditions stipulated that the work should be completed within 12 months, i.e., by August 2010.

Audit scrutinised the records of the Chief Planning Officer, Prakasam district and Executive Engineer, PR Division, Ongole (Executing agency) in January 2016 and May 2017. Audit also obtained (June 2017) information from the District Minorities Welfare Officer, Prakasam district. The following were observed:

- Government had released only ₹10 lakh for the construction in May 2010, although administrative sanction was accorded in July 2008. Later, the Commissioner of Municipal Corporation, Ongole released ₹75 lakh[95] from the general funds of the Corporation. The District Collector, Prakasam released[96] ₹ 24.56 lakh from MPLADS[97] funds pertaining to the Ongole Parliamentary constituency. Apart from this, the District Minorities Welfare Officer released (December 2016) ₹ 12.56 lakh from the funds available with him.

[94] SVGP, Tirupati: ₹ 0.90 crore; GP, Hindupur: ₹ 1.00 crore; GP, Nellore: ₹ 0.86 crore; MBTS GP, Guntur: ₹ 0.96 crore; GP, Proddatur: ₹ 0.90 crore; GP, Vijayawada: ₹ 0.82 crore; GP, Narsipatnam: ₹ 0.09 crore and Andhra Polytechnic, Kakinada: ₹ 0.12 crore

[95] November 2012: ₹ 50 lakh; May 2013: ₹ 25 lakh

[96] February 2014 and May 2015

[97] Member of Parliament Local Area Development Scheme

- As on the scheduled date of completion, August 2010, the contractor completed the work valuing ₹ 66.06 lakh. Against this, the executing agency paid (July 2010/ December 2012) an amount of ₹57.12[98] lakh to the contractor. The contractor requested (July 2013) the executing agency for closure of the work due to delay in release of funds and increase in the rates of materials. The SE, PR, Ongole accepted the request and closed the work in October 2013.
- The SE, PR entrusted (February 2014) the balance works[99] to another contractor duly revising the estimates with reference to SSR[100] 2013-14. The contractor completed (August 2014) the balance works at a cost of ₹ 58.22 lakh. In this process, some additions and alterations[101] were made and certain items[102] were deleted from the scope of work. The expenditure was limited to the extent of funds available.
- The original estimate did not have provision for kitchen, store room, toilets indicating that the work lacked holistic approach. The EE, PR, Ongole estimated (May 2017) that an additional amount of ₹ 65 lakh was required for completion to bring the building to use.

On the whole, as of May 2017, an amount of ₹ 1.24 crore was incurred on the work without including interior works *viz*., flooring, plastering, etc[103] that were yet to be completed. Thus, the work suffered from shortage of funds and lacked holistic approach in the planning stage. The building remained incomplete even after nine years of its sanction. The expenditure of ₹ 1.24 crore incurred on the work remained unfruitful.

The matter was reported to Government in July 2017; reply has not been received (December 2017).

## Revenue Department

### 3.7 Avoidable expenditure on supply of kerosene to the Hudhud cyclone victims

**Government intended to supply kerosene free of cost to Hudhud cyclone affected families during non-restoration of electricity. However, District Administration supplied 2,268 kilo litres of kerosene after restoration of electricity rendering the expenditure of ₹ 12.92 crore incurred on procurement of kerosene avoidable.**

Government had taken some relief measures for Hudhud Cyclone (October 2014) affected population in Visakhapatnam district. As part of this, Government issued orders (20 October 2014) to supply five litres of kerosene per family in 23 severely affected

[98] ₹ 10 lakh in July 2010; ₹ 47.12 lakh in December 2012
[99] Columns up to roof level, Roof beams and roof slab, Projection slab etc.
[100] Schedule of Standard Rates
[101] Excess quantity of steel and concrete due to slab projection provided in structural drawings but not provided in original estimate
[102] such as brick masonry for super structure, finishing, water supply, electrification etc.
[103] painting, doors and windows, provision of water and electricity, kitchen and toilets

mandals. Kerosene was to be supplied where electricity was not restored by 22 October 2014.

Audit scrutinised (June 2016) the records of the Office of the District Collector, Visakhapatnam. Audit observed that electricity had been restored in the entire district by 31 October 2014 as certified by the APEPDCL[104]. However, the District Collector procured and supplied 2,268 kilo litres of kerosene during the period 01 to 24 November 2014, incurring an expenditure of ₹12.92 crore.

Audit pointed (March 2017) that this expenditure was avoidable and was in violation of Government Orders. The District Collector replied (April 2017) that the kerosene was supplied beyond the period of restoration of electricity as a measure of relief.

Government stated (October 2017) that restoration of power supply in all the Mandals/ habitations did not mean that power supply was restored to all the households. The reply of the Department is not acceptable as APEPDCL categorically declared that electricity was restored in the entire district by 31 October 2014.

Hence, Audit noted that the above expenditure of ₹12.92 crore was avoidable and was in violation of Government Orders.

## Youth Advancement, Tourism and Culture (Sports) Department
## (Sports Authority of Andhra Pradesh)

## 3.8 Mini Sports Complex stalled mid-way

**Sports Authority of Andhra Pradesh had not released the funds for the work 'Construction of Mini Sports Complex at Pulivendula (YSR district)' sanctioned by it. The work had stalled mid-way due to lack of funds. The work remained incomplete for over four years after incurring expenditure of ₹ 2.11 crore.**

Government decided (April 2005) to construct Indoor stadium and mini stadium at Pulivendula (YSR District). Government allocated ₹ one crore during 2005-06 for the construction pending receipt of project report and pending finalisation of funding pattern. The VC and MD[105] of SAAP[106] released ₹ 40 lakh[107] to the District Collector to initiate the project immediately. The District Collector was also the Executive Chairman of the District Sports Authority (DSA). The funds were placed at the disposal of the Superintending Engineer, Roads & Buildings (R&B), Kadapa.

The SAAP submitted (March 2006) the Detailed Project Report (DPR) for the construction of Mini Sports Complex[108] (Complex) at Pulivendula. On receipt of the DPR, Government accorded (July 2006) administrative sanction at an estimated cost of ₹ 3.60 crore. The expenditure was to be met from the regular plan budget of SAAP.

[104] Andhra Pradesh Eastern Power Distribution Company Limited
[105] Vice Chairman and Managing Director
[106] Sports Authority of Andhra Pradesh
[107] July 2005: ₹ 20 lakh and September 2006: ₹ 20 lakh
[108] The Indoor stadium and mini stadium being located at the same place, the project nomenclature was changed as 'Mini Sports Complex'

The Chief Engineer (R&B), Buildings accorded (November 2006) technical sanction for ₹ 3.60 crore. The Superintending Engineer (R&B) awarded (June 2012) the work to a contractor with a stipulation to complete the work by December 2013. The Executive Engineer (EE, R&B) was the executing agency.

Audit scrutinised (February 2016) the records of the executing agency and also obtained the details (June-July 2017) from the SAAP and the DSA. The following points were observed:

- SAAP had not released any funds further, apart from ₹40 lakh initially released. However, the executing agency diverted ₹40 lakh (February/ March 2008) for other works[109] of SAAP with the approval of District Collector.
- Owing to lack of response to the repeated tender calls, the work was not commenced leading to revision of estimates to ₹ 4.20 crore in July 2011. Accordingly, Engineer-in-Chief (Buildings) accorded revised technical sanction in December 2011 for ₹ 4.20 crore. The amount in excess of administrative sanction was proposed to be met from PADA[110] funds.
- The EE, R&B requested (August 2011) to deposit the full amount for initiating the execution of work. Accordingly, the District Collector released (August 2011) ₹ 4.20 crore to the EE, R&B from the funds available under PADA. Later, the District Collector allowed (August 2012) the EE, R&B to utilise ₹ 2.30 crore[111] out of the above, for payment of bills of other completed PADA works. As a result, only ₹ 1.90 crore was available with the EE, R&B for construction of the Complex. Neither the SAAP nor the District Collector had released any funds further required for completion of the work.

**Incomplete Mini sports complex at Pulivendula**

- The contractor stopped the work in May 2013 due to non-release of funds, after completion of work valuing ₹ 2.11 crore. The Contractor requested (December 2014) the EE, R&B for closure of the work. Finally, the contract was closed in March 2015.

Thus, due to failure of SAAP in release of funds fully for the work sanctioned by it, the work was stalled mid-way. The work remained incomplete for over four years leaving the expenditure of ₹2.11 crore incurred on it unfruitful.

---

[109] Regional Sports School, Putlampalli and Indoor Stadium, Kadapa
[110] Pulivendula Area Development Agency
[111] An amount of ₹ 61 lakh was reimbursed (November 2013/August 2016) out of ₹ 2.91 crore diverted

Government stated (November 2017) that SAAP had accorded (November 2017) administrative sanction for ₹ three crore for completion of the balance works.

## 3.9 Hockey Academy building lying idle

**Hockey Academy building was constructed in September 2013 at Pulivendula (YSR district) at a cost of ₹ 1.82 crore. However, Sports Authority of Andhra Pradesh/ District Sports Authority had not taken over the building. Further, the hockey fields proposed at ₹ 26.30 lakh were not completed due to paucity of funds. The building was lying idle even after lapse of four years.**

With a view to promote sports in the district, Government accorded (February 2007) administrative sanction for construction of Hockey Academy at Pulivendula, YSR district at an estimated cost of ₹ 1.40 crore. The Academy building, *inter-alia,* included hostels for boys and girls and two hockey fields. The Chief Engineer, Roads & Buildings accorded technical sanction in September 2007 for ₹ 1.57 crore. The Executive Engineer, Roads & Buildings (EE, R&B), Pulivendula was the executing agency. The Sports Authority of Andhra Pradesh (SAAP) was to release funds for the work.

The executing agency revised (June 2011) the estimates with reference to SSR[112] 2011-12 and requested the District Collector[113] for sanction and release of ₹ two crore. Accordingly, the District Collector deposited ₹ two crore in August 2011 from other funds[114] available with him. The academy building was constructed in September 2013 at a cost of ₹1.82 crore. However, the hockey fields proposed at a cost of ₹26.30 lakh were not taken up mainly due to paucity of funds.

Hockey Academy building lying idle

Further, the SAAP/ District Sports Authority (DSA) had not taken over the building even as of December 2017, apparently for want of funds for maintenance of the building. The building having a capacity to accommodate 100 players constructed at a cost of ₹ 1.82 crore was lying idle since September 2013. The SAAP, which was to release funds for completion of the work, had not released funds.

[112] Schedule of Standard Rates
[113] Executive Chairman of District Sports Authority
[114] Pulivendula Area Development Agency

Thus, due to failure of SAAP in release of funds, the sports infrastructure remained incomplete and the expenditure of ₹ 1.82 crore remained unfruitful. The objective of promoting sports activity in the district was not achieved.

The matter was reported to Government in July 2017; reply has not been received (December 2017).

**(L. TOCHHAWNG)**
**Principal Accountant General (Audit)**
**Andhra Pradesh**

**Hyderabad**
**The**

**Countersigned**

**(RAJIV MEHRISHI)**
**Comptroller and Auditor General of India**

**New Delhi**
**The**