सत्यमेव जयते

Report of the Comptroller and Auditor General of India on General, Social & Economic Sectors for the year ended March 2021

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Telangana

Report No. 4 of 2022

Report of the
Comptroller and Auditor General of India
on
General, Social & Economic Sectors
for the year ended March 2021

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Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2021, has been prepared for submission to the Governor of the State of Telangana under Article 151 of the Constitution of India for being laid before the Legislature of the State.

This Report contains significant results of the Compliance Audit of Nine Departments of the Government of Telangana under the ***General, Social and Economic Sectors*** including Animal Husbandry, Dairy Development and Fisheries, Agriculture and Cooperation, Housing, Minorities Welfare, Municipal Administration and Urban Development, Panchayat Raj and Rural Development, Planning, School Education and Youth Advancement, Tourism & Culture conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and Regulation on Audit and Accounts 2020 issued thereunder by Comptroller and Auditor General of India.

The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2019-21, as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2019-21 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Chapter I

General

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Chapter I - General

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) contains matters arising from the compliance audit of transactions of various Departments of the Government of Telangana, Central and State plan schemes and audit of autonomous bodies of the State pertaining to General, Social and Economic Sectors during the period 2019-20 and 2020-21.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management of organisations and contribute to better governance.

Compliance audit refers to the examination of transactions of the audited entities to ascertain whether provisions of the Constitution of India, applicable laws, rules and regulations and various orders and instructions issued by competent authorities are being complied with.

This Chapter explains the planning and coverage of audit, response of Departments and Government to audit findings/observations made during audit of transactions and follow-up action on previous Audit Reports.

1.2 Profile of General, Social and Economic Sectors

A summary of the expenditure incurred by the Departments of Government of Telangana falling within the General, Social and Economic Sectors during the five year period from 2016-17 to 2020-21 is given below.

Table-1.1

(₹ in crore)

Sl. No	Name of the Department	2016-17	2017-18	2018-19	2019-20	2020-21
A	**General Sector**					
1	Finance	40,977.31	57,568.37	58,732.81	79,876.98	1,14,014.79
2	Planning					
3	General Administration*	677.69	652.03	968.44	802.77	459.89
4	Home	5,176.55	5,619.09	6,212.21	6,275.54	6,442.08
5	Law	518.46	535.45	589.07	582.02	621.93
6	Revenue	2,970.84	1,868.95	2,258.11	4,027.32	5,522.27
7	State Legislature	98.93	114.72	103.72	119.74	116.46
	Total (A)	**50,419.78**	**66,358.61**	**68,864.36**	**91,684.37**	**1,27,177.42**
B	**Social Sector**					
1	Backward Classes Welfare	2,831.81	2,865.53	3,875.25	3,220.85	3,023.02
2	Consumer Affairs, Food and Civil Supplies	2,089.36	1,524.43	1,903.21	1,435.24	1,048.42
3	Health, Medical and Family Welfare	4,872.03	4,521.38	5,159.55	6,217.42	5,952.24
4	Higher Education	1,765.14	1,754.79	1,719.63	1,758.44	1,720.64

5	Housing	555.90	865.80	1,601.12	1,450.18	1,390.76
6	Labour, Employment, Training and Factories	490.63	586.76	608.41	383.72	407.64
7	Minorities Welfare	842.06	983.48	1,265.71	1,324.69	1,208.30
8	Municipal Administration & Urban Development	3,111.31	3,150.57	3,012.95	2,847.61	5,036.60
9	Panchayat Raj[$]	7,520.66	6,685.89	8,725.66	7,359.50	8,726.06
10	Rural Development[$]	5,988.98	5,146.47	6,650.38	7,407.14	9,393.94
11	School Education	10,568.26	10,748.48	10,125.68	10,879.03	10,934.03
12	Scheduled Castes Development	3,172.43	7,624.56	9,023.65	9,056.96	9,191.50
13	Tribal Welfare	2,009.48	4,895.24	5,863.16	6,081.41	6,288.45
14	Women, Children, Disabled and Senior Citizens	1,204.04	1,314.75	1,207.27	1,273.07	1,524.29
15	Youth Advancement, Tourism and Culture	236.56	266.26	211.59	142.48	166.59
	Total (B)	**47,258.65**	**52,934.39**	**60,953.22**	**60,837.74**	**66,012.48**
C	**Economic Sector**					
1	Agriculture & Cooperation	5,775.06	4,969.48	10,134.79	11,673.66	14,127.30
2	Rain Shadow Areas Development[1]					
3	Animal Husbandry, Dairy Development & Fisheries	664.91	522.71	1,072.08	1,528.37	1,604.60
4	Energy	15,258.32	6,411.14	6,386.40	6,339.44	8,166.60
5	Environment, Forests, Science and Technology	430.06	485.81	476.51	840.65	797.91
6	Industries & Commerce	377.56	733.25	567.17	544.39	699.97
7	Information Technology, Electronics & Communications	158.19	129.44	219.03	181.06	144.96
8	Irrigation and Command Area Development	15,723.72	13,005.31	9,516.60	10,530.59	11,368.65
9	Public Enterprises	1.12	1.39	1.35	1.20	1.07
10	Transport, Roads and Buildings	4,463.44	3,499.98	3,019.27	2,963.88	3,900.24
11	Infrastructure & Investment[2]					
	Total (C)	**42,852.38**	**29,758.51**	**31,393.20**	**34,603.24**	**40,811.30**
	Total (A + B + C)	**1,40,530.81**	**1,49,051.51**	**1,61,210.78**	**1,87,125.35**	**2,34,001.20**

[*]*includes Governor's Secretariat*
[$]*under one Secretariat Department 'Panchayat Raj and Rural Development'*
Source: *Appropriation Accounts of Government of Telangana for relevant years*

[1] Expenditure of this Department is covered under Grant No. XXVII – Agriculture
[2] Expenditure of Infrastructure & Investment is covered under Grant No. XI – Roads, Buildings and Ports

1.3 Office of Accountant General (Audit)

Under the directions of the Comptroller and Auditor General of India, Office of the Accountant General (Audit), Telangana conducts audit of 32 Departments and local bodies/ public sector undertakings/autonomous bodies thereunder in the State of Telangana.

Offices of the Accountants' General

1.4 Authority for audit

The CAG's authority for audit is derived from Articles 149 and 151 of the Constitution of India and CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG conducts audit of the Departments in General, Social and Economic Sectors of the Government as follows:

- Audit of expenditure is carried out under Section 13[3] of the DPC Act;
- Audit of autonomous bodies is conducted under Sections 19(2)[4], 19(3)[5] and 20(1)[6] of the DPC Act;
- ***Local bodies*** are audited under Section 20(1) of the DPC Act;
- In addition, the CAG also conducts audit of ***other autonomous bodies,*** which are substantially funded by the Government under Section 14[7] of the DPC Act.

Principles and methodologies for various audits are prescribed in Auditing Standards and Regulations on Audit and Accounts, as well as other guidelines, manuals and instructions issued by the CAG.

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[3] Audit of (i) all transactions from Consolidated Fund of State (ii) all transactions relating to Contingency Fund and Public Account and (iii) all trading, manufacturing, profit & loss accounts, balance sheets and other subsidiary accounts kept in any Department of a State

[4] Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations

[5] Audit of accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of respective legislations

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

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

1.5 Planning and Conduct of audit

The following flowchart depicts the process of Planning, Conduct of audit and preparation of Audit Reports:

Figure-1.1: Planning, Conduct of audit and preparation of Audit Reports

Assessment of Risk - Planning for audit of entities/schemes/ units, etc., is based on risk assessment involving certain criteria like,

- expenditure incurred
- when last audited
- criticality/complexity of activities
- priority accorded for the activity by Government
- level of delegated financial powers
- assessment of internal controls
- concerns of stakeholders, etc.

Planning of Audit includes determining

- Extent and type of Audit -Financial, Compliance and Performance audits
- Audit objectives, scope and methodology of audit
- Sample of auditee entities and transactions for detailed audit

Inspection Reports are issued based on

- Scrutiny of records/data analysis
- Examination of Audit evidence
- Replies/Information furnished to Audit enquiries
- Discussion with Head of the unit/local management

Audit Report is prepared

- From important audit observations which featured in Inspection Reports or draft Performance Audit Reports/Compliance Audit Reports
- Considering the response of the Department/Government to audit findings, and
- Submitted to Governor for causing it to be tabled in the State Legislature

After completion of compliance audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the unit with a request to furnish replies within one month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in the Government, are issued as draft paragraphs to the Government for their responses, before possible inclusion after due consideration of the responses, in the Audit Reports. In addition, draft Compliance Audits and Performance Audits on specific themes, topics or schemes are also issued to the Government for their responses, before possible inclusion in the Audit Reports. These Audit Reports are submitted to the Governor of Telangana under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

1.6 Response of Government/Departments to audit findings

1.6.1 Response to previous Inspection Reports

Heads of Offices and next higher authorities are required to respond to the observations contained in IRs and take appropriate corrective action. Audit observations communicated in IRs are also discussed at periodical intervals in meetings at District/State levels by officers of the Accountant General's Office with officers of the concerned Departments.

As of 30 September 2021, 3606 IRs containing 25,817 paragraphs pertaining to previous years were pending settlement as detailed below. Of these, first replies have not been received in respect of 670 IRs (7,334 paragraphs). Department-wise details are given in ***Appendix-1.1***.

Table-1.2

Year	Number of IRs/Paragraphs pending settlement as of 30 September 2021		IRs/Paragraphs where even first replies have not been received as of 30 September 2021	
	IRs	Paragraphs	IRs	Paragraphs
2016-17 & earlier years	2,199	11,330	27	363
2017-18	292	2,955	67	649
2018-19	466	4,579	164	1,552
2019-20	479	4,851	282	3,185
2020-21	170	2,102	130	1,585
Total	**3,606**	**25,817**	**670**	**7,334**

Source: *Records maintained by the O/o AG(Audit), Telangana*

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities as pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/services, fraud, corruption and loss to public exchequer. State Government therefore, needs to institute an appropriate mechanism to review and take expeditious action to address the concerns flagged in these IRs and audit paragraphs.

1.6.2 Response of Government to audit observations

All Departments are required[8] to send their responses to draft audit paragraphs proposed for inclusion in the CAG's Report within six weeks of their receipt. During the year

[8] as per Paragraph 4.7 of Finance Department's Handbook of Instructions

2021-22, 14 draft compliance audit paragraphs were forwarded to the Special Chief Secretaries/Principal Secretaries/Secretaries of 12 Departments[9] concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. It was brought to their personal attention that these paragraphs were likely to be included in the Audit Report of the CAG of India, which would be placed before the State Legislature and it would be desirable to include their comments/responses to the audit findings. Despite this, seven Departments[10] did not furnish reply to nine draft compliance audit paragraphs as on the date of finalisation of this Report. The fact of non-receipt of Government responses was also brought to the notice of the Chief Secretary to the Government in September 2022. The responses of the Government, wherever received, have been appropriately incorporated in the Report.

1.6.3 Response of Government to audit paragraphs that featured in earlier Audit Reports

Administrative Departments are required to submit Explanatory Notes on paragraphs and reviews included in Audit Reports[11], within three months of their presentation to State Legislature duly indicating action taken or proposed to be taken. For this purpose, the Departments are not required to wait for any notice or call from the Public Accounts Committee. Explanatory Notes[12] were yet to be received as of 30 September 2021 from 8 Departments in respect of 22 paragraphs/performance audit reviews that featured in the Audit Reports for the years 2015-16 to 2018-19. Explanatory Notes were also yet to be received as of 30 September 2021 from 12 Departments in respect of 28 paragraphs/performance audit reviews relating to the period prior to bifurcation[13]. Details are given in ***Appendix-1.2.***

1.6.4 Response of Government to Recommendations of the Public Accounts Committee

Administrative Departments are required to submit Action Taken Notes (ATNs) on the recommendations of Public Accounts Committee (PAC) within six months[14] from the date of receipt of recommendations. As of 30 September 2021, one ATN in respect of one Department with regard to the issues exclusively pertaining to the State of Telangana and seven ATNs in respect of four Departments[15] with regard to issues pertaining to the combined State of Andhra Pradesh were yet to be received. Details are given in ***Appendix-1.3.***

[9] Agriculture and Cooperation; Animal Husbandry, Dairy Development and Fisheries; Finance; Housing; Labour, Employment, Training and Factories; Minorities Welfare; Municipal Administration and Urban Development; Panchayat Raj and Rural Development; Planning; School Education; Women, Children, Disabled & Senior Citizens and Youth Advancement, Tourism & Culture

[10] Agriculture and Cooperation; Finance; Municipal Administration and Urban Development; Panchayat Raj and Rural Development; School Education; Women, Children, Disabled & Senior Citizens and Youth Advancement, Tourism & Culture

[11] as per instructions issued by Finance and Planning Department vide U.O. No.23810-c/200/PAC/93-2 dated 3 November 1993

[12] with regard to the issues exclusively pertaining to the State of Telangana

[13] of the erstwhile State of Andhra Pradesh (i.e., those featured in Audit Reports for the years 2009-10 to 2013-14)

[14] as per instructions issued by Finance and Planning Department vide U.O. No. 1576-A/32/PAC/95, dated 17 May 1995

[15] Agriculture & Cooperation; Backward Classes Welfare; Health, Medical & Family Welfare and Panchayat Raj & Rural Development

1.7 Significant audit observations

This Report contains findings of audit in respect of 10 compliance audit paragraphs from a test-check of accounts and transactions of nine Departments[16] of the Government of Telangana during 2019-21.

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

1.7.1 Implementation of Two Bedroom Housing Scheme in Greater Hyderabad Municipal Corporation

The Government of Telangana launched (2015) Two Bedroom Housing Scheme (2BHK Housing Scheme) with 100 *per cent* subsidy to provide dignified housing to the Urban and Rural poor. The financial management of the scheme had shortfalls. Loan amounts drawn were kept idle/parked for some time, funds were diverted to other schemes/institutions and Telangana State Housing Corporation Limited (TSHCL) had to repay other loans not related to the 2BHK Housing Scheme. In Greater Hyderabad Municipal Corporation (GHMC) Area, out of one lakh houses sanctioned in GHMC, construction of 48,178 (48 *per cent*) houses were completed and 45,735 houses were in progress while 6,087 houses were stopped/yet to be taken up. Construction of houses by the end of six years (2020-21) was only 48,178 which was less than 50 *per cent* of the envisaged target of 1,00,000 houses. Ninety-six *per cent* of the completed houses (46,442) remained unoccupied for a period ranging from less than 6 to more than 36 months, as the State Government failed to identify beneficiaries for the scheme rendering the expenditure of ₹3,983.68 crore incurred on these houses so far wasteful. Thus, the objective of providing Two Bedroom houses to the poor as envisaged could not be achieved, even after elapse of four years.

(Paragraph 2.1)

1.7.2 Suspected fraud in implementation of Sheep Rearing Development Scheme (SRDS)

During test-check of implementation of the Sheep Rearing Development Scheme in seven Districts, Audit found serious irregularities including suspected fraud/doubtful transactions involving financial implication of ₹253.93 crore. These included payments made on manipulated transport invoices (₹68.23 crore) for transportation of sheep and invoices containing fake/passenger/non-goods vehicles (₹27.20 crore); cases where more than two sheep units were shown as transported in small goods vehicles and tractors (₹17.06 crore) and more than six sheep units were shown as transported in heavy goods vehicles (₹46.03 crore); assigning of duplicate ear tags to multiple sheep (₹92.69 crore), etc.

(Paragraph 2.2)

[16] Agriculture and Cooperation; Animal Husbandry, Dairy Development and Fisheries; Housing; Minorities Welfare; Municipal Administration and Urban Development; Panchayat Raj and Rural Development; Planning; School Education and Youth Advancement, Tourism & Culture

1.7.3 Avoidable expenditure due to payment of Goods and Services Tax (GST) on exempt service

Failure of the Agriculture Department in availing exemption from Goods and Services Tax on the insurance premium payable to the insurance agency under Farmers Group Life Insurance Scheme resulted in avoidable extra expenditure of ₹445.03 crore.

(Paragraph 2.3)

1.7.4 Commercial Building remaining idle

Improper planning on the part of Waqf Board coupled with lack of directions from Government, led to a structure constructed at a cost of ₹10.30 crore remaining idle even after seven years of its completion.

(Paragraph 2.4)

1.7.5 Inordinate delay in completion of Sewage Treatment Plants

Sewage Treatment Plants along with Underground Drainage (UGD) network were not completed in Suryapet Municipality even after a lapse of 12 years due to delay in alienation/acquisition of land and non-receipt of permission from National Highways Authority of India (NHAI). The inordinate delay in completion of the project has deprived the people of Suryapet Municipality of UGD facility and the expenditure of ₹52.33 crore incurred on the work so far remains wasteful.

(Paragraph 2.5)

1.7.6 Avoidable expenditure due to delayed remittances of Employees' Provident Fund (EPF) contributions

Delayed remittance of Employees' Provident Fund contributions resulted in avoidable expenditure of ₹5.81 crore towards damages and interest.

(Paragraph 2.6)

1.7.7 Fraudulent claims and payments

Non-verification of the genuineness of the claim before making payments for the works for which bills were submitted twice with two different measurement books, resulted in fraudulent payment of ₹32.83 lakh.

(Paragraph 2.7)

1.7.8 Wasteful expenditure on implementation of Bio-metric Attendance System

Implementation of Aadhaar Based Bio-metric Attendance System (ABAS) to capture teacher-students attendance in schools without due feasibility study and assessing technical data requirement, resulted in wasteful expenditure of ₹28.96 crore.

(Paragraph 2.8)

1.7.9 Issue of unauthorised Advertisements by the Department

Failure of the Department to verify the genuineness of the advertisement claims made by an Advertising Agency led to fraudulent payment of ₹1.84 crore.

(Paragraph 2.9)

1.7.10 Infructuous expenditure on sound and light show at Basara

Failure of the Government to complete the pre-requisite civil works led to idling of the equipment procured at a cost of ₹0.73 crore.

(Paragraph 2.10)

Chapter II

Compliance Audit Observations

Chapter II - Compliance Audit Observations

Housing and Municipal Administration & Urban Development Departments

2.1 Implementation of Two Bedroom Housing Scheme in Greater Hyderabad Municipal Corporation

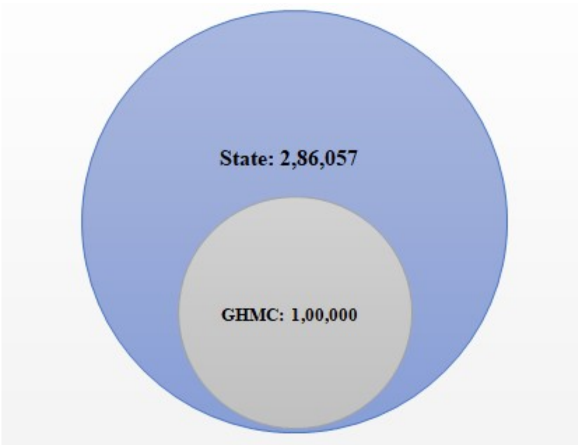
2.1.1 Introduction

The Government of Telangana launched (2015) Two Bedroom Housing Scheme (2BHK Housing Scheme) with 100 *per cent* subsidy to provide dignified housing to the Urban and Rural poor. As per the scheme guidelines[1], Below Poverty Line (BPL) families, having a valid Food Security Card[2] were eligible for allotment of houses, with the earmarked reservation for Scheduled Castes (17 *per cent*), Scheduled Tribes (6 *per cent*), Minorities (12 *per cent*) and balance (65 *per cent*) not reserved for any category in urban areas. In the Samagra Kutumba Survey[3] (2014) by the Government of Telangana, 26.31 lakh houseless poor[4] had been identified in the State. The project cost for construction was planned through State Government Budget, Government of India (GoI) assistance of ₹1.50 lakh and ₹0.72 lakh per house for urban and rural poor respectively under Pradhan Mantri Awas Yojana[5] (PMAY) and using loans for the scheme. The Housing Scheme in urban areas was dovetailed with PMAY (Urban) under the Affordable Housing Partnership (AHP) vertical and in rural areas with PMAY (Gramin).

Selection of beneficiaries would be made Assembly Constituency-wise, duly adhering to the overall composition of eligible SC/ST/Minorities in the District as per the scheme guidelines.

Each house (flat) consists of two bedrooms, hall, kitchen and two toilets with a plinth area of 560 *square feet* and plot area of 36 *square yards* of undivided land share in group housing pattern. Necessary civic infrastructure like water supply, electricity, approach and internal roads, drains, sewerage would be provided by the State Government. The State Government, in various phases, sanctioned 2,86,057 houses to be constructed in the entire State. In Greater Hyderabad Municipal Corporation (GHMC) Area, 1,00,000 houses were sanctioned as of March 2021.

Chart-2.1: Houses sanctioned in the State including GHMC



Source: *Information furnished by TSHCL*

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[1] G.O Ms. No.10 Housing (RH&C.A 1) Department dated 15 October 2015

[2] provide subsidised food grains and other Essential Commodities to the eligible households under implementation of the National Food Security Act, 2013

[3] a comprehensive integrated household survey in Telangana

[4] Urban 15.05 lakh households and Rural 11.26 lakh households

[5] a Centrally Sponsored Scheme (CSS)

2.1.1.1 Audit Objectives

Audit on Implementation of the 2BHK Housing Scheme in GHMC area was conducted to examine whether:

(1) Funds were allotted as per requirement for timely construction of the houses.

(2) Contract management was carried out in an efficient and transparent manner to ensure timely delivery of homes to the beneficiaries.

(3) The selection of beneficiaries and allotment of houses was done in a transparent manner as per the laid down guidelines.

The financial management (Audit Objective 1) of the scheme has been examined by Audit for the State as a whole while the scope of objectives (2 & 3) has been limited to the GHMC Area.

2.1.1.2 Audit Criteria

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

1. Government of Telangana Guidelines/Orders for implementation of 2BHK Housing Scheme in 2015 and subsequent orders issued through the Housing Department
2. Government of India Guidelines/approvals issued under Housing for All programme in PMAY (Urban) for implementation of Housing Scheme for urban poor
3. Telangana State Housing Corporation Limited (TSHCL) Circulars/Memos/ Instructions
4. State Public Works Department Code

2.1.1.3 Audit Scope and Methodology

The Detailed Compliance Audit (DCA) was conducted between October 2020 and May 2021 on Implementation of 2BHK Housing Scheme in GHMC area. The progress of works executed and expenditure incurred up to the year 2020-21 has been test checked for the scheme undertaken by GHMC. Entry Conference was held in January 2021 with the Special Chief Secretary to Government, Housing Department & Managing Director (MD), TSHCL and the Chief Engineer (Housing), GHMC duly informing the objectives, scope, criteria and methodology of audit.

Audit methodology involved scrutiny of records and files relating to the scheme in the offices of (i) Managing Director, TSHCL, (ii) Division-I to IV (Engineering Construction Divisions) of the GHMC, with a sample of 26 projects (25 *per cent)* of the 101 projects executed by selecting the units through random sampling method and (iii) two projects executed (100 *per cent)* in Division-V (Operation and Maintenance Division). Relevant information was also collected from the Housing Department, Commissioner, GHMC, District Collectors[6] of the jurisdiction and Commissioner, Weaker Section Housing Programme.

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[6] Hyderabad, Medchal-Malkajgiri, Rangareddy and Sangareddy Districts

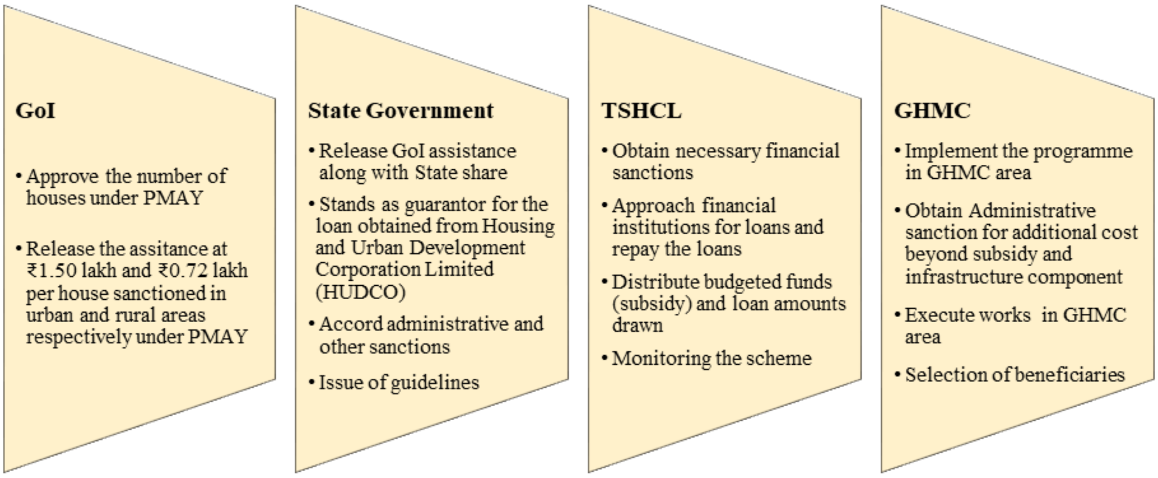
The sample of 28 projects (out of 103[7]) has been selected for test-check in GHMC area consisting of 50,333 houses (out of 1,00,000) as shown in ***Appendix-2.1***. The selected projects comprise of 19 projects (47,748 houses) for General[8] and 9 projects (2,585 houses) for *In-situ*[9] allotments. The case studies of two test checked *In-situ* projects *viz.,* Yerukala Nancharamma Basthi and Ziaguda, which were completed and occupied by the beneficiaries have been included in this Report.

The Exit conference was conducted with the State Government on 13 April 2022 and the replies of the Government have been incorporated in the report.

2.1.1.4 Role of various agencies in implementation of the scheme

The role of each agency is elucidated in **Chart-2.2.**

Chart-2.2: Role of agencies in the scheme



Source: *Compiled from the information furnished by the MA&UD Department, TSHCL and GHMC*

In respect of Two Bedroom (2BHK) Housing Scheme:

Housing Department, Government of Telangana issues the guidelines for implementation of the scheme. A Project Monitoring Unit (PMU) is to be constituted by TSHCL to monitor the status of the 2BHK Housing Scheme projects, providing technical assistance/clarifications in execution, tendering process and quality control, monitoring supply of cement, steel and other material, preparation of financial proposals and maintaining periodical reports. The Commissioner, Weaker Section Housing Programme pursues the release of subsidy as per the State Budget.

The TSHCL undertakes the sanctioning process and access to the funds from the funding agencies. Special Chief Secretary, Municipal Administration and Urban Development (MA&UD) Department issues administrative sanction. The Commissioner, GHMC is responsible for tender approvals, execution and monitoring of the scheme in GHMC area. The District Collectors are responsible for identification of land for construction of houses and selection of beneficiaries.

[7] Total 111 projects were planned in GHMC. Of these, eight works were not taken up

[8] Housing colonies created afresh in vacant lands allotted by Government are known as General Projects

[9] Housing colonies that are constructed in place of existing houses of beneficiaries, mostly in slum areas, are known as *In-situ* projects

In respect of PMAY (Urban):

The Mission for Elimination of Urban Poverty in Municipal Area (MEPMA) is the State Level Nodal Agency (SLNA) for PMAY(Urban) Scheme. The procedure followed as per the guidelines in implementation of the PMAY (Urban) in the State is detailed below:

- State will prepare Plan of Action (PoA) based on the demand survey and available data. Subsequently, Annual Implementation Plans (AIPs) are prepared dividing the task up to the year 2022 keeping in view of the availability of resources and priority.
- State Level Appraisal Committee (SLAC) is responsible for Techno-Economic appraisal of Detailed Project Reports (DPRs) submitted by the Urban Local Bodies/District Collectors implementing the scheme.
- The SLAC submits the appraisal reports to SLNA, along with their comments and recommendations. In turn, SLNA will obtain the approval of State Level Sanctioning and Monitoring Committee (SLSMC) for the PoA, AIPs and Projects under PMAY(Urban).
- The PoA and AIPs approved by the SLSMC are then submitted to the Central Selection and Monitoring Committee (CSMC) in the Ministry of Housing and Urban Affairs, GoI for assessment of the overall plan and required Central Financial Assistance.

Audit Findings

Audit findings are categorised objective-wise and discussed below.

Objective 1: ***Whether Funds were allotted as per requirement for timely construction of the houses***

2.1.2 Financial Management for implementation of the scheme

State Government accorded sanction for construction of 2,86,057[10] houses in different spells[11] (up to March 2021) for the entire State. The physical and financial status of the houses sanctioned in the entire State, as of March 2021, is detailed in **Table-2.1.**

Table-2.1: Physical and Financial status of Housing Scheme in the State

	Rural	Urban (other than GHMC)	GHMC	Total
Houses sanctioned at State level (in number)	1,17,637	68,420	1,00,000	2,86,057
Housing Scheme cost (₹ in crore)	6,558	4,136	8,115	18,809
Houses for which administrative sanction accorded (in number)	1,05,958	61,053	1,00,000	2,67,011
Houses for which funding was planned (in number)	44,519	50,577	97,722	1,92,818
Completed houses (houses in number)	23,414	20,831	48,178	92,423
Construction in progress (houses in number)	45,668	36,521	47,615	1,29,804
Construction not commenced (houses in number)	48,550	11,073	4,207	63,830
Expenditure incurred (₹ in crore)	2,076	1,672	6,117	9,865

Source: *Information furnished by TSHCL*

[10] Rural:1,17,637, Urban: 68,420 and GHMC:1,00,000

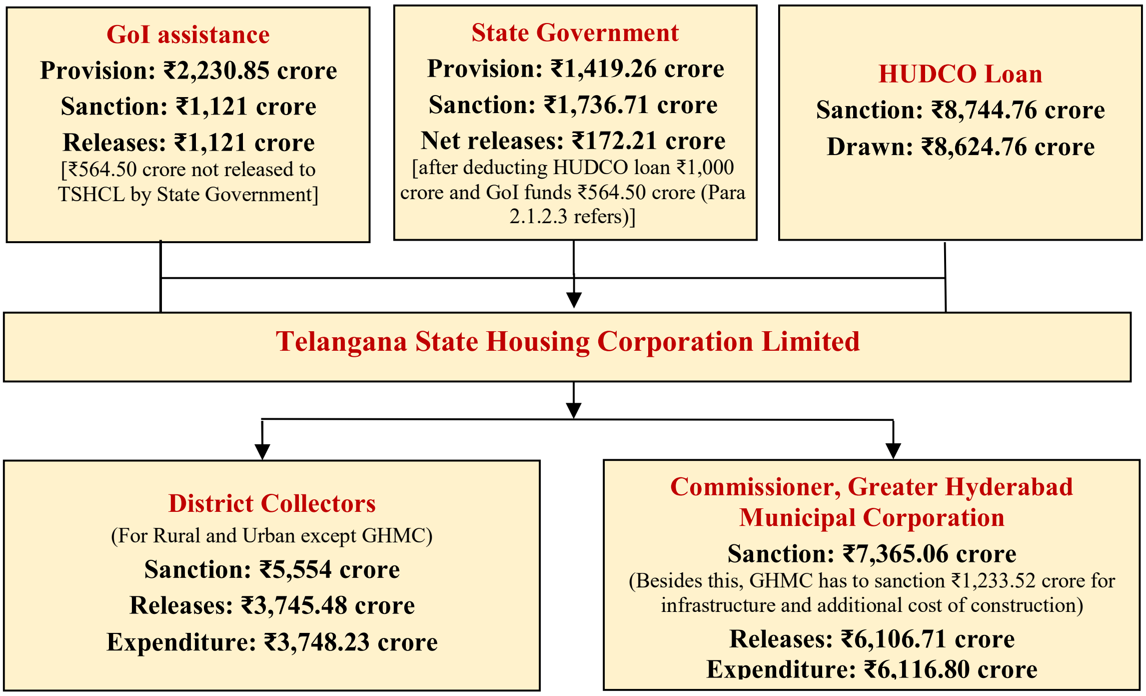
[11] 60,000 houses in September 2015; 2,00,000 houses in April 2016 and 26,057 houses during June 2015 to January 2021

As against the 2,86,057 houses proposed to be constructed, administrative sanction was accorded for 2,67,011 houses. Funding was however, planned for only 1,92,818 houses at a project cost of ₹12,394.87 crore. The project cost was funded through the following three sources:

- GoI assistance: ₹2,230.85 crore;
- State Government share through Budgetary sources: ₹1,419.26 crore, and
- Loan from Housing and Urban Development Corporation (HUDCO): ₹8,744.76 crore.

The provisions, sanctions and actual releases along with status is detailed in **Chart-2.3**.

Chart-2.3: Sources of funding



Source: *Information furnished by TSHCL and GHMC*

State Government had constructed 92,423[12] houses and incurred the expenditure of ₹9,865.03 crore to end of March 2021.

2.1.2.1 Loans drawn and utilised for implementation of the scheme

To meet financial obligation under the 2BHK Housing Scheme, the State Government obtained loans from HUDCO from time to time. As of March 2021, TSHCL out of ₹8,744.76 crore[13] sanctioned for 1,92,818 houses, had drawn loan of ₹8,624.76 crore, repaid an amount of ₹823.08 crore towards principal and also an interest of ₹1,711.32 crore during the period 2016-21. Both the interest and loan repayments are being met by the State Government through the Budget Head 'Loans for Housing'. The observations relating to the loans drawn from HUDCO are discussed in the following paras.

[12] Rural: 23,414, Urban: 20,831 and GHMC: 48,178
[13] (i) Loan No. 20842: ₹3,344.76 crore; (ii) Loan No. 21245:₹812.50 crore; (iii) Loan No. 21234: ₹2,187.50 crore and (iv) Loan No. 21382: ₹2,400 crore

(a) Avoidable payment of interest on Loan amount kept idle

As per General conditions[14] of the loan agreement with HUDCO, the borrower shall be free to deposit any part of the idle loan money with a Scheduled Bank.

The first instalment of HUDCO loan of ₹1,598.80 crore (out of first loan amount for ₹3,344.76 crore sanctioned by HUDCO in Loan Scheme No. 20842) was drawn in March 2016. The same was initially remitted (28 March 2016) to the Government Account[15] under Revenue receipt Head. The same amount was released (31 March 2016) to TSHCL, as if the loan was given by the Government[16] to TSHCL. Thus, Revenue receipts of the Government for the year 2015-16 were inflated to the tune of ₹1,598.80 crore in the account. This observation was pointed in Para No.1.12.4 of the CAG's Audit Report on State Finances for the year ended March 2016.

Audit noticed that an amount of ₹1,530 crore out of ₹1,598.80 crore drawn was invested from 02 April 2016 to 14 February 2017 in different Term Deposit Receipts (TDRs - ranging from 46 days to 212 days) in various banks at different interest rates ranging from 3.60 *per cent* to 6.75 *per cent*. As per the instructions of the Government, an amount of ₹1,000 crore was transferred again on 31 March 2017 to Government Account.

Further, Audit noticed that the remaining loan amount was released to the Districts for incurring expenditure only from June 2017. The drawn amount kept in TDRs earned an interest of ₹71.74 crore. However, the loan repayment schedule started from May 2016 (three months after loan amount drawal) and an interest of ₹180.03 crore was paid (during May 2016 - May 2017) on the loan amount drawn. Thus, there was a net avoidable payment of interest amounting to ₹108.29 crore[17].

The TSHCL replied (November 2020) that in view of the latest stage of tender process in the State and work progress in Erravelly and Narsannapet villages, the first instalment of ₹1,598.80 crore was drawn to provide the funds for payment of work bills. The expenditure incurred on Housing Scheme works was arrived at ₹1,759.43 crore as of November 2017. The loan amount ₹1,530 crore was kept in TDRs for a short period to reduce the burden of interest payable to HUDCO.

Reply is contrary to the fact that the required funds for payment of works executed in the said two villages at that time was ₹24.44 crore only, whereas a loan amount of ₹1,598.80 crore was drawn in excess of requirement and kept in TDRs, which resulted in avoidable payment of interest of ₹108.29 crore as stated above.

Government accepted (March 2022) that the loan amount drawn was not utilised due to various hurdles in grounding of the houses, i.e., finalisation of Government sites, tender processing and participation of contractors, court cases, etc.

[14] Article 4 – (Covenants), Section 4.1(o)-Investment of funds
[15] 0216-Housing-80 (General)-MH 800 (Other Receipts)-SH (01)-(Other Receipts)
[16] 6216-03-190-11-07-001-000
[17] ₹180.03 crore *minus* ₹71.74 crore

(b) Temporary diversion and parking of HUDCO Loan funds

Audit noticed four instances of temporary diversion/non-utilisation of HUDCO Loan funds to the extent of ₹44.59 crore during the period May 2017 to November 2020. They are elaborated below.

(i) The TSHCL utilised loan amount of ₹23.71 crore towards interest and repayment of loans availed from General Insurance Corporation (GIC: ₹4.05 crore) and Life Insurance Corporation (LIC: ₹19.66 crore) for implementation of other schemes during May 2017 to November 2018. Of this, the amount of ₹4.05 crore received back from the Government was not transferred to 2BHK Scheme Account by TSHCL (as of November 2020).

(ii) An amount of ₹1.46 crore was utilised (January 2018) for repayment of other loans taken from Central Bank of India.

Government stated (March 2022) that at present the funds are being released for implementation of 2BHK housing only. The necessary entries are being made in the subsidiary ledger of 2BHK Housing Scheme funds. There is no loss to the organisation by depositing the funds in State Bank of India and subsequently, the said amount has been taken into account of 2BHK housing funds and utilised for the implementation of 2BHK housing. The reply is not acceptable as this temporary diversion of HUDCO loan is in violation of loan agreement conditions.

(iii) As per General conditions[18] of loan agreement, the loan amount drawn from HUDCO for the Housing Scheme shall not be utilised for repayment of dues. The TSHCL utilised (February 2019) the loan amount (along with interest earned on amounts kept in TDRs) towards payment of interest to an extent of ₹4.42 crore on HUDCO Loan taken under the Housing Scheme itself.

Government stated (March 2022) that the amount was subsequently reimbursed and that TSHCL is taking responsibility for arranging timely repayment of loan instalment to HUDCO from Government. However, documentary proof in this regard was not furnished.

(iv) ₹15 crore drawn from the loan amount was parked in two TDRs since July 2020, without utilisation towards scheme works.

Government stated (March 2022) that funds were kept for immediate payments of ongoing works and balance funds were kept in TDRs to earn interest. The amount was utilised towards 2BHK Housing Schemes on maturity of TDRs. However, documentary proof in this regard was not furnished.

(c) Avoidable expenditure on fee, tax and interest due to utilisation of Loan taken for infrastructure towards housing

HUDCO sanctioned[19] ₹812.50 crore (March 2018) for development of on-site infrastructure for the Housing Scheme implemented in GHMC area. The 'urban

[18] Article-4 (Covenants), Section (4.1) (o) of General conditions and Article 4 (Special conditions) B(II)(vi) of loan Agreement

[19] under Loan Scheme No. 21245

infrastructure' loan attracts a front-end fee (₹1.00 crore), an application fee (₹0.05 crore) and Goods and Services Tax (GST) at 18 *per cent* (₹0.19 crore). The loan was drawn under urban infrastructure component but utilised for 'housing' component, i.e., for construction of houses. The fee/tax of ₹1.24 crore[20] could have been avoided, had the loan been drawn under housing component.

Further, the interest rate charged for 'housing' and 'urban infrastructure' components was 10.20 and 10.70 *per cent* per annum respectively. State Government has paid ₹49.26 crore for the period from August 2019 to February 2020 towards interest for 'urban infrastructure' component for the loan amount of ₹812.50 crore. The interest payable for the period would have been ₹46.97 crore, had the loan been taken under 'housing' component. An amount of ₹2.29 crore[21] had to be paid more towards interest for that period.

Thus, the loan taken for Infrastructure, instead of housing had resulted in avoidable payment of ₹3.53 crore[22]. Further, due to acceptance of loan under Infrastructure instead of Housing, TSHCL has an obligation to pay about ₹60.94 crore additionally towards interest for the entire loan period of 15 years.

Government replied (March 2022) that the 2BHK Housing Scheme is being implemented by construction of houses along with infrastructure facilities. The expenditure is being incurred on construction of houses and infrastructure. HUDCO has not considered the request of TSHCL as the request was not within the exposure norms of National Housing Bank. Hence, the loan was mobilised under Infrastructure head and is utilised under both, i.e., housing and infrastructure.

The reply that loan is utilised for both housing and infrastructure is not acceptable as the infrastructure component was deleted since June 2017[23] by the Government from the housing unit cost. However, TSHCL has drawn loan under Urban Infrastructure component in March 2018, which was after issue of the Government Order and this resulted in avoidable payment. Further, as the Department did not furnish the details regarding the permissible exposure norms of National Housing Bank, the reply could not be analysed.

2.1.2.2 Use of PMAY funds

State Government projected an amount of ₹2,230.85 crore as GoI assistance under PMAY for the 2BHK Housing Scheme. Of this, ₹2,043.52 crore related to Urban component (including GHMC) and ₹187.33 crore[24] related to rural component of the scheme by dovetailing funds under PMAY (Urban) and (Gramin) respectively.

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[20] ₹1.00 crore *plus* ₹0.05 crore *plus* ₹0.19 crore

[21] ₹49.26 crore *minus* ₹46.97 crore

[22] Interest: ₹2.29 crore and Application Fee and Tax: ₹1.24 crore

[23] GO Ms No. 4 Housing (RH & C.A1) Department dated 29 June 2017

[24] Financial pattern was designed for 44,519 houses for ₹187.33 crore by the State Government, whereas the GoI assistance received was for 50,959 houses for ₹190.79 crore {(i) 50 *per cent* of 50,959 houses @₹72,000 per house: ₹183.45 crore *and* (ii) 4 *per cent* Administrative Expenses on ₹183.45 crore: ₹7.34 crore. Total GoI Share (i) +(ii): ₹190.79 crore}

As per PMAY guidelines, the State shall undertake a demand survey to assess the actual demand of housing and validate the data of eligible beneficiaries and prepare the PoA and AIPs by dividing the task up to 2022, keeping in view the priority and availability of resources.

(a) Non-release of second and subsequent instalments of PMAY by GoI

State Government received an amount of ₹1,120.71 crore[25] as first instalment under PMAY (Urban) during the period from 2015-16 to 2017-18 in urban areas of the State by fulfilling the conditions[26] of the first instalment release.

Further, ₹190.79 crore was released as first instalment under PMAY (Gramin) by GoI to the State during 2016-17. Under PMAY(Gramin), beneficiaries have to be selected using Socio-Economic and Caste Census (SECC) – 2011.

The State, however, has not identified and selected the list of eligible beneficiaries for allotment under the scheme in both urban and rural areas, so far (March 2022). The second and subsequent instalments were not released by GoI as the conditions laid down under PMAY (Urban) were not fulfilled by the State. Further, due to non-preparation of beneficiaries list as per SECC-2011 data and uploading of the same in AwaasSoft, the Empowered Committee for PMAY (Gramin) instructed (October 2019) the State to return the first instalment along with interest, as it was lying idle for more than two years. However, the amount was not returned as of June 2022.

State Government, thus, lost out on an assistance of ₹1,110.14 crore[27] out of ₹2,230.85 crore from the GoI under PMAY(Urban).

(b) Discrepancies in furnishing of Utilisation Certificates

State Government received an amount of ₹1,120.71 crore during the period from 2015-16 to 2017-18 under PMAY (Urban) and released an amount of ₹556.21 crore only to TSHCL retaining the balance of ₹564.50 crore with Government. The TSHCL furnished two Utilisation Certificates (UCs), i.e., one for an amount of ₹532.37 crore and the second for ₹588.34 crore (including ₹23.84 crore received in first instalment) to GoI. Audit noticed that an amount of ₹471.99 crore only was utilised in GHMC (out of ₹556.21 crore actually released by the Government) and the balance amount of ₹60.38 crore was utilised in areas other than GHMC. As such, TSHCL furnished UC for the amount which was not actually received from the State Government. Thus, the two UCs furnished for the total GoI share of ₹1,120.71 crore (₹532.37 crore and ₹588.34 crore) revealed misrepresentation of the actual utilisation of GoI funds.

[25] towards construction of 1,86,000 urban houses as approved by SLSMC and submitted to GoI

[26] The first instalment of Central assistance shall be released on confirmation from State Government about selection of developer, issuance of work order, registration of projects in Real Estate Regulatory Authority (RERA). Second instalment shall be released only for the Aadhaar seeded beneficiaries entered in PMAY(U)-MIS and Geo tagging of properties by the State Government. The third and final instalment will be considered for release if at least 90 *per cent* sanctioned houses were entered in PMAY(U)-MIS and completion certificates of these houses are submitted.

[27] ₹2,230.85 crore - ₹1,120.71 crore, i.e., remaining share of Central assistance under PMAY (Urban)

2.1.2.3 Shortfall of Government share against the designed financial pattern

(a) Non-reimbursement of HUDCO loan

Out of the first instalment of ₹1,598.80 crore received from HUDCO, ₹1,000 crore was remitted to the State Government on 30 March 2017 under Receipt Head (*Para 2.1.2.1(a) refers*). The Department stated that this amount was returned in subsequent years as a share of State Government's funds, rather than as a separate refund. However, MD, TSHCL (September 2020) communicated to Principal Secretary, Housing Department that the amount of ₹1,000 crore was yet to be received from the State Government.

(b) Releases by the State Government for the scheme

As can be seen from **Chart-2.3**, State Government share towards the scheme was ₹1,419.26 crore as per the designed funding plan. Against this, State Government has released ₹1,736.71 crore during November 2017 to December 2020. Further, as discussed above, ₹1,000 crore of HUDCO loan remitted to State Government Account has not been returned to TSHCL till date. Besides, GoI share of ₹564.50 crore received by State Government was also not released. Thus, though State Government released ₹1,736.71 crore, an amount of ₹1,564.50 crore[28] can be construed as adjustments against these two items. Consequently, the net amount released to 2BHK Scheme comes to ₹172.21 crore (12 *per cent*) only as against the expected release of ₹1,419.26 crore.

Thus, short/non release of GoI share and diversion of 2BHK Scheme loan amounts resulted in shortfall of the State's share.

Government replied (March 2022) that funds are being released from time to time as per requirement for implementation of 2BHK Housing Scheme in the form of direct releases or loans with Government Guarantee without hampering the progress and thus, there is no shortfall in State share.

The reply is not acceptable as the State Government has to release ₹1,419.26 crore besides the loan drawn/to be drawn and the assistance from Central Government as per the financial pattern designed by the Department for construction of Two Bedroom houses.

(c) Increase in Unit cost of construction burdening the GHMC

In GHMC area, every 2BHK housing project was conceptualised with *Ground+3* pattern at a basic unit cost of ₹5.30 lakh per house. However, the Government changed the construction pattern[29] from time to time and finally decided to construct in *Cellar+Stilt+9* pattern at a revised basic cost ₹7.90 lakh per house. Additional Infrastructure cost of ₹0.75 lakh per house was also factored in throughout.

Changes in construction pattern led to cost escalation of 43 *per cent* (₹2.60 lakh) as detailed in the **Table-2.2**. Further, State Government also decided to share the burden of unit cost along with GHMC from January 2016. This was not envisaged while conceptualising the scheme in October 2015.

[28] HUDCO loan: ₹1,000 crore and GoI assistance: ₹564.50 crore
[29] from *Ground+3 to Stilt+5, Cellar+Stilt+9* floors

Table-2.2: Sharing pattern of the unit cost of the houses among the State Government, GoI and GHMC

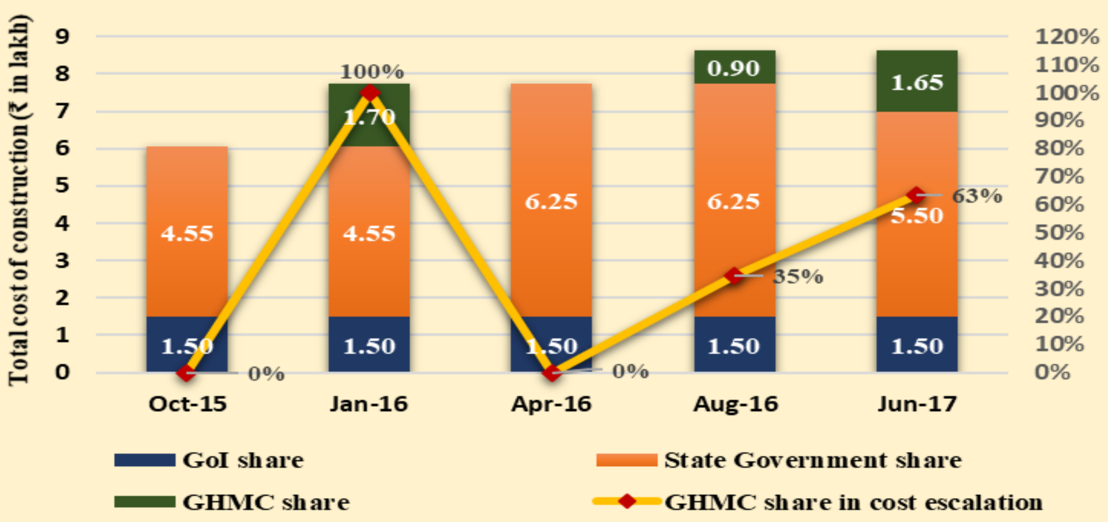
(₹ in lakh)

S. No	Reference to GO Ms/ Rt No.	Unit cost/ Infrastructure cost	Sharing pattern of the Unit cost and Infrastructure cost				Total Unit cost per house
			State Government share	GoI share	Total Government share	GHMC share	
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
1	GO Ms No. 10, Housing (RH&C.A1) Dt 15.10.2015	5.30 basic 0.75 infra 6.05 total	3.80 basic 0.75 infra 4.55 total	1.50	6.05	0.00	6.05
2	GO Rt No. 3 Housing (RH&C.A1) Dt 06.01.2016	7.00 basic 0.75 infra 7.75 total	3.80 basic 0.75 infra 4.55 total	1.50	6.05	1.70(*)	7.75
3	GO Ms No. 6 Housing (RH&C.A1) Dt 27.04.2016	7.00 basic 0.75 infra 7.75 total	5.50 basic 0.75 infra 6.25 total	1.50	7.75	0.00	7.75
4	GO Rt. No.586 MA&UD (F2) Dt 26.08.2016	7.90 basic 0.75 infra 8.65 total	5.50 basic 0.75 infra 6.25 total	1.50	7.75	0.90(#)	8.65
5	GO Ms. No. 4 Housing (RH&C.A1) Dt 29.06.2017	7.90 basic 0.75 infra 8.65 total	5.50 basic 0.00 infra 5.50 total	1.50	7.00	1.65($)	8.65

Source: *Government orders issued from time to time*

(*) ₹1.70 lakh (difference in basic cost, i.e., ₹7.75 lakh minus ₹6.05 lakh) was to be borne by GHMC
(#) ₹0.90 lakh (difference in basic cost, i.e., ₹8.65 lakh minus ₹7.75 lakh) was to be borne by GHMC
($) ₹1.65 (infrastructure cost of ₹0.75 lakh and difference in basic cost of ₹0.90 lakh) were to be borne by GHMC

Chart-2.4: Cost escalation with funding pattern



Source: *Government orders*

The infrastructure cost of ₹0.75 lakh which was initially envisaged to be borne by the State Government was passed on to GHMC in June 2017. Ultimately, 63 *per cent* of the 'unit cost escalation' (including the infrastructure cost of ₹0.75 lakh per house for the houses taken up after June 2017, which was initially the State Government's responsibility) was passed on to GHMC. Administrative sanction for 1,00,000 2BHK houses in GHMC area was accorded with the total project cost of ₹8,598.58 crore. The Government share, including GoI share was limited to ₹7,365.06 crore only. The extra cost of ₹1,233.52 crore[30] (including infrastructure cost of ₹384.94 crore for the 51,326 houses taken up after June 2017) was to be borne by GHMC.

However, due to other financial commitments, GHMC requested TSHCL to share the liability. The TSHCL released an amount of ₹250 crore for the purpose of infrastructure facilities. However, GHMC, could not allocate any of its own funds towards 2BHK Housing Scheme till March 2021 and has not chalked out a plan to meet this financial obligation.

Audit noticed irregularities in all the three sources of funding for the scheme. Amounts drawn from HUDCO loan were diverted/parked and remitted to the State Government for other purposes. State lost out on GoI's funds under PMAY due to non-identification of beneficiaries. State's own releases were deficient and part of the financial burden was passed onto GHMC, without mutual agreement. Considering the huge financial commitment under the project which is crucial to ensure timely construction of houses, the State Government should revisit the financial pattern and management under the scheme.

Government replied (March 2022) that MA&UD Department had accorded sanctions of additional unit cost based on the proposals submitted by the GHMC. The Government had not imposed any financial burden on GHMC in view of the increase of unit cost. GHMC is making efforts to meet the GHMC share either from its own funds or from the Government.

Hence, the fact remains that out of sanctioned ₹7,365.06 crore for housing in GHMC, TSHCL released an amount of ₹6,106.71 crore (**Chart-2.3** *refers*) to the end of March 2021 while GHMC did not release funds towards extra cost of ₹1,233.52 crore for the construction of 2BHK houses so far.

(d) Provision for off-site infrastructure works

For providing off-site infrastructure facilities like water supply, electricity, approach roads, drains and sewerage up to the entry point[31] of 78 projects, ₹611.78 crore was needed as per GHMC proposal submitted (September 2018) to the Government. However, no provision was made regarding this in the sanctioned project cost. Consequently, off-site infrastructure works in those projects have not been taken up.

Government replied (March 2022) that the proposal submitted by the GHMC for sanction of funds for providing off-site infrastructures is under active consideration.

[30] Infrastructure: ₹0.75 lakh per house (51,326 houses - ₹384.94 crore) and increase in basic cost: ₹0.75/₹0.90 lakh (1,00,000 houses - ₹848.58 crore)

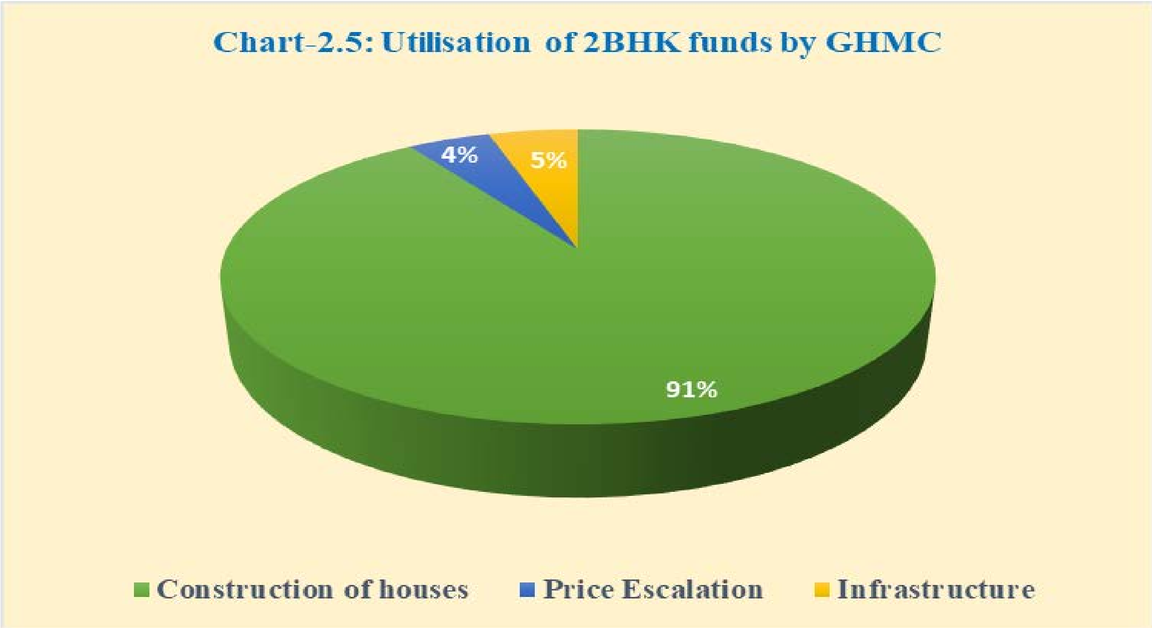
[31] Up to the 2BHK colony site

Objective 2: Whether contract management was carried out in an efficient and transparent manner to ensure timely delivery of homes to the beneficiaries

2.1.3 Implementation of the Housing Scheme in GHMC

The State Government has sanctioned 1,00,000 houses for GHMC area with a total cost of ₹8,598.58 crore between August 2016 and September 2017. In GHMC, 48,178 houses have been completed and another 45,735 houses are at various stages of construction. The expenditure incurred as of March 2021 was ₹6,116.80 crore.

2.1.3.1 Allocation and distribution of funds for the Housing Scheme in GHMC



Source: *Information furnished by GHMC*

The TSHCL released ₹6,106.71 crore (up to March 2021) to GHMC for executing the works and the entire amount was utilised towards (i) construction of houses: ₹5,548.12 crore (ii) infrastructure: ₹272.74 crore and (iii) price escalation: ₹295.94 crore. The additional expenditure of ₹10.09 crore was incurred from GHMC general fund which would be recouped on receipt of funds from the Government under the scheme. The fund utilisation pattern is indicated in **Chart-2.5**.

2.1.3.2 Execution of work

(a) Delay in concluding agreements for the works

Tenders were called for, location-wise, for the 111 projects (comprising 1,00,000 houses) based on sanctions and the same was finalised for 107 projects (comprising 97,341 houses)[32]. Audit analysed the average time taken for conclusion of agreements and the same is detailed in **Table-2.3**.

[32] Except projects in Bachupally-II (1,200), Dundigal-II (864), Jawahar Nagar-IV (163) and Keshav Nagar (432) totalling 2,659 houses

Table-2.3: Details of delay in concluding the agreements

S. No.	GO Rt. No. & date of Administrative sanction	No. of houses sanctioned	No. of projects	No. of projects for which Agreements concluded	Agreements concluded during the period	No. of houses for which agreement entered into	Average time taken for concluding Agreement (days)
1	586 Dt: 26.08.2016	5,050	16	16	12/2016 to 5/2018	3,511	282
2	764 Dt: 01.11.2016	15,519	27	27	2/2017 to 12/2018	11,109	320
3	212 Dt: 06.04.2017	69,535	62	58	8/2017 to 8/2019	73,038	314
4	581 Dt: 21.09.2017	9,896	6	6	8/2017 to 7/2018	9,683	133
Total		**1,00,000**	**111**	**107**		**97,341**	

Source: *Information furnished by GHMC*

The average time taken for concluding agreements ranged between 133 to 320 days, which consequently led to delays in construction of houses. Audit noticed that substantial time was consumed in this exercise due to lack of response from the bidders, non-identification of land and site disputes/court cases.

Government replied (March 2022) that the tendering process involves verification of eligibility criteria. The agreements were concluded after verification of documents, clear availability of site, free from disputes and court cases, etc., which resulted in delays in some cases.

The reply is not in consonance with the fact that in the 107 projects finalised, works were stopped at three projects - two[33] due to Court cases and one[34] due to beneficiaries not vacating their residences. Further, five projects[35] did not commence due to site disputes and non-issuance of possession certificates. This evidently shows that site clearance was not ensured before taking up of the works. Moreover, even after conclusion of agreements, 99 projects (comprising of 93,921 houses out of which 93,913 houses taken up for construction and status of construction for the balance eight houses not furnished to Audit) are ongoing even after lapse of more than two years.

(b) Delay in execution of works

State Government extended (April 2016[36]) the period of completion for housing projects of *Cellar+Stilt+9* floor pattern from six[37] to 12 months from the date of conclusion of the agreement. However, no housing project in GHMC was completed within the extended time period of 12 months. 39 projects consisting of 48,178 houses were completed with a delay ranging from 1 to 34 months. The main reasons for delay in completion of projects

[33] Totalling 56 houses; after incurring an expenditure of ₹29.31 lakh (₹7.44 lakh at Sarathi Nagar and ₹21.87 lakh at LB Nagar)
[34] Project at Bojagutta (1,824 houses)
[35] Hamali Basti (198), Jangammet (270), Korremula (800), Narayanajopudi Sangham (256) and Samba Murthy Nagar (16)
[36] G.O. Ms No.73 Housing (RH&C.A 1) Department dated 29 April 2016
[37] in relaxation to the Para-V(g) of GO Ms. No.10 Housing (RH&C.A 1) Department dated 15 October 2015

as attributed by GHMC, include delay in supply of sand[38], delay in payment of Running Account bills (RABs), increase in steel rate[39] and lock down due to pandemic, etc. The delay period as analysed by Audit is given in **Table-2.4**.

Table-2.4: Delays in completion of projects beyond the prescribed period for completion

Range of delay (in months)	No. of Projects	Number of Houses	Reasons for delay
1-6	4	712	Delay in supply of sand
7-12	4	5,892	Delay in supply of sand, delay in payment of RABs, lockdown due to pandemic
13-18	6	12,684	Delay in supply of sand, delay in payment of RABs, heavy rains and nationwide lorry strike
19-24	14	20,710	Delay in supply of sand, delay in payment of RABs, nationwide lorry strike, increase in steel rate, lockdown due to pandemic, election code
25-30	8	7,612	Delay in supply of sand, delay in payment of RABs, nationwide lorry strike, increase in steel rate, lockdown due to pandemic, election code
31-36	3	568	Delay in payment of RABs
Total	**39**	**48,178**	

Source: *Information furnished by GHMC*

Delay in execution of works would consequently delay allotment of houses to potential beneficiaries. Government accepted the audit observation and stated (March 2022) that initially there was delay in execution of works due to Court cases, site disputes, delay in finalisation of pattern of construction/design criteria and site-specific problems.

(c) Progress in construction of General and In-situ type projects in GHMC Area

The progress of construction in General and *In-situ* type projects in GHMC Area as of March 2021 is detailed in the **Table-2.5.**

Table-2.5: Progress of construction in General and *In-situ* type projects as of March 2021

Type of Project	Total no. of houses (Projects) taken up	No of projects completed	Number of houses				
			completed and occupied by beneficiaries	completed along with infrastructure but not allotted to beneficiaries	in progress	in which work has stopped	yet to be taken up/status not informed
In-situ	8,898* (40)	13	1,736	814	3,720	1,880	748*
General	91,102 (71)	26	0	45,628	42,015	Nil	3,459
Total	**1,00,000 (111)**	**39**	**1,736**	**46,442**	**45,735**	**1,880**	**4,207**

Source*: Information furnished by GHMC*

* Includes eight houses out of 120 houses sanctioned in Kattelamandi project for which status of construction was not mentioned by the Department in the data furnished to Audit.

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38 As per the 2BHK guidelines, supply of sand is to be made available by the District Collectors under Weaker Section Housing Programme

39 As per the original guidelines, price escalation is not permitted under this programme. However, price escalation on steel and HYSD/TMT bars was allowed vide G.O.Rt No. 69 Housing (RH&C.A 1) Department dated 14 May 2018. Some works are stopped by the contractors due to non-inclusion of price adjustment clause

As seen from above, out of 48,178 houses completed up to the end of March 2021, 46,442 houses (96 *per cent*) were not allotted to beneficiaries and kept vacant *(refer Para 2.1.4.5)*. Further, a huge housing project (Kollur-II) with 15,660 houses was completed and kept vacant in the outskirts of the city since January 2021, for more than a year, without occupation.

Fully constructed houses lying un-allotted since January 2021 at Kollur-II project, as of 24 March 2021

Further, 3,720 *In-situ* houses were still under progress. The Government did not have any policy for creating a make-shift rehabilitation centre for the slum-dwellers in the *In-situ* projects, which meant that they had to find temporary accommodation on their own. Delay in construction and allotment of houses of *In-situ* projects results in utmost hardship for these houseless poor.

Government, however, stated (March 2022) that the beneficiaries wilfully vacated the land without asking for alternate temporary shelter, as they are given dignity houses of 560 *sft.* free of cost.

(d) Excess expenditure/undue benefit to the contractors

Audit noticed avoidable excess expenditure and undue benefit to the contractors in the test checked projects due to the reasons detailed below.

(i) Undue benefit to the contractors due to adoption of incorrect/higher rates, resulting in inflation of various components for ₹23.03 crore (Details are given in the ***Appendix-2.2***).

(ii) Avoidable excess expenditure due to adoption of higher specifications and lack of uniformity for ₹170.13 crore (Details are given in the ***Appendix-2.3***).

(iii) Non-deduction of statutory recoveries and revenue of ₹0.41 crore on the cost of material excavated from the site and non-remittance of cost of excavated hard rock of ₹3.57 crore into Government Account (Details are given in ***Appendix-2.4***).

The replies furnished by the Government along with a background note for the deviations commented have been incorporated against each para in the *Appendices*. The rates other than those applicable to the centering charges were adopted, resulting in undue benefit to the contractors. The higher specifications in wall painting, windows, floor pavers were adopted to provide improved/aesthetic facilities but the same was not made across all the projects, which indicates lack of uniformity. The Housing Scheme specifies that the cost of construction should be less than Standard Schedule of Rates, for economics of scale and uniform design. As most of the funds were raised through loan from HUDCO, the savings could have been utilised economically in construction of more number of houses to meet the whopping demand.

Objective 3: Whether selection of beneficiaries and allotment of houses was done in a transparent manner as per the laid down guidelines

2.1.4 Identification of beneficiaries and Allotment of Houses

Out of 2,67,011 houses for which administrative sanction was accorded in the State, tenders were finalised for 1,92,818 houses for which funding was planned. As of March 2021, construction of 92,423 houses were completed. However, only 10,541 houses[40] were handed over to the beneficiaries in the State. Audit noticed the following issues relating to identification/allotment of houses to beneficiaries in GHMC area.

2.1.4.1 Non-constitution of District Level Committee (DLC)

As per scheme guidelines, a District Level Committee (DLC) should be constituted under the Chairmanship of the Minister and Members of Legislative Assembly of the District for selection of beneficiaries. The District Collector is the Convenor of DLC. The process[41] of approval of beneficiary applications by the DLC is as below:

- The DLC would finalise the Gram Panchayats (GPs)/Urban Local Bodies (ULBs) and number of houses to be allotted to GPs/ULBs for each Assembly Constituency. The DLC would also decide the minimum caste composition for SC/ST and Minorities for each GP/ULB.
- The District Collector would prepare the schedule to GPs/ULBs for calling applications and conducting Gram Sabha/Ward Sabha for making preliminary scrutiny of applications.
- After preliminary scrutiny, the eligible list of applications will be sent to Tahsildar of that Mandal for thorough verification. After verification, Tahsildar would submit eligible list of applicants to the District Collector.
- The list finalised by the Tahsildar would be again placed in the Gram Sabha/Ward Sabha for conduct of drawal of lots to select beneficiaries.

[40] Rural: 5,653, Urban (other than GHMC): 3,152 and GHMC: 1,736
[41] G.O.Ms.No.12 Housing (RH&C.A1) Department dated 26 November 2015

- The list finalised by drawal of lots for each GP/ULB (Ward) would be placed before DLC for approval. After approval by DLC, sanction of allotment would be issued by the District Collector.

Additional guidelines[42] for implementation of 2BHK housing programme in GHMC area stipulate *inter alia* that the District Collectors concerned and Commissioner, GHMC should jointly finalise the list of beneficiaries as per the procedure above. Audit, however, noticed that DLC in GHMC area has not been constituted so far. Hence, there is no approval for list of beneficiaries and sanction of allotment of houses in GHMC area (*Para 2.1.4.2 also refers*).

2.1.4.2 Construction of houses without having the details of beneficiaries

As per scheme guidelines, the District Collector will prepare the schedule to GPs/ ULBs for calling applications and conducting Gram Sabhas/Ward Sabhas. The GPs and ULBs shall make preliminary scrutiny of applications as per the eligibility criteria for allotment of houses. Audit noticed that no such notice/schedule calling for applications was issued till date. Applications were accepted in the District Collectorates, Mee-Seva centres and GHMC on as-is-where-is basis for scrutiny.

Further, the guidelines of PMAY (Urban) shall be followed wherever funds are dovetailed with State schemes. Accordingly, PoA should be prepared, containing the list of beneficiaries with information *viz.,* Beneficiary name, Aadhaar card Number and age of the family members and Average family income, etc. Though the Plan of Action was prepared, it contained only the number of beneficiaries and not the specific details of the beneficiaries. Consequently, GoI refused to release the second and subsequent instalments due to non-identification of specific beneficiaries *(Para 2.1.2.2(a) refers).*

Government replied (March 2022) that the selection of beneficiaries is under process and the delay was because of scheme guidelines (PMAY (Urban) and 2BHK Housing Scheme) that had to be followed by District Collectors. Further, the delay in selection of beneficiaries was attributed to enforcement of Model Code of Conduct for election during the series of elections, i.e., General Elections to Assembly, Parliament, Gram Panchayats, Mandal Parishad, Zilla Parishad and Municipal and Local Bodies and also due to Covid pandemic.

The GHMC stated (November 2021) that the applications received for allotment of houses have been sent to the Telangana State Technology Services (TSTS) for validating the applications with respect to the eligibility criteria[43]. However, the Department could not furnish any information relating to the number of applications received, results of validation, etc., to Audit, despite several reminders. This process has resulted in 46,442 houses lying vacant and unoccupied for a period ranging from less than 6 to more than 36 months in the GHMC area *(Para 2.1.4.5 refers).*

[42] G.O.Ms.No.3 Housing (RH&C.A1) Department dated 06 November 2020
[43] as instructed in GO Ms. No. 3 Housing (RH&C.A1) Department dated 6 November 2020

2.1.4.3 Forgoing reduced interest rate due to non-selection of SC/ST beneficiaries

As per 2BHK Housing Scheme guidelines, reservation for Scheduled Caste (SC) and Scheduled Tribe (ST) beneficiaries in the houses constructed in urban areas was 23 *per cent* (SC-17 *per cent* and ST-6 *per cent*). The reservation for the SCs and STs was 50 *per cent* in rural areas. Out of four loans availed by TSHCL from HUDCO (*Para 2.1.2.1 refers*), a provision for reduced rate of interest by 0.15 *per cent* per annum was made exclusively in the Loan Scheme No.21234 for the loan component earmarked for houses to SC/ST beneficiaries, provided the list of SC/ST beneficiaries was furnished by the State Government/Agency. In the Loan Scheme No.21234, loan was availed for 62,500 houses, out of which, about 14,375 houses were to be reserved for SC/ST beneficiaries as per the 2BHK Scheme guidelines, for which the loan component would work out to ₹503.13 crore. The TSHCL could not furnish the list of SC/ST beneficiaries due to non-identification, which resulted in forgoing the benefit of reduced interest rate. The consequent reduction in interest payment forgone is detailed in the **Table-2.6**.

Table-2.6: Reduced interest amounts forgone due to non-selection of SC/ST beneficiaries

Loan Scheme no.	Total project cost (₹ in crore)	Loan sanctioned (₹ in crore)	Total no. of houses		No. of houses to be reserved for SC/ST (*)	Loan component for SC/ST houses (₹ in crore)	Additional Interest paid from the date of release of last instalment (12 July 2019) to 15 November 2020# (₹ in crore)
			Urban	Rural			
21234	4,375.00	2,187.50	62,500	0	14,375	503.13	1.02

Source: *Information furnished by TSHCL*
(*) Urban 23 *per cent and* Rural 50 *per cent (#)* 492 days @ 0.15 *per cent* on SC/ST loan component

The above loan was disbursed in a phased manner/instalments and the additional interest burden of ₹1.02 crore has been borne by the TSHCL.

The TSHCL replied (November 2020) that list of beneficiaries was under finalisation at the District level and tapping interest subsidy from HUDCO was not feasible.

Government stated (March 2022) that the selection of beneficiaries in GHMC area is under process of finalisation on topmost priority. The finalised list of beneficiaries with SC/ST breakup will be submitted to HUDCO for availing of reduced rate of interest.

The fact remains that opportunity for availing of reduced rate of interest was already lost due to non-finalisation of SC/ST beneficiaries list and it resulted in avoidable payment of additional interest amount of ₹1.02 crore. Further, TSHCL has a committed future obligation to pay around ₹10.86 crore towards interest for the entire loan period of 15 years, if the beneficiaries are not identified**.**

2.1.4.4 Allotment of In-situ houses without guidelines

There were no guidelines issued under the 2BHK Housing Scheme for selection of beneficiaries for *In-situ* allotment of houses to the slum dwellers. Local surveys *viz.,* named as Socio-Economic Survey (SES) were conducted by the Revenue Department for identification/selection of beneficiaries residing in the slums. Houses were also allotted based on the results of the SES.

Audit visited two sampled *In-situ* projects *viz,* Yerukala Nancharamma Basthi and Ziaguda and scrutinised the process of allotment.

Case Study: Allotments made without guidelines in In-situ project

(i) Ziaguda: The construction of 840 houses at Ziaguda (*In-situ)* began in August 2017 and completed in March 2020. Revenue Department conducted SES in 2016 and identified 568 households who were entitled to be accommodated in the new project. The remaining 272 houses were to be allotted and still pending allotment from the pool of eligible beneficiaries.

Fully constructed 270 houses lying un-allotted since March 2020 at Ziaguda project (13 February 2021)

The following lapses/discrepancies were noticed in the selection and allotments of the houses:

- Out of the 568 households, 553 beneficiaries were allotted houses and the remaining 15 cases are pending for allotment as of August 2021.
- The survey forms adopted have columns for filling important information like Aadhaar number, Ration Card number, Patta etc. However, 17 forms did not contain these details. Further, the ownership of the houses previously allotted under Slum clearance scheme was stated to be non-transferable. However, instances of ownership transfers and allotment of houses to non pre-existing owners have been noticed. Further, the tenants were also allotted *In-situ* 2BHK houses on par with the owners without following the selection procedure prescribed in the guidelines[44] for allotment of houses to General pool category, as the tenants do not fall under *In-situ* allotment of houses category.

Allotment of *In-situ* houses in Ziaguda was done based on the SES. However, identification of beneficiaries in remaining 272 houses was still not done. As a result, the 270 houses[45] completed in March 2020 were lying vacant since then.

[44] GO Ms. No.10 Housing (RH&C.A 1) Department dated 15 October 2015 and the amendment issued in GO Ms. No.12 Housing (RH&C.A 1) Department dated 26 November 2015

[45] As a special case, two houses (out of 272) were allotted to the beneficiaries who were not in the survey list

***(ii) Yerukala Nancharamma Basti*:** The Revenue Department conducted SES in August 2015 for allotment of houses and a list of 165 beneficiaries was prepared. GHMC constructed 288 houses at Yerukala Nancharamma basthi in the land to an extent of 1 Acre and 15 Guntas[46] situated in Mansoorabad Village, Saroornagar Mandal. The houses were completed in February 2019. Dwellers who already resided in that area previously were accommodated in the newly constructed houses and the remaining houses are yet to be allotted from the pool of eligible beneficiaries.

Fully constructed houses at Yerukala Nancharamma Basthi (17 March 2021)

The following lapses/discrepancies were noticed in the selection and allotments of the houses.

- The number of beneficiaries was mentioned as 165 in the SES as against 136 huts reported by Revenue Divisional Officer through separate survey conducted in 2016. The increase in number of beneficiaries was due to major sons and their parents residing in one hut (26 cases). The Survey reports were stated to be not traceable and hence were not furnished to Audit. Thus, Audit could not verify the correctness in the process of allotment vis-à-vis Survey reports.
- Out of 165 beneficiaries surveyed in the SES, 155 were identified as eligible for allotment by the Department. However, 139 beneficiaries were allotted the houses and one beneficiary was found to be recorded twice. In the balance 15 cases, a Writ Petition[47] was filed by an aggrieved party in relation to the property in Survey number 93/2. An interim direction was issued by the High Court not to grant any pattas to the respondents. Though the land in Survey number 93/2 was not falling in this project, the 15 members of this site were also included as beneficiaries. A condition was imposed that they should give an undertaking to forgo their possession of land after disposal of the Court case.
- Out of 154 beneficiaries allotted, Aadhaar cards were collected from 125 beneficiaries only. The allotments were made to the remaining 29 beneficiaries, without verification of Aadhaar cards.

[46] 1 Acre is 40 Guntas; Survey number 4/2 (6 Guntas), Survey number 5/2 (1 Acre and 9 Guntas)
[47] No. 8996 of 2015 in relation to the property in Survey number 93/2

- Apart from the SES beneficiaries, houses were allotted (June 2021) to 45 more beneficiaries without following the guidelines. These beneficiaries were stated to have left their huts in Yerukala Nancharamma basti and were living in different places for their livelihood. The remaining 89 houses lay vacant since February 2019 due to non-identification of beneficiaries.

2.1.4.5 Houses lying vacant without allotment

A total of 48,178 (*In-situ*:2,550 and General:45,628) houses were completed up to the end of March 2021, incurring an expenditure of ₹4,265.41 crore[48]. The houses constructed were kept vacant for a period ranging from less than 6 months to more than 36 months as indicated in **Table-2.7** below.

Table-2.7: Details of houses constructed and kept vacant

S. No.	No. of Projects	No. of houses constructed	No. of houses allotted	No. of houses kept vacant	Houses kept vacant for the period	Expenditure on houses kept vacant (₹ in crore)
***In-Situ* allotment**						
1	6	574	436	138	< 6 M	9.35
2	2	516	327	189	≥ 6M, < 12M	15.54
3	2	948	661	287	≥ 12M, < 18M	25.05
4	1	288	154	134	≥ 18M, < 24M	11.31
5	1	48	31	17	≥ 24M, < 30M	0.99
6	1	176	127	49	≥ 36M	3.24
Total	**13**	**2,550**	**1,736**	**814**		**65.48**
General allotment						
1	14	24,844	0	24,844	< 6 M	2,107.80
2	4	6,196	0	6,196	≥ 6M, < 12M	530.13
3	3	8,220	0	8,220	≥ 12M, < 18M	727.45
4	1	4,428	0	4,428	≥ 18M, < 24M	388.86
5	2	1,620	0	1,620	≥ 24M, < 30M	141.42
6	2	320	0	320	≥ 30M, < 36M	22.54
Total	**26**	**45,628**		**45,628**		**3,918.20**

Source: *Information furnished by GHMC*

As seen from the above table, 45,628 houses constructed (March 2021) in General projects and 814 houses in *In-situ* projects, were lying vacant without allotment to beneficiaries in GHMC area. Thus, 96 *per cent* of the houses constructed remained unoccupied and were kept idle due to non-selection of beneficiaries, rendering the expenditure of ₹3,983.68 crore incurred on these houses wasteful so far and also houses being kept vacant without allotment may lead to deterioration over a period of time.

[48] *In-situ*: ₹200.57 crore and General: ₹4,064.84 crore

Besides, 46,442 poor families have been deprived of benefit of dignified housing, defeating the very objective of the scheme.

2.1.4.6 Project Monitoring Unit was not constituted

The State Government (April 2016[49]) issued orders for constitution[50] of the Project Monitoring Unit (PMU) for implementation of the Housing Scheme under the supervision of the Director, Weaker Sections Housing Programme. The functions of the PMU include (i) monitoring of the status of 2BHK housing projects in the State, (ii) providing technical assistance/clarification in execution, tendering process and quality control, (iii) monitoring cement, steel and other material supply and requirements of the districts for speedy execution, (iv) preparation of financial proposals to the Departments for getting assistance from State Government/GoI/TSHCL, (v) maintaining periodical reports from sanction to completion/occupation by beneficiaries and report to Government from time to time, (vi) coordinating with MA&UD Department and GoI and (vii) monitoring and preparing a data base for all past Housing Schemes and beneficiaries and geotagging/geofencing the same to avoid duplication and double benefit to the beneficiaries in future schemes. However, the PMU has not been constituted so far, which resulted in substantial delays in project execution, identification of beneficiaries and allotment of houses to beneficiaries, as discussed in the above paragraphs.

2.1.5 Conclusion

Compliance Audit revealed several shortcomings in Implementation of 2BHK Housing Scheme in GHMC area.

The financial management of the scheme had shortfalls. Loan amounts drawn were kept idle/parked for some time, funds were diverted to other schemes/institutions and TSHCL had to repay other loans not related to the 2BHK Housing Scheme. No provisions for price escalation and infrastructure costs were anticipated, thereby leaving unexpected financial liability on GHMC to meet the extra expenditure, over and above the unit cost. State Government had delayed the release of budget funds to the executing agencies and it lost the second instalment from GoI due to non-adherence to the beneficiary selection process.

Of the one lakh houses sanctioned in GHMC, construction of 48,178 (48 per cent) houses were completed and 45,735 houses were in progress and 6,087 houses were stopped/yet to be taken up. Construction of houses by the end of six years (2020-21) was only 48,178 which was less than 50 per cent of the envisaged target of 1,00,000 houses. Ninety-six per cent of the completed houses (46,442) remained unoccupied for a period ranging from less than 6 to more than 36 months, as the State Government failed to identify beneficiaries for the scheme rendering the expenditure of ₹3,983.68 crore incurred on these houses so far wasteful.

[49] G.O. Rt. No. 61 Housing (RH&CA1) Department Dated 11 April 2016

[50] comprising of the Director, two Deputy Executive Engineers, one Manager, two data entry operators and two subordinate officials

Thus, the objective of providing Two Bedroom houses to the poor as envisaged could not be achieved, even after elapse of four years, as the identification of the beneficiaries has not been done by the Government.

2.1.6 Recommendations

(i) Government should prioritise the selection of beneficiaries as per guidelines and allot the houses already constructed through a transparent process.

(ii) Government should ensure funding for the projects and the loans drawn should be utilised for timely implementation of the scheme, without diversion or keeping the funds idle.

(iii) Government needs to put in place an effective monitoring mechanism to ensure early allotment to the identified beneficiaries.

(iv) Government may set up Project Monitoring Unit at the State Level and District Level Committee in GHMC Area immediately to prepare database of eligible beneficiaries so that sanction and allotment of houses is done in a time bound manner.

Animal Husbandry, Dairy Development and Fisheries Department
(Telangana State Sheep and Goat Development Cooperative Federation Limited)

2.2 Suspected fraud in implementation of Sheep Rearing Development Scheme (SRDS)

2.2.1 Introduction

With a view to strengthen the rural economy through empowerment of shepherd communities in their traditional occupations and to increase meat production in the State, the Government of Telangana introduced (April 2017) a Special Package for Shepherd Communities called the Sheep Rearing Development Scheme (SRDS). Under this scheme, each beneficiary was to be given a sheep unit which consists of 20 ewes and 1 ram. The total cost of each unit was ₹1.25 lakh[51] out of which 75 *per cent* (₹93,750) was to be given as subsidy and 25 *per cent* (₹31,250) was to be the beneficiary contribution.

The scheme was launched in June 2017 by the Government. It is implemented by Telangana State Sheep and Goat Development Cooperative Federation Limited (TSSGDCFL) at State level and by the District Veterinary & Animal Husbandry Officers (DV&AHOs) at District level. The sheep are purchased from neighbouring States (Andhra Pradesh, Karnataka, Maharashtra and Tamil Nadu), in order to avoid recycling and to increase the net sheep population in the State. The sheep breeds chosen are Nellore Brown (Dora), Nellore Jodipi (white with black spots on face), Deccani and Madras Red.

Under the scheme, a total of four lakh sheep units were targeted to be given in two years (2017-18 and 2018-19) across the State at a total cost of ₹5,000 crore. The scheme was to be funded through loans of ₹3,000 crore and grant of ₹1,000 crore given to the TSSGDCFL by the National Cooperative Development Corporation[52] (NCDC) and the remaining ₹1,000 crore from beneficiary contributions. As per the information furnished by the TSSGDCFL, as of December 2021, a total of 3.88 lakh sheep units were supplied to equal number of beneficiaries across the State with an expenditure of ₹3,385.32 crore incurred towards subsidy.

As per the scheme guidelines issued (April 2017) by Government, District and Mandal Level Committees were formed for implementing the scheme. The Mandal Level Committee[53] (MLC) is responsible for identification of beneficiaries by conducting Gram Sabhas in villages. The District Level Committee (DLC) headed by the District Collector is responsible for approval of beneficiaries and sanction of sheep units to them. After approval of beneficiaries, the selected beneficiaries deposit the beneficiary contribution to the DLC. The TSSGDCFL releases the Government subsidy funds to the Districts.

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[51] This includes cost of 20 ewes at the rate of ₹5,200 each and one ram at the rate of ₹7,000 each; Transportation: ₹6,300; Insurance: ₹3,830; Feed: ₹3,445 and cost of water pails: ₹425

[52] A statutory corporation under the Ministry of Cooperation, Government of India

[53] Consisting of Mandal Revenue Officer (MRO), Mandal Parishad Development Officer (MPDO) and the Veterinary Assistant Surgeon (VAS)

The guidelines stipulated that in order to avoid recycling of sheep, it is mandatory that sheep were to be procured only from the pre-identified locations in the neighbouring states of Andhra Pradesh, Karnataka, Maharashtra and Tamil Nadu. For procurement of sheep, Central Procurement Teams[54] (CPTs) were formed in each District. The CPT would be stationed for a few weeks at the designated location in the neighbouring State and identify the sellers who owned the sheep and inform the DLCs. Subsequently the concerned MLC would go to the purchase location along with the beneficiaries or their representatives for purchase of sheep. After purchase, the sheep are to be transported to the beneficiary villages using the services of Transport Agencies who were selected through tender process in each District. Payments towards the cost of sheep are made to the sellers by the DV&AHO based on the 'Sale-cum-Purchase Certificates' issued by the CPT. The payments for transportation of sheep are made by the DV&AHO based on the transport invoices submitted by the transport agencies.

During the compliance audit (June-October 2021) of seven[55] DV&AHOs, Audit test checked the records relating to subsidy payments made for purchase and transportation of sheep under this scheme. During the period from 2017-18 to May-September 2021 a total of 1,34,505 sheep units[56] were stated to have been given to beneficiaries in these seven Districts and a total subsidy amount of ₹1,153.94 crore was spent on purchase and transportation of sheep.

The following irregularities were noticed with regard to implementation of the scheme:

2.2.2 Non-maintenance of beneficiary-wise files

As per the working guidelines of the scheme issued by the Managing Director, TSSGDCFL, the Primary Veterinary Centres (PVCs) were required to maintain and preserve the beneficiary-wise documents including the application form submitted by the beneficiary, copy of the bank DD for beneficiary contribution, unit sanction order given by the District Committee, Sale-cum-Purchase Certificate (proof of purchase of sheep), Age Valuation and Health Certificate, group photo with Mandal Team and sheep unit, etc.

Audit, however, observed that the PVCs had maintained only the applications received from beneficiaries. The other documents were not kept with applications as shown below:

Table 2.8

	Records to be maintained by PVCs	Maintained or not
1	Application of the beneficiary	Yes
2	Lottery slip	Yes
3	Copy of bank DDs given by beneficiary	No
4	e-Laabh print out of beneficiary details	No

[54] Consisting of one Assistant Director of Animal Husbandry and two VASs from the District
[55] Khammam, Mahabubnagar, Nagarkurnool, Nalgonda, Sanga Reddy, Suryapet and Warangal
[56] Khammam: 15,370 units; Mahabubnagar: 25,153 units; Nagarkurnool: 19,127 units; Nalgonda: 27,677 units; Sanga Reddy: 16,827 units; Suryapet: 17,142 units and Warangal: 13,209 units.

5	Unit sanction order given by District Committee	No
6	Sale-cum-Purchase Certificate	No
7	Age Valuation and Health Certificate	No
8	Group photo with Mandal Team and sheep unit	No

Source: Records of the Department

The PVCs replied that these documents were available with the District Offices. Audit, however, observed that the DV&AHOs also did not maintain these documents beneficiary-wise. The DV&AHOs maintained the sanction orders for approval of beneficiaries in separate files, while the sanction orders for transport payments and transport invoices were kept in separate files. The Sale-cum-Purchase Certificates and the Age Valuation and Health Certificates were kept in separate bundles, independent of each other. The District Offices did not maintain copies of DDs towards beneficiary contribution and group photos. Due to non-maintenance of beneficiary-wise files, Audit could not link these documents and trace the transactions through various stages of scheme implementation.

Government stated (May 2022) that the applications of beneficiaries and the details of demand drafts were available with PVCs and that the remaining documents like copies of sanction orders, Sale-cum-Purchase Certificates, etc., were available with DV&AHOs, who are the payment processing authorities.

The reply is not acceptable, as the scheme guidelines stipulated that PVCs were to maintain and preserve the beneficiary-wise records including all the above documents. Moreover, the DV&AHOs also did not have all the prescribed documents and the documents available were also kept separate from each other and not maintained beneficiary-wise.

Due to non-maintenance of beneficiary-wise files, audit trail of transaction in respect of each individual beneficiary could not be established. This is fraught with the risk of non-detection of any misuse of scheme funds.

2.2.3 Transportation of sheep

2.2.3.1 Non-furnishing of invoices in support of transportation payments

After the sheep are purchased from the sellers in the neighbouring States, they are transported to the beneficiary villages using the services of Transport Agencies who are selected through tender process in each District. For claiming transport payments, the transport agencies submit the transport invoices which contain information about the vehicle registration number, date of transport, location of procurement place and destination, distance, the number of sheep units loaded in that trip and amount of transportation charges (calculated as per the rate quoted per sheep per km). The DV&AHOs make payments to the transporters after obtaining approval from the District Collector.

During the period from 2017-18 to May-September 2021, in the seven test checked Districts, a total amount of ₹1,538.59 crore (subsidy portion: ₹1,153.94 crore) was spent on:

- Purchase of sheep: ₹1,490.38 crore (subsidy: ₹1,117.79 crore); and
- Transportation of sheep: ₹48.21 crore (subsidy: ₹36.15 crore).

Audit observed that:

- **Out of the total of 1,34,505 sheep units stated to be given to the beneficiaries in the seven test checked Districts as on the dates of audit, 1,15,378 sheep units pertain to six Districts[57]. As against this, the transport invoices in respect of only 98,543 units were produced to Audit in these Districts and transport invoices in respect of 16,835 sheep units (subsidy spent towards cost of sheep and their transportation: ₹142.69 crore) were not furnished to Audit.**
- **In Nagarkurnool District, a total of 19,127 units were stated to have been given to beneficiaries (subsidy spent: ₹163.56 crore). However, the transport invoices were not attached to the transport bills paid but were kept separately in a disorganised manner. Hence, Audit could not cross-check these loose sheets with the transport bills to ascertain the availability or otherwise of transport invoices.**

Government replied (May 2022) necessary action would be initiated on the officers concerned and steps would be taken to avoid such deficiencies in future.

2.2.3.2 Irregularities in transport invoices

Audit also observed the following cases of suspected fraud in the invoices on which transport payments were made:

- **In Khammam District, payments were made on 20 invoices (used for transportation of 78 units) having the same invoice number. The amount of subsidy spent on transportation in these cases was ₹0.66 lakh (subsidy on cost of sheep: ₹64.94 lakh).**
- **In Khammam District, the invoice number in 37 cases was changed by adding more digits with pen (Invoice No.10 was modified as 10327, 10328 and so on). Similarly, in Mahabubnagar District also, the invoice number was altered with pen in 69 cases. The subsidy amount spent on transportation charges paid on these invoices was ₹12.57 lakh (subsidy on cost of sheep: ₹4.22 crore).**
- **In Nalgonda District, in 1,172 cases, a total subsidy of ₹1.30 crore was spent on transport payments which were made on photocopied invoices (subsidy spent on cost of sheep: ₹57.23 crore). These invoices did not have printed invoice serial numbers. Of these, the invoice numbers were handwritten in 1,052 cases and the remaining 120 invoices did not have any serial number. Similarly, in Khammam District, transportation charges were paid on 138 photocopied invoices which did not have any serial numbers (subsidy on transportation charges: ₹11.25 lakh. Subsidy on cost of sheep: ₹4.58 crore).**

The above observations show that the transport invoices were manipulated and the trips stated to have been undertaken were not genuine, indicating suspected fraudulent transactions.

Government replied (May 2022) that necessary action would be initiated on the officers concerned and steps would be taken to avoid such deficiencies in future.

[57] Excluding Nagarkurnool District

2.2.3.3 Payments on invoices containing fake/passenger/non-transport vehicle registration numbers

Audit verified the registration numbers of the vehicles with the vehicle data of National Register e-services (vahan.nic.in)/Transport Departments of Telangana and Andhra Pradesh[58] and found that:

- **Vehicle numbers mentioned in 262 invoices stated to be used for transportation of sheep were not found in VAHAN portal/State transport data.**
- **The vehicles mentioned in 336 invoices were found to be passenger vehicles - i.e, two wheelers (53), auto rickshaws (219), passenger cars/vans (35), buses (27) and ambulances (2). As many as three to ten sheep units (i.e., 63 to 210 sheep) were shown as transported in each trip on the vehicles which were found to be two wheelers. The actual photographs of a few passenger vehicles claimed to have been used for transportation of sheep are shown below:**

Vehicle No. 'TS 08 UB 5323' stated to have been used for transportation of 168 sheep in a single trip in Mahabubnagar District.

Photo source: *e-Challan page of the official website of Telangana State Police (https://echallan.tspolice.gov.in/publicview/)*

Vehicle No. 'AP 16 W 7585' stated to have been used for transportation of 84 sheep in a single trip in Khammam District.

Photo source: *e-Challan page of the official website of Andhra Pradesh Police (https://apechallan.org/)*

Vehicle No. 'AP 12 B 6985' stated to have been used for transportation of 126 sheep in a single trip in Sangareddy District.

Photo source: *e-Challan page of the official website of Telangana State Police (https://echallan.tspolice.gov.in/publicview/)*

Vehicle No. 'AP 29 TB 9231' stated to have been used for transportation of 126 sheep in a single trip in Nalgonda District.

Photo source: *e-Challan page of the official website of Telangana State Police (https://echallan.tspolice.gov.in/publicview/)*

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[58] **The vehicle numbers in the invoices were first checked in the National Register e-services (vahan.nic.in) and vehicles not found therein were again verified with the vehicle data obtained from the Transport Departments of Telangana and Andhra Pradesh States.**

- In 10 cases, the vehicles stated to have been used were found to be non-goods vehicles like fire trucks (6), water tankers (3) and mobile compressor vehicle (1), which could not have been used for transportation of sheep.

The above observations show that the transport invoices were fake and the supply of sheep to beneficiaries in the above cases was doubtful, indicating possibility of fraudulent payments towards purchase and transportation of sheep. The total amount of subsidy spent on purchase and transport of sheep in the above-mentioned cases works out to ₹27.20 crore.

Government replied (May 2022) that the data has to be verified to check whether these were clerical errors or intentional mistakes. If these were done with malafide intentions, disciplinary action would be taken on the officials concerned and the transport agencies involved would be blacklisted.

2.2.3.4 Same vehicle used from two different locations on a single day

In Mahabubnagar District, Audit found a case where the same vehicle was shown in two different invoices with same date of transport from two different locations as shown below:

District : Mahabubnagar
Name of transporter : Rithvik Logistics
Transport bills payment sanctioned in : September and October 2018

Table 2.9

Vehicle number	Date of loading	Place of loading	Date of unloading	Place of unloading	No. of units shown as transported	Distance travelled in the trip
TS 08 UE 5465	04/8/2018	Challavanipeta, Srikakulam District, Andhra Pradesh	05/8/2018	Karni Makthal, Mahabubnagar District, Telangana	7	927 km
TS 08 UE 5465	04/8/2018	Porumamilla, Kadapa District, Andhra pradesh	05/8/2018	Ramachandrapur, Mahabubnagar District, Telangana	8	300 km

Source: Records of the Department

Srikakulam District and Kadapa Districts in Andhra Pradesh are in two different (opposite) directions from Mahabubnagar District of Telangana. It could not have been possible that the same vehicle was available for loading sheep in these two locations on the same day. The subsidy cost of purchase and transportation of sheep stated to be transported in these two cases works out to ₹6.16 lakh and ₹6.78 lakh respectively and supply of sheep in at least one of these two cases was doubtful.

The Government did not furnish any reply on the above audit observation.

2.2.3.5 Irregularities in recording kilometer readings

Audit found 16 cases where the same transport vehicle was mentioned in multiple invoices, but the kilometer readings at the starting and ending point mentioned in the invoices were not correlating with each other. One example of such case is given below (Other examples are given in *Appendix-2.5*):

District : Suryapet
Name of transporter : Mallikarjuna Road Lines
Transport bill paid in : September 2017

Table 2.10

Invoice No. & Date	Vehicle number	Date of transport	Reading at starting point (km)	Reading at ending point (km)	Number of units stated to be transported	Purchase cost of the sheep units	Transport charges paid
1808	AP 02 TB 9522	20/2/2018	2,53,937	2,54,553	6	₹6.66 lakh	₹0.42 lakh
1819	AP 02 TB 9522	22/2/2018	3,28,917	3,29,542	5	₹5.55 lakh	₹0.35 lakh

Source: Records of the Department

As seen from the above, the ending meter reading on 20 February was shown as 2,54,553 km. The starting meter reading on 22 February was shown as 3,28,917 km. This means that the truck should have travelled a distance of 74,364 km in two days. Even if it is assumed that the truck had travelled at an average speed of 100 kmph continuously for two days, it could have covered only 4,800 km and not 74,364 km. The other examples given in *Appendix-2.5* included similar cases and also cases where the starting meter readings of the later trips were lower than the ending meter reading of the previous trips of the same vehicle.

These cases indicate that these invoices could be manipulated and supply of sheep to beneficiaries (subsidy spent: ₹2.40 crore) was doubtful.

The Government did not furnish any reply on the above audit observation.

2.2.3.6 Non-adherence to Indian Standard 'Transport of livestock – Code of practice'

(A) Transportation of sheep in light goods vehicles and tractors

As per the Indian Standard 'Transport of livestock – Code of practice' (IS 14904: 2007) issued by the Bureau of Indian Standards, the space required in the vehicle for transporting sheep would be 2.15 sft. (0.20 sq.m) per sheep weighing 26-30 Kg. Thus, the space required for transportation of one sheep unit (consisting of 21 sheep) works out to 45.5 sft. per unit. Hence, even at a very liberal estimate, a small goods vehicle can be used for transportation of a maximum of two units (even if the vehicle is modified to have two tiers). Similarly, it is not possible to have two decks in a tractor trailer and hence cannot be used for transportation of more than two sheep units.

Audit observed that, in 378 cases, the vehicles stated to have been used for transportation of sheep were found to be small goods vehicles[59] (265) and tractors/ trailers (113), where more than two sheep units (up to 13 sheep units) were shown as transported in each trip, which could not have been possible. This indicates that these invoices were not genuine. The total subsidy amount involved in purchase and transportation of sheep shown as transported in the above cases works out to ₹17.06 crore. These transactions are suspected to be fraudulent.

[59] Like Tata Ace, Mahindra Bolero Maxi, Ashok Leyland Dost, etc.

(B) Transport of sheep units beyond the capacity of vehicles

Further, a commonly used heavy goods transport vehicle (of size 18.4 ft. X 7.8 ft. and having two decks; total area: 287 sft.) can transport a maximum of six sheep units in a trip. Even the agreements concluded with the transport agencies in the Districts mentioned that six sheep units would be transported in a trip. However, Audit found 2,302 cases where 7 to 25 sheep units were shown as transported in each trip. The total number of sheep units shown as transported over and above six units in these vehicles was 5,364 and the genuineness of the subsidy of ₹46.03 crore spent on purchase (₹44.65 crore) and transportation (₹1.38 crore) of these sheep units is doubtful.

Government replied (May 2022) that the data has to be verified to check whether these were clerical errors or intentional mistakes. If these were done with malafide intentions, disciplinary action would be taken on the officials concerned and the transport agencies involved would be blacklisted.

2.2.4 Supply of feed to sheep units

Supply of feed for the inducted sheep was a part of the scheme implementation. The cost of each sheep unit (₹1.25 lakh) included an amount of ₹3,445 towards supply of feed. The feed was to be supplied to the sheep during the ensuing summer season after supply of sheep. As per guidelines issued by TSSGDCFL, the District Officers were required to place indents for feed after physical verification of the sheep units on ground.

Audit observed that in five Districts[60] a total of 96,299 sheep units were stated to be given during the period from 2017-18 to 2019-20. However, feed was supplied to only 29,616 units (i.e., 30.75 *per cent* units) in these five Districts so far. As seen from the records, the reason for low percentage of feed supply was due to non-availability of sheep units during physical verification by the Departmental staff. Non-availability of as high as 70 *per cent* sheep on ground has to be seen in the light of the audit observations made in this report which pointed out several cases of suspected fraud in supply of sheep.

Government replied (May 2022) that in Telangana, migration of sheep to other areas/States in search of fodder is a common phenomenon during summer season and feed was supplied to only the available sheep as most of the sheep were under migration at the time of supply. It was further replied that beneficiaries near forest areas did not show interest for sheep feed due to availability of fodder in forest areas.

The reply is not tenable as the cost of sheep unit included feed cost of ₹3,445 (of this, 25 *per cent* beneficiary contribution works out to ₹861) and having paid full beneficiary contribution, there is no reason why a genuine beneficiary would not claim the feed supplied by Department at 75 *per cent* subsidy. Further, the reply is silent as to whether any efforts were made to enquire and establish whether non-availability of sheep was really due to migration or otherwise. Audit also did not find any evidence in the test checked Districts that any such enquiries were made by Departmental Officers.

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[60] **Khammam, Mahabubnagar, Nalgonda, Suryapet and Warangal Districts. Audit could not examine this issue in Nagarkurnool and Sangareddy Districts as the relevant information/records were not provided by the District Offices, though called for by Audit**

2.2.5 Results of verification of beneficiary documents

Audit verified (along with the Veterinary Assistant Surgeons concerned) the beneficiaries' applications available with 129 PVCs (out of 201 PVCs)[61] in five Districts[62]. Out of a total of 92,525 sheep units stated to have been given to beneficiaries in these five Districts, Audit test checked 59,392 applications and observed the following:

(i) The scheme was aimed to supply sheep units on subsidy to the shepherds belonging to Yadava/Golla/Kuruma communities only. The working guidelines of the scheme stipulated that caste certificates of applicants should invariably be enclosed with their applications. It was, however, observed that caste certificates were not found enclosed in as many as 34,790 (58.58 *per cent*) applications, indicating that there was no assurance that the sheep units were given only to eligible shepherds.

Government replied (May 2022) that most of the beneficiaries had submitted caste certificates and in some cases, the MRO had certified the caste of beneficiary on the application itself.

The reply is contrary to the fact that Audit had verified the applications of beneficiaries jointly with the Veterinary Assistant Surgeons (VASs) concerned and the VASs had certified the absence of caste certificates and signed the verification reports.

(ii) As per the working guidelines, a group photograph of the Mandal Team, beneficiary along with the sheep unit should be taken at purchase location before loading of sheep for transportation. As per the scheme guidelines, this photograph was to be available with the PVC concerned. However, such photographs were not available in any of the 59,392 cases verified in audit.

Government replied (May 2022) that group photograph of the Mandal Team, beneficiary with the sheep unit was not taken as the MRO and MPDO were not present at the time of grounding of sheep units due to work pressure.

The reply is not acceptable as the group photographs were to be taken at the time of purchase and non-availability of MRO and MPDO does not prevent from taking group photograph of the Mandal Team, beneficiary and the sheep unit.

2.2.6 Assigning of duplicate tag numbers to multiple sheep

As per the SRDS guidelines, each sheep procured and supplied to beneficiaries by the Department has to be ear-tagged at the time of purchase for identification of sheep. Each of these ear tags would have a unique 12 digit number.

The Animal Husbandry Department, Government of Telangana has a web-based Benefit Management System called 'e-Laabh' which contains the details relating to various schemes implemented by the Department. As per the scheme guidelines of SRDS, the Departmental Officers were required to enter the data relating to the SRDS beneficiaries in the e-Laabh portal. This data includes the beneficiary ID,

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[61] Audit had called for production of records of all the PVCs, but only 129 PVCs had produced the relevant records

[62] Khammam, Nagarkurnool, Nalgonda, Suryapet and Warangal Districts. This issue was not examined in Mahabubnagar and Sangareddy Districts

Aadhaar number, name, address, phone number, whether sheep unit grounded, date of grounding, unique tag numbers of the sheep supplied, etc.

Audit analysed the beneficiary data available in e-Laabh portal and observed that:

- **Out of a total of 80.55 lakh tag numbers shown against sheep units distributed to beneficiaries, tag numbers in respect of 17,912 sheep were found to be incorrect as they contained less/more than 12 digits.**
- **Out of the remaining 80.37 lakh tag numbers, 2,17,643 tag numbers were repeatedly used 2 times to 34 times, resulting into a total of 4,55,300 original and duplicate tags. This indicates that 2,37,657 sheep (4,55,300 *minus* 2,17,643) shown as supplied were fake and the subsidy amount of ₹92.69 crore[63] claimed to have been spent thereon could be fraudulently created transactions.**

Government replied (May 2022) that there were discrepancies in tag numbers due to errors in the software maintained by the insurance company during initial days.

The reply is not acceptable since the duplicate tag numbers are found in the e-Laabh portal maintained by the Department. Moreover, a test-check of few cases revealed that the health certificates signed by the VASs and uploaded in the insurance portal also corroborates the fact of duplicate tag numbers. Government further replied that field level verification would be done and disciplinary action would be taken if any officer is found guilty.

2.2.7 Results of verification of insurance data

As per the scheme guidelines, the sheep supplied to beneficiaries under the scheme are to be insured for a period of one year from the date of purchase. For this purpose, the TSSGDCFL had engaged two insurance companies[64]. The insurance companies issued insurance policies based on the details of beneficiaries and sheep supplied as uploaded by the Department. The data pertaining to the beneficiaries in respect of whose sheep insurance policies were issued by National Insurance Company Ltd. are captured in a web portal 'telanganajeevasamruddhi.com'. The information available in this website includes the details of beneficiary, photo of the beneficiary, photos of the 21 sheep issued including their tag numbers, etc. Audit selected 383 beneficiaries[65] through IT system generated random sampling and verified the details of these beneficiaries available in the 'telanganajeevasamruddhi' portal. Audit observed that:

- **Photographs of the beneficiaries were not uploaded in 351 out of the 383 test checked cases.**
- **In respect of three beneficiaries, the photographs of the sheep were not uploaded.**
- **In two cases, photos of only 9 and 19 sheep were uploaded as against 21 sheep.**

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[63] The subsidy amount spent on each ram is ₹5,250 and the subsidy for each ewe is ₹3,900. Since the data did not show tag numbers of ram/ewe separately, Audit conservatively considered the subsidy applicable to ewe (i.e., ₹3,900 per ewe) for calculation of this amount

[64] National Insurance Company Ltd. (from June 2017 to December 2020) and New India Assurance Company Ltd. (from January 2020 to date)

[65] i.e., 0.1 *per cent* of the total of 3.83 lakh beneficiaries' data available in the e-Laabh portal

- **In one case, the same photograph (of one sheep) was uploaded against all the 21 sheep.**

Government replied (May 2022) that photographs were not shown in the portal due to non-maintenance of the portal by the insurance company. The reply does not explain why the photographs were shown in some cases and not in other cases.

- **The scheme guidelines stipulated that sheep were to be procured only from other States to avoid recycling of sheep. However, out of the 7,946 photographs of sheep verified in the website, photographs in respect of 426 sheep (i.e., 5.36 *per cent* sheep) showed that the ear of the sheep was cut or had holes, which means that an earlier tag was removed and new tag was put. This indicates the possibility of recycling of sheep already distributed. Few examples of such cases are shown below:**

Beneficiary ID: **3600013711**	***Beneficiary ID:*** **3600171486**
Village: **Kakarlapally (v), Sathupalli (M), Khammam District**	***Village:*** **Nyalapogula (V), Lingala Ghanpur (M), Jangaon District**
Tag No. of the sheep: **100000095112**	***Tag No. of the sheep:*** **100003421101**
	
Beneficiary ID: **3600084546**	***Beneficiary ID:*** **3600539845**
Village: **Dhammanapet (V), Wardhannapet (M), Warangal Rural District**	***Village:*** **Nagulpally (V), Narsapur (M), Medak District**
Tag No. of the sheep: **100008115237**	***Tag No. of the sheep:*** **100005570711**
	

Source: 'telanganajeevasamruddhi' **portal**

Government replied (May 2022) that it is a regular practice of shepherds to cut the ears of sheep when wounds on ears get infected with maggots after vaccination. It was further replied that sometimes, holes are formed on ears due to formation of circular black lesions because of sheep pox vaccination.

Notwithstanding the reply, it is to be stated that purchase of sheep whose ears are cut or have holes is fraught with the risk of recycling of sheep. Further, the TSSGDCFL also, in its guidelines issued (September 2019) stipulated that purchase of sheep with holes on ears should be avoided.

2.2.8 Sheep units shown as given to non-existent persons

Audit compared the SRDS beneficiary data of e-Laabh portal with the data of death insurance claims settled under the Farmers Group Life Insurance Scheme (Rythu Bima[66]). Audit found names of 860 farmers who had died and death claims were paid under Rythu Bima Scheme and who were also found in the list of beneficiaries under SRDS. However, in case of 840 out of these 860 beneficiaries, the dates of supply of sheep units were not fed in the e-Laabh data. Due to this, Audit could not verify if these 840 beneficiaries were actually alive at the time of providing sheep units.

However, the dates of supply of sheep units were available in the e-Laabh data in respect of only 20 beneficiaries. Audit observed that all these 20 farmers had died during September 2018 to January 2020, but sheep units were shown as given to them under SRDS during March 2021 to December 2021 (i.e., 18 months to 36 months after their death). Sanction orders in all these cases were issued in the names of dead beneficiaries 14 to 36 months after their death. Subsidy of ₹18.75 lakh[67] was therefore spent on non-existent beneficiaries in these cases.

Government replied (May 2022) that if death of beneficiary occurs after generation of sanction orders, it is not possible to change the name of deceased beneficiary and that the sheep units were given to their nominees with the approval of the District Collector and the name of the nominee is included in the e-Laabh data.

The reply is not acceptable as the sanction orders in all these cases were issued in the names of dead beneficiaries 14 to 36 months after their death. Further, no evidence was furnished by the Department to show that the sheep units were given to the nominees. The e-Laabh portal also does not have any provision for showing the names of nominees.

2.2.9 Non-conducting of Third Party Evaluation (TPE) of the scheme

In a meeting held (September 2017) by the Special Chief Secretary, Animal Husbandry, Dairy Development & Fisheries Department with the representative of the Centre for Economic and Social Studies, Hyderabad (CESS)[68] and senior officers of the Department, it was proposed that TPE would be conducted once after supply

[66] Rythu Bima Scheme provides insurance cover of ₹5.00 lakh to the enrolled farmers. The insurance premium is fully borne by the Telangana Government. This scheme is implemented by Agriculture Department

[67] 20 beneficiaries X ₹1.25 lakh X 75% subsidy = ₹18.75 lakh

[68] An autonomous research institution recognised by Government of India

of every one lakh sheep units. The proposed TPE included (i) a Desk Audit to verify documentation covering each stage of implementation, (ii) field studies to verify availability of procured sheep, health of the sheep, etc. and (iii) an assessment as to how the scheme has empowered the beneficiaries economically and socially. Based on a proposal submitted by the Director of VAH, the Government issued orders[69] (December 2017) permitting to take up the TPE by CESS to assess the quality of scheme implementation. However, within three days from issuing this GO, the Government issued a memo[70] instructing the Department not to take any further course of action on the above-mentioned orders without citing any specific reasons therefor. Thereafter, the Government did not issue any orders on the proposal.

In April 2019, State Government received a representation from a Social Forum highlighting that there were several adverse press reports alleging faulty implementation of the scheme, corruption, dereliction of duties by Departmental Officers, etc. and that huge public money was misused on the scheme. The Forum sought third party evaluation of the scheme. Based on this representation, the TSSGDCFL submitted (June 2019) proposals to Government for taking up evaluation of the scheme through Dr. P.V.Narasimha Rao Veterinary University. However, no such evaluation has been taken up even after more than two years as the Government did not issue any orders on the proposal.

Government replied (May 2022) that the Dr. P.V.Narasimha Rao Veterinary University was not ready to take up TPE, due to Covid pandemic and busy academic schedule. It was further added that the University would be addressed once again for taking up the TPE. The reply is silent as to why the GO issued in December 2017 for taking up TPE by CESS was withdrawn within three days.

2.2.10 Suspected fraud in payment of car hire charges

The DV&AHOs receive funds from Government for meeting the expenditure on day-to-day Departmental functions. The bills relating to these functions are sent to the District Treasury Office for payment. Whereas in respect of the Sheep Rearing Development Scheme (SRDS), the funds received from the TSSGDCFL are kept separately in a bank account and payments in connection with the scheme are made by the DV&AHOs after obtaining sanction from the District Collector. A separate Cash Book is maintained for recording the receipts and payments relating to the SRDS funds.

In Nagarkurnool District, the DV&AHO concluded agreements for hiring of staff cars for office use (Vehicle No. TS 06 UB 2622: from April 2018 to March 2019 and Vehicle No. TS 06 UC 4781: from November 2018 to March 2021). As seen from the cash book relating to SRDS, bills amounting to ₹8.91 lakh towards monthly hire

[69] G.O.Rt.No.167, Animal Husbandry, Dairy Development & Fisheries (AH) Department, Dated 30 December 2017

[70] Memo No.3191/AH-3/2017, Animal Husbandry, Dairy Development & Fisheries (AH) Department, Dated 02 January 2018

charges (at the rate of ₹33,000 per month) of the above vehicles for the period from April 2018 to June 2020 (27 months) were paid[71] from the scheme funds to the vehicle provider.

Audit observed that the DV&AHO had sent separate bills towards hire charges of vehicles for the same period (April 2018 to June 2020) to the District Treasury and a total hire charges of ₹8.91 lakh was paid[72] through Treasury from State budget funds. It was seen that out of a total of 27 months for which hire charges were drawn from Treasury, in respect of 22 months the hire charges paid from Treasury were for the same vehicles for which the hire charges had already been paid from the SRDS funds. Thus, there were fraudulent double payments amounting to ₹7.26 lakh towards hire charges for the same vehicles.

Government replied (May 2022) that a detailed Departmental enquiry would be conducted and disciplinary action would be initiated against the officer concerned.

The above audit observations along with the detailed lists of cases where irregularities were noticed were communicated to the Government in March/April 2022. The replies furnished (May 2022) by the Government are generic in nature without verifying these cases in detail. In the reply, it was stated that the Government is committed to supply sheep units to shepherd community to uplift their lives and several measures were taken to curb malpractices in the scheme implementation. It was added that despite these measures, irregularities have occurred due to speed of implementation and work pressure on the staff and that to find the quantum of irregularities and the persons responsible, the implementing agency needs time.

2.2.11 Conclusion

Government of Telangana had launched (April 2017) the Sheep Rearing Development Scheme with a view to provide sustainable livelihood to the traditional shepherd families and improve their economic standard. During test-check of implementation of the scheme in seven Districts, Audit observed serious deficiencies like non-maintenance of beneficiary-wise files, non-availability of invoices in support of transportation of sheep; payments made on improper/ manipulated invoices, invoices containing fake vehicle registration numbers, invoices showing transportation of higher number of sheep units than that was possible/permitted; assigning duplicate tag numbers (2,17,643) to multiple sheep; recycling of sheep; non-supply of feed to the supplied sheep due to non-availability of sheep on ground; benefits shown as given to persons who had died; and non-conducting of third party evaluation of the scheme. The above audit findings indicate lack of transparency including suspected fraud involving a financial implication of ₹253.93 crore, in the implementation of the scheme.

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[71] **during June 2018 to July 2020**
[72] **during January 2019 to March 2021**

2.2.12 Recommendations

Keeping in view of the fact that a substantial expenditure of ₹3,385.32 crore was spent towards subsidy under the scheme and the serious nature of irregularities noticed by Audit in all the seven test checked Districts, the Government may consider:

(i) having the scheme implementation examined by an independent authority; and

(ii) initiating appropriate measures including fixing of responsibility and filing criminal cases against the officials involved and recovery of the fraudulently claimed amounts from the concerned.

Agriculture and Cooperation Department

2.3 Avoidable expenditure due to payment of Goods and Services Tax (GST) on exempt service

Failure of the Agriculture Department in availing exemption from Goods and Services Tax on the insurance premium payable to the insurance agency under Farmers Group Life Insurance Scheme resulted in avoidable extra expenditure of ₹445.03 crore

Government of Telangana launched (June 2018) the Farmers Group Life Insurance Scheme[73] to provide life insurance cover to farmers in the age group of 18 – 59 years with a sum assured for ₹5.00 lakh. Under the scheme, the insurance premium for enrolled farmers was to be paid fully by the Government. The Government designated the Commissioner of Agriculture (CoA) as the nodal agency for implementation of the scheme. It was decided to implement the scheme through the Life Insurance Corporation of India (LIC). The scheme which commenced in August 2018 was later extended by the Government in the subsequent years and is still ongoing (2021-22).

During the test-check of records (June-July 2019 and December 2019-January 2020) of the Office of the CoA, the following was observed:

For operation of the insurance scheme, the CoA entered (June 2018) into a Memorandum of Understanding (MoU) with LIC. Based on the number of farmers enrolled under the scheme, CoA pays the insurance premium to LIC periodically. During the period from July 2018 to September 2021, the CoA paid a total amount of ₹3,649.92 crore to LIC towards insurance premium. This amount included ₹445.03 crore paid towards Goods and Services Tax (GST) on the insurance premium.

As per the decisions made in the 16th Meeting of GST Council in June 2017 and the consequent notifications issued (June 2017) by the Government of India and Government of Telangana, the services provided to the Central or State Governments under any

[73] Also called Rythu Bima

insurance scheme for which the total premium is paid by the Central/State Governments is exempt from GST. Though the entire premium under the Farmers Group Life Insurance Scheme was being borne by the State Government, it did not seek the GST exemption while releasing the premium payment and failed to incorporate a clause regarding GST exemption in the MoU entered into with LIC. Consequently, the Department paid ₹445.03 crore towards GST on insurance premium under the scheme for the years 2018-19 to 2020-21, resulting in avoidable extra expenditure on the State exchequer. Audit pointed out this issue during the local audit of the CoA in June 2019[74]. However, the Department did not take any action on the audit observation and continued to pay GST on the insurance premium. Out of ₹445.03 crore, GST amounting to ₹337.61 crore was paid (August 2019 and August 2020) after this was brought to the notice of CoA by Audit. This indicates that Department did not give due importance to the issues pointed out by Audit. Department took up the issue of GST exemption with LIC in July/August 2021 and availed GST exemption from the policy year 2021-22 onwards.

Thus, failure of the Department in availing GST exemption on the insurance premium paid to the insurance agency under the scheme resulted in avoidable extra expenditure of ₹445.03 crore.

Commissioner of Agriculture replied (April 2022) that in the light of the audit observation, the premium in respect of the Rythu Bima Scheme is now being paid without GST from the policy year 2021-22 onwards. The CoA further stated that 50 *per cent* of the GST paid (i.e., SGST) comes to the State revenue. The reply is not acceptable as the Department was supposed to have analysed the scheme thoroughly before it is rolled out, with regard to the expenses involved for implementation of the scheme. Failure to do so, resulted in avoidable expenses of ₹445.03 crore. Moreover, the Department did not take any action to claim refund of the GST erroneously paid to LIC as provided under GST Rules.

Minorities Welfare Department
(Telangana State Waqf Board)

2.4 Commercial Building remaining idle

Improper planning on the part of Waqf Board coupled with lack of directions from Government, led to a structure constructed at a cost of ₹10.30 crore remaining idle even after seven years of its completion

The State Waqf Board decided (February 2009)[75] to construct a Commercial Complex[76] Building in the site adjacent to Haj House, Hyderabad for generation of potential revenue for the Board by way of lease rentals.

[74] The local audit was discontinued in July 2019 and was completed in January 2020. The Inspection Report was issued to the Commissioner in February 2020
[75] based on the resolution of the Development Committee
[76] RCC framework structure

Framed structure as constructed and handed over to Waqf Board (status as of 19 November 2020)

Tenders were invited (September 2011) for construction of a Commercial Complex building with eight floors and two cellars at an Estimated Contract Value (ECV) of ₹9.81 crore. On finalisation of the tenders, agreement was entered into (December 2011) with the contractor for ₹10.30 crore (@4.95 *per cent* above ECV) with a condition to complete the work in nine months, i.e., by September 2012. However, the Technical Committee[77], after considering the progress of work done till December 2012 extended the period of construction for further six months to 31 March 2013. The building was completed in December 2013 for ₹10.30 crore and handed over to Waqf Board in April 2014.

Audit observed (November 2020) that:

Tender Notification for the construction of this building was issued in September 2011 and Agreement with Contractor was finalised in December 2011. The application/proposal plan was submitted to the GHMC only in May 2012. GHMC issued permission in February 2016 with a condition to commence the construction before August 2017 and to complete the same by February 2022. Thus, it was evident that the building tendered and completed in December 2013 did not actually have the permission of GHMC authorities, which was a pre-requisite for any construction related activity.

Government permitted (January 2017[78]) the leasing out of 11 Waqf properties (out of which the aforesaid property was also included) for a period up to 30 years under the provisions of Wakf Act, 1955. Tender Notification was issued (October 2017) in respect of this building after a delay of nearly eight months of the issue of the Government order. An expenditure of ₹12.61 lakh was incurred on the Tender Notification for leasing the building as a single unit on as-is-where-is-basis for a period of 30 years. The Tender Notification issued belatedly was also cancelled on the orders of the Government. Specific reasons for the cancellation of the Tender Notification and action taken thereafter for leasing out the building were however not furnished to Audit. Thus, the expenditure of ₹12.61 lakh incurred on the Tender Notification was rendered infructuous.

As of September 2021, the building was not leased out. Thus, improper planning on the part of Waqf Board coupled with lack of directions from the Government, led to a structure constructed at a cost of ₹10.30 crore remaining idle even after seven years of its completion.

Government in their reply (January 2022) accepted the above contentions of Audit.

[77] in its meeting held in September 2012
[78] vide G.O.Ms.No. 1 Minorities Welfare (Estt.I) Department, dated 16 January 2017

Municipal Administration and Urban Development Department

2.5 Inordinate delay in completion of Sewage Treatment Plants

Sewage Treatment Plants along with Underground Drainage (UGD) network were not completed in Suryapet Municipality even after a lapse of 12 years due to delay in alienation/acquisition of land and non-receipt of permission from National Highways Authority of India (NHAI). The inordinate delay in completion of the project has deprived the people of Suryapet Municipality of UGD facility and the expenditure of ₹52.33 crore incurred on the work so far remains wasteful

The work 'Construction of Sewage Treatment Plants and Underground Drainage system[79]' in Suryapet Municipality under 'Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)' was awarded (July 2009) to M/s Ramky Infrastructure Limited, Hyderabad for ₹22.28 crore[80] (first agreement), with a stipulation to complete the work within 18 months. The contractor had executed work valuing ₹17.26 crore and was paid ₹16.21 crore (March 2018). The Government had closed the work in March 2018, on the request of the contractor, as the land of 35 acres required for construction of two Sewage Treatment Plants (STPs) for a total capacity of 16.5 Million Litres [81] per Day (MLD) was not handed over to the contractor due to protest from farmers.

Subsequently, the Government accorded sanction (March 2018) for additional amount of ₹81.41 crore[82] for taking up the balance works with loan assistance[83] from the Telangana Urban Finance and Infrastructure Development Corporation Limited (TUFIDC). Agreement for the work was entered (July 2018) into with M/s NCC Limited, Hyderabad for ₹63.46 crore[84] (second agreement), with a stipulation to complete the works by April 2019. Later, two Supplemental agreements were entered into with M/s NCC Limited, Hyderabad in November 2019 and July 2020 for a total amount of ₹26.14 crore for authorised additions and supplemental items, increasing the cost of work to ₹89.60 crore. As of November 2021, an amount of ₹52.33 crore was paid to the second contractor for the work executed.

Scrutiny (July 2019) of the work records of the Executive Engineer, Public Health (PH), Nalgonda during the audit and further information obtained revealed that the first agreement was closed due to non-acquiring of land after nine years. Even when the second agreement was entered into in July 2018, the required land site was not ready for

[79] construction of storm water drains, development of bund roads and construction of two STPs at Pullareddy cheruvu and Nalla cheruvu, etc.
[80] 3.15 *per cent* in excess over Internal Benchmark (IBM) value of ₹21.60 crore
[81] Pullareddy cheruvu: 8 MLD and Nalla cheruvu: 8.5 MLD
[82] Major nala, construction of two STPs of 10 MLD each at Pullareddy cheruvu and Nalla cheruvu and connected drainage works, land acquisition cost, additional works of underground drainage and operation and maintenance costs for two year period
[83] borrowed at an interest rate of 10.20 *per cent* per annum
[84] 4.49 *per cent* in excess over Estimated Contract Value (ECV) of ₹60.73 crore. The second agreement includes left over works of first agreement

STP work. Due to land acquisition issues, it was proposed to change the technology from 'Waste Stabilisation Pond (WSP)' to 'Sequencing Batch Reactor (SBR)' which resulted in reduced land requirement of six acres. However, the Municipality/Revenue Department could not acquire the land for about three years of second agreement. The delay in completion of STPs is leading to environmental degradation due to discharge of untreated wastewater of 18.64 MLD[85] into water bodies of Pullareddy cheruvu and Nalla cheruvu.

Department stated (December 2021) that the required land for construction of STP at Pullareddy cheruvu was handed over in February 2021 and the STP work was completed up to 85 *per cent* and the balance civil works and electro-mechanical works are in progress and the STP would be commissioned in March 2022. Further, the land to an extent of three acres[86] required for STP at Nalla cheruvu was acquired and handed over to the contractor in February 2021. However, STP at Nalla cheruvu had not been commenced as of November 2021.

Audit requested for latest progress of the two STPs and the Engineer-in-Chief (PH) intimated (July 2022) present status of commissioning of STPs as under:

(i) In the case of Pullareddy cheruvu STP, the permission required from National Highways Authority of India (NHAI) for laying underground pipelines at three crossings has not yet been received and letter addressed to Electrical Department for power supply and the works would be completed by September 2022.

(ii) In respect of Nalla cheruvu STP, the agency has completed the construction of compound wall and remaining components of the STP are under progress and the STP will be commissioned by March 2023.

Thus, the work of the two STPs and UGD network taken up by the Municipality initially (for 16.5 MLD) in 2009 and later in 2018 (2 STPs with 10 MLD each) was not completed even after a lapse of 12 years from the date of commencing the work due to huge delay by the Municipality in alienation/acquisition of land for STPs and non-receipt of permission from NHAI as of July 2022. The inordinate delay in completion of the project not only deprived the people of the Suryapet Municipality of the UGD facility but is also leading to environmental degradation due to discharge of untreated wastewater of 18.64 MLD into water bodies of Pullareddy cheruvu and Nalla cheruvu. Further, the expenditure of ₹52.33 crore incurred on the work so far remains wasteful.

The matter was reported to the Government in January 2022; their reply is awaited.

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[85] As per Detailed Project Report estimated peak sewage flow is 18.28 MLD for the year 2020. On addition of two *per cent* increment growth, sewage flow for 2021 is arrived at 18.64 MLD

[86] Three Acres and 08 1/2 Guntas (1 Acre is 40 Guntas)

Panchayat Raj & Rural Development and Municipal Administration & Urban Development Departments

2.6 Avoidable expenditure due to delayed remittances of Employees' Provident Fund (EPF) contributions

Delayed remittance of Employees' Provident Fund contributions resulted in avoidable expenditure of ₹5.81 crore towards damages and interest

As per the Employees' Provident Fund (EPF) and Miscellaneous Provisions Act, 1952 (EPF Act)[87], read with the Employees' Pension Scheme[88] (EPS), 1995 and Employees' Deposit Linked Insurance Scheme[89], 1976, the employer of the establishment[90] is required to remit the EPF contributions along with administrative charges within 15 days of the close of every month. If the employer defaults in payment of contribution or any administrative charges, the Commissioner, EPF Organisation (EPFO) is empowered[91] to recover by way of penalty, such damages and interest at the rate as specified in EPF Act[92]. The Director of Municipal Administration (DMA) issued[93] instructions regularly to all Municipal Commissioners/Municipalities to ensure timely remittance of EPF contributions.

During test-check (July 2018 to September 2021) of the records of the Urban Local Bodies (ULBs) and District Rural Development Agencies (DRDAs), Audit noticed that in 23 instances of delayed remittance of EPF contributions by the ULBs/DRDAs, the EPF Authorities levied penalty and interest to the tune of ₹5.81 crore as detailed in **Table-2.11**.

Table-2.11: Details of delayed remittance of EPF contributions by the ULBs/DRDAs

(₹ in crore)

Category	Number of instances	Damages/ Interest levied (₹)	Damages/ Interest paid (₹)	Damages/ Interest to be paid (₹)
Municipal Corporations	4	1.71	1.46	0.25
Municipalities	12	3.28	2.75	0.53
DRDAs	7	0.82	0.82	0
Total	**23**	**5.81**	**5.03**	**0.78**

Source: *Information furnished by ULBs/DRDAs/EPFO*

[87] Section 6 – provides for payment of Employer and Employee contribution to the Employees Provident Fund; Section 6A -provides for establishment of Employees' Pension Scheme and Section 6C – provides for establishment of Employees' Deposit Linked Insurance Scheme

[88] Para-38 of EPS,1995 provides for application of EPF Scheme, 1952 in cases where either there is no provision or inadequate provision in EPS

[89] Para 8(1) provides for remittance of contribution together with administrative charges within 15 days from the closure of every month

[90] Section 1(3)(b)- any establishment employing twenty or more persons or class of such establishments which the Central Government may, by notification in Official Gazette, specify in this behalf

[91] Section-14B authorises the Provident Fund Commissioner to recover from Employer by way of penalty, such damages not exceeding the amount of arrears

[92] As per Section-7Q, the employer shall be liable to pay simple interest at the rate of 12 *per cent* or higher per annum as may be specified from the date on which the amount is due and till date of actual payment

[93] In June 2015, July 2016 and May 2017

The Office-wise details of damages and interest levied and paid are given in ***Appendix-2.6.*** Out of this, an amount of ₹5.03 crore was already paid by nine ULBs and two DRDAs, from their respective Municipal General Fund and Rural Development funds and ₹0.78 crore[94] has not been paid by three ULBs due to shortage of funds and pending Court cases.

ULBs attributed the delay in remittance of EPF contributions to insufficient funds, relocation of staff and lack of expertise in online payment systems. The reply is not acceptable, as the EPF contributions consist of employees' contribution as well as employers' contribution and are statutory in nature. Audit also noticed that the employees' contributions were deducted by the ULBs/DRDAs through salary bills of employees. However, these contributions along with the employers' contributions were not remitted to EPFO.

Thus, delays in remittances of EPF contributions resulted in an avoidable expenditure of ₹5.81 crore including the unpaid liability of ₹0.78 crore.

The matter was reported to the Government in March 2022; their reply is awaited.

Planning Department

2.7 Fraudulent claims and payments

Non-verification of the genuineness of the claim before making payments for the works for which bills were submitted twice with two different measurement books, resulted in fraudulent payment of ₹32.83 lakh

To address the drinking water problem in Asifabad Constituency, drilling of bore wells was taken up by Government under various schemes[95]. Scrutiny of the records (February 2020) of the Chief Planning Officer (CPO), Kumarambheem (KB), Asifabad relating to execution of works under "*Special Development Fund* (SDF) *for Welfare and Development Activities*" and the "*Constituency Development Programme (CDP)*" revealed that 46 instances of double payments had been made for the same works under different schemes.

Audit observed (February 2020) during the test-check of records of Chief Planning Officer, Asifabad that double payments for the 46 works out of 66 works relating to drilling of bore wells amounting to ₹32.83 lakh were made under CDP as well as SDF and for that, two different measurement books were submitted for the same works duly certified by the Executive Engineer, Rural Water Supply & Sanitation

[94] including balance amount to be paid by ULB of Pedda Amberpet

[95] **such as Constituency Development Programme (CDP), Special Development Fund (SDF), Crucial Balancing Fund (CBF), etc.**

(RWS&S), KB, Asifabad (Executing Agency). It was seen that Executive Engineer had failed to record the particulars of the bills claimed in respect of the works done in the Constituency-wise assets created register which would have enabled them to know about the status of payment already made under a scheme. While the payment under the CDP was made in February 2018, payment under SDF was made in September 2018. The second payment was sought for by producing a new measurement book which shows that second bills were presented with malafide intention of claiming double payment.

The double payment occurred due to failure on the part of Executive Engineer (EE), KB, Asifabad to ensure that the works awarded under a new scheme, were not taken up under any other scheme till now. EE wrongly certified two different measurement books for the same works along with photographs of the assets created.

Government in its response (March 2022) while confirming the audit observation, admitted the lapse on the part of the Executing Agency for submitting wrong certificates for claiming double payments. It was further stated that the entire amount of ₹32.83 lakh was recovered and remitted back to Government account. It also stated that a physical verification team was formed at District level for verification of works proposed for payment which confirmed the fact of double payment. Pursuant to this, memos were issued to the EE and the Deputy EE, (RWS&S), KB, Asifabad. It was also further assured that before making such payments more physical verification teams at District level would be formed and monitoring mechanism would be strengthened to prevent such mistakes in future.

Thus, non-verification of the genuineness of the claim before making payments for the works for which bills were submitted twice with two different measurement books resulted in fraudulent payment of ₹32.83 lakh.

Recommendation:

Government may initiate appropriate measures including fixing responsibility and filing criminal cases against the officials involved.

School Education Department

2.8 Wasteful expenditure on implementation of Bio-metric Attendance System

Implementation of Aadhaar Based Bio-metric Attendance System to capture teacher-students attendance in Schools without due feasibility study and assessing technical data requirement, resulted in wasteful expenditure of ₹28.96 crore

State Government decided (June 2016) to implement Aadhaar Based Biometric Attendance System (ABAS) in 6,000 Government and Local Body Schools of 12 Districts on Pilot Basis for increasing accountability of teachers and attendance of students and for better teaching-learning processes.

State Project Director (SPD), State Implementation Society (SIS), Samagra Siksha (SS) entrusted the work of tendering etc., for supply of biometric devices on rental, to Telangana State Technology Services Limited (TSTSL). After number of deliberations with stakeholders and changes in the plans, the Government finally decided (May 2018) to implement the ABAS in 9,349 schools of 12 selected Districts[96] which were identified based on the results of the National Achievement Survey (NAS) and on the criteria of high dropout rate, etc. Accordingly, it was decided to provide 12,705 Biometric devices and 9,349 IRIS devices at a revised cost of ₹72.82 crore. Though agreement was entered (June 2018), rental liability had arisen from October 2018 after installation of the 12,215 biometric devices and 8,592 IRIS scanners in a phased manner.

During the review meeting (March 2019), it was observed that, only around 64 *per cent* of teacher attendance and up to 16 *per cent* of student attendance was being captured through the biometric devices for the period October 2018 to February 2019. The huge mismatch in capture of student attendance was attributable to the lack of updation of students' biometric data in the Unique Identification Authority of India (UIDAI) database. The Education Department therefore informed (April 2019) the procurement agency (TSTSL) to restrict the biometric attendance to teaching and non-teaching staff only and also requested to shift the 3,356 additional devices to new schools in other Districts for implementation of ABAS.

The TSTSL authorities replied (April 2019) that reshuffling the devices and restricting it to the attendance of teachers would change the scope of the project and impact the contract agreement. It was requested to continue the project as is in the present 12 Districts and schedule biometric update drives to increase the success percentage against the total attempts. The contract was not renewed after the expiry of the contract period (September 2021).

[96] Adilabad; Jagtial; Jayashankar Bhupalapally; Jogulamba Gadwal; Kamareddy; Komaram Bheem; Mahabubabad; Nagar Kurnool; Peddapalli; Suryapet; Vikarabad and Warangal (Rural)

Further scrutiny of the records in the office of Project Director, SIS revealed the following:

- No feasibility study had been undertaken before introduction of ABAS in 12 Districts except eight schools of Hyderabad.
- As per the instructions of GoI, fresh fingerprints and IRIS of the children need to be captured for updation in UIDAI database, after attaining the age of 5 and 15 years. However, the main pre-requisite for successful implementation of the project, i.e., updation of biometrics of students was not considered by the Department before introducing the ABAS. Later, during the review meeting after five months of the implementation of the project (March 2019), the low percentage of mapping of student attendance (16 *per cent*) was attributed to the non-updation of the fresh biometrics in the UIDAI database.
- Since very low percentage of student biometric attendance was being captured, Department sought (April 2019) to change the scope of the project by capturing attendance in respect of only teaching/non-teaching staff and shift the additional 3,356 biometric devices to other Districts. This however could not be done. As seen from the communications (November 2020) of the Department, for the period October 2018 to March 2020, only 7 to 21 *per cent* student attendance was captured through biometric devices while only zero to three *per cent* was captured through IRIS. Thus, it is evident that there was no improvement in the capturing of the students' attendance data.

Department had claimed (October 2021) that, the expenditure incurred on this system was not wasteful as the teachers' attendance was successfully monitored and also that increase in passing percentage of Secondary School Certificate (SSC) students in 2018-19 in respect of ABAS implemented Districts was better compared to Districts where it was not implemented. This claim was not supported by Additional Advocate General (AAG) who opined[97] that, as the system had not been helpful in achieving the desired output, it was better to terminate the contract after intimating to the agency (March 2021). It was also observed by the AAG that there was no termination clause which would enable the Department to terminate the contract by giving advance notice without the fault of the agency. However, the agreement automatically got terminated on completion of the agreement period (September 2021).

Out of an amount of ₹28.96 crore[98] which was due to be paid to TSTSL at the end of March[99] 2020 the Department had paid an amount of ₹21.89 crore, leaving a balance of ₹7.07 crore unpaid as of February 2022.

[97] when the matter was referred to him for seeking legal opinion on winding up of the ABAS, as no condition for invoking of the termination clause existed in the agreement.
[98] Devices Rent for the period from October 2018 to March 2020: ₹27.75 crore, Aadhaar Authentication charges: ₹1.21 crore
[99] Due to pandemic the amount due to be paid was restricted up to March 2020 only

Department is also saddled with a committed liability of ₹26.60 crore (for the period from April 2020 to September 2021) towards payment for Biometric and IRIS devices and service charges due to TSTSL.

The Department undertook the implementation of ABAS in a haphazard manner, without having a feasibility study conducted and without assessing Aadhaar data requirement to run the scheme successfully. Thus, taking up the project in 9,349 schools of 12 Districts at a cost of ₹28.96 crore, rendered the expenditure incurred so far wasteful.

The matter was reported to the Government in March 2022; their reply is awaited.

Youth Advancement, Tourism and Culture Department

2.9 Issue of unauthorised Advertisements by the Department

Failure of the Department to verify the genuineness of the advertisement claims made by an Advertising Agency led to fraudulent payment of ₹1.84 crore

As per the orders of State Government (January 1994 and reiterated in February[100] 2017) the advertisements of all Government Departments should be released by the Information and Public Relations (I&PR) Department, which is the nodal agency for release of Government related advertisements.

Ignoring these orders during the period 2015-20, the Tourism Department directly incurred an expenditure of ₹20.31 crore[101] on tourism promotion through hoardings at different locations outside the State like airports, in buses, taxis, flights, through promotion in TV and Theatres, etc. Out of the total expenditure of ₹20.31 crore, an amount of ₹9.96 crore was paid to a single agency[102].

Audit observed that orders for release of branding[103] advertisements outside the State were issued to the agencies based on the proposals received from them without going through the tendering process as stipulated in State Government Orders[104] (July 2004).

It was further observed that the Department had not verified the advertisement campaigns carried out by the agency before accepting their claims for payments. The Department replied (December 2020) that due to non-availability of field

[100] Issued vide G.O.Ms.No.52, General Administration (I&PR) Department dated 14 February 2017
[101] 2015-16: ₹4.82 crore; 2016-17: ₹11.07 crore and 2018-19: ₹4.42 crore
[102] M/s Sai Signages, Bangalore
[103] Branding is the process of giving a meaning to specific organisation, company, products or services by creating and shaping a brand in consumers' minds
[104] Issued vide G.O.Ms.No.20, Information Technology & Communications Department (e-Procurement), dated 6 July 2004

officers to visit personally and ensure the facts, proofs submitted by the agency were treated as genuine.

Specific cases of irregularities with regard to release of branding advertisements in buses/flights, etc., to a single agency and release of payments without verifying the required documents are outlined in the paragraphs below.

Branding in Buses

During 2016, proposals were received from the agency mentioned above by the Department for branding in buses of Bengaluru, Chennai and Kerala. Details of the proposals received are shown below:

Table 2.12

Sl. No.	Name of the Corporation	Period of campaign	No. of buses	Rate per bus (in ₹)	Total Amount (₹ in lakh)
1	Bangalore Metropolitan Transport Corporation (BMTC)	1 January 2016 to 30 June 2016	300	3,000	61.88
2	Metropolitan Transport Corporation (MTC), Chennai	1 June 2016 to 30 November 2016	300	3,500	72.45
3	Kerala State Road Transport Corporation (KSRTC), Trivandrum	1 July 2016 to 30 November 2016	300	3,500	60.38

Source: *Information furnished by YATC Department*

Work orders were issued by the Department for display of advertisements in buses accordingly. As per these work orders, the Agency on completion of the campaign period was to submit the invoice along with digital dated photographs towards evidence of completion of the campaign.

Audit observed that the Department had made payment to the agency without verifying the digital dated photographs and the genuineness of the campaign conducted by the agency.

Cross-verification with the agencies (in whose buses advertisements were to be displayed) revealed the following:-

- **BMTC authorities confirmed (June 2021), that they did not have any agreement with the Agency and also that they did not have any information regarding display of Telangana Tourism advertisement in their buses. This indicates that claim of ₹61.88 lakh by the agency for branding in BMTC buses for the period of six months was fraudulent.**

- **MTC authorities confirmed (March 2022) that, no work order/licence had been issued to the Agency. Thus, the claim of ₹72.45 lakh by the Agency for branding in MTC buses was fraudulent.**

- **Kerala State Road Transport Corporation authorities while confirming the display of advertisements pertaining to Telangana Tourism in KSRTC buses, stated that, the display of advertisements was only in 225 KSRTC buses and not 300 as claimed by the Agency. Thus, there was a fraudulent claim to the extent of 75 buses (₹15.10 lakh) by the Agency.**

Thus the Department honoured the fraudulent claims of the Agency without any verification and paid the Agency ₹149.43 lakh.

Branding in Indigo Flights

During 2016, a proposal for branding in Indigo flights, was submitted by the same Agency for the period 1 August 2016 to 30 September 2016. Work order was issued by the Department for display of advertisements in five flights at the rate of ₹six lakh per flight per month for two months initially which was subsequently extended for the period from 1 January 2017 to 31 March 2017, i.e., for a total period of five months.

Audit noticed that the branding in Indigo flights was actually done for a period of four months (i.e., from 10 August 2016 to 25 September 2016 and from 1 February 2017 to 15 April 2017) against the originally sanctioned five months. The advertisement campaign was therefore not carried out as per the work order issued to the agency but the amount of ₹1.73 crore claimed by the agency for five months was paid by the Department.

The fraudulent claim of ₹34.50 lakh by the agency in respect of the period of one month during which no advertisement campaign was carried out, was paid by the Department.

Thus, the failure of the Department to verify the genuineness of the claims made by the Advertising Agency led to payment of ₹1.84 crore towards fraudulent claims.

Recommendation:

Government may ensure that all claims by Agencies are properly verified before effecting payments. Appropriate measures including criminal action for recovery of the fraudulently claimed amount from the Agency may also be initiated.

The matter was reported to the Government in December 2021; their reply is awaited.

Youth Advancement, Tourism and Culture Department
(Telangana State Tourism Development Corporation Limited)

2.10 Infructuous expenditure on sound and light show at Basara

Failure of the Government to complete the pre-requisite civil works led to idling of the equipment procured at a cost of ₹0.73 crore

State Government submitted a proposal (August 2013) to the Ministry of Tourism, Government of India (GoI) for release of ₹5.58 crore under Product Infrastructure Development at Destinations and Circuits (PIDDC)[105] Scheme for development of sound and light show at Basara in Adilabad[106] District. Ministry of Tourism, GoI sanctioned (September 2013) an amount of ₹five crore and released an amount of ₹one crore towards first instalment (20 *per cent* of the sanctioned Central Financial Assistance (CFA)) for implementation of the project.

As per the conditions of the sanction order, in case the amount remained unutilised for more than 10 months, the same was to be surrendered to Central Government with interest or with formal approval adjusted against other Central financially assisted projects. The work was to be completed within 10 months, i.e., by 30 July 2014.

Audit scrutiny (January 2021) of the records of Telangana State Tourism Development Corporation Limited (TSTDCL), revealed that an agreement for procurement of sound and light show equipment at Basara was entered for an estimated cost of ₹2.45 crore in August 2014, i.e., three weeks after the stipulated date of completion (30 July 2014) of the project as per the sanction order. The stipulated timeline for completion of procurement of sound and light show equipment work was 24 weeks from the date of agreement, i.e., by February 2015.

The contractor supplied (March 2015) the equipment worth ₹1.29 crore and an amount of ₹0.73 crore being 30 *per cent* of the project cost of the equipment (₹2.45 crore) was paid (May 2015) to the contractor as per terms and conditions of payment. Since the civil works required for the sound and light show including amphitheatre were not taken up due to lack of funds, the procured equipment has been lying idle since March 2015. Thus the expenditure of ₹0.73 crore on the equipment proved to be infructuous.

Since PIDDC Scheme was delinked from Central assistance from the year 2015-16, no more funds were released by GoI.

TSTDCL replied (November 2021) that the project could not be completed and the possibility of utilising the equipment in other sound and light shows was being explored.

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[105] Scheme for Integrated Infrastructure Development of Tourism in the country with 100 *per cent* Central Assistance
[106] Nirmal District with effect from October 2016 (due to re-organisation of Districts in Telangana State)

The reply is not acceptable as TSTDCL did not provide any records showing the efforts made to utilise the equipment in other projects.

Thus, the action of the Government of going ahead with the procurement of technical equipment without completing the pre-requisite civil works, led to infructuous expenditure of ₹0.73 crore.

The matter was reported to the Government in December 2021; their reply is awaited.

(SUDHA RAJAN)
Accountant General (Audit)
Telangana

Hyderabad
The 21 November 2022

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 6 December 2022

Appendices

Pages 65 - 76

Appendix-1.1
(Reference to paragraph 1.6.1, page 5)

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

Department	Number of IRs/Paragraphs pending as of 30 September 2021	
	IRs	Paragraphs
Agriculture and Cooperation	447	2,384
Animal Husbandry, Dairy Development and fisheries	209	1,488
Backward Classes Welfare	23	305
Consumer Affairs, Food and Civil Supplies	22	160
Energy	27	130
Environment, Forest, Science and Technology	307	1,356
Finance	45	260
General Administration	14	159
Health, Medical and Family Welfare	81	1,487
Higher Education	121	1,676
Home	69	640
Industries and Commerce	225	1,319
Information Technology, Electronics and Communications	10	93
Infrastructure and Investment	4	27
Irrigation and Command Area Development	880	2,996
Labour, Employment, Training and Factories	109	905
Law	70	319
Minorities Welfare	12	166
Municipal Administration and Urban Development	139	2,474
Panchayat Raj and Rural Development	234	2,755
Planning	26	229
Public Enterprise	1	5
Revenue	29	585
Scheduled Castes Development	23	454
School Education	59	1,025
Transport, Roads and Buildings	255	935
Tribal Welfare	27	352
Women, Children, Disabled and Senior Citizens	108	744
Youth Advancement, Tourism and Culture	30	389
Total	**3,606**	**25,817**

Appendix-1.2

(Reference to paragraph 1.6.3, page 6)

Explanatory Notes to be received as of 30 September 2021

(a) Issues exclusively pertaining to the State of Telangana

Department	2015-16	2016-17	2017-18	2018-19	Total
Health, Medical and Family Welfare	2	1	2	2	**7**
Higher Education	1	2	-	1	**4**
Home	1	1	-	1	**3**
Panchayat Raj and Rural Development	-	-	1	1	**2**
Planning	-	-	1	-	**1**
Revenue	1	-	-	-	**1**
Women, Children, Disabled and Senior Citizens	1	-	-	-	**1**
Youth Advancement, Tourism and Culture	2	-	1	-	**3**
Total	**8**	**4**	**5**	**5**	**22**

(b) Issues common to both the States of Andhra Pradesh and Telangana

Department	2009-10 (Civil)	2010-11 (Civil)	2011-12	2012-13	2013-14	Total
Environment, Forests, Science and Technology	-	-	-	1	1	**2**
Finance	1*	-	1	1	-	**3**
Health, Medical and Family Welfare	-	-	-	-	2	**2**
Home	-	-	1	1	1	**3**
Industries and Commerce	-	-	-	-	1	**1**
Irrigation and Command Area Development	-	-	1	2	1	**4**
Minorities Welfare	-	-	1	-	1	**2**
Panchayat Raj and Rural Development	-	-	1	1	-	**2**
Transport, Roads and Buildings	-	-	1	1	2	**4**
Tribal Welfare	-	1	1	-	1	**3**
Women, Children, Disabled & Senior Citizens	-	-	-	-	1	**1**
Youth Advancement, Tourism and Culture	-	-	-	-	1	**1**
Total	**1**	**1**	**7**	**7**	**12**	**28**

** in respect of Audit Report on Revenue Receipts*

Appendix-1.3
(Reference to paragraph 1.6.4, page 6)

Action Taken Notes on PAC Recommendations to be received from Government of Telangana as of 30 September 2021

(a) Issues exclusively pertaining to the State of Telangana

Department	Ist Legislative Assembly (2014-18)	Total
Health, Medical and Family Welfare	1	**1**
Total		**1**

(b) Issues common to both the States of Andhra Pradesh and Telangana

Department	XIth Legislative Assembly (1999-2004)	XIIth Legislative Assembly (2004-09)	XIIIth Legislative Assembly (2009-14)	Total
Agriculture and Cooperation	-	1	-	**1**
Backward Classes Welfare	-	-	1	**1**
Health, Medical and Family Welfare	-	-	2	**2**
Panchayat Raj and Rural Development	3	-	-	**3**
Total	**3**	**1**	**3**	**7**

Appendix-2.1
(Reference to paragraph 2.1.1.3, page 13)

Statement showing the details of sampled works in GHMC

S. No.	Name of the Colony	General / *In-situ*	No. of houses	Project cost (₹ in lakh)	Expenditure as of January 2021 (₹ in lakh)
EE Division I					
1	ACS Nagar	In situ	48	372.00	71.26
2	Kamala Nagar	In situ	210	1,785.00	601.66
3	Kattamaisamma Silver Compound	In situ	176	1,364.00	942.36
4	T Anjaiah Nagar	In situ	55	340.00	156.17
5	Ziaguda	In situ	840	7,140.00	7,214.07
6	Pilligudesalu	In situ	324	2,491.20	2,073.70
8	Old Marredpally	In situ	536	4,154.00	2,555.66
9	Sai Charan Colony	In situ	108	934.00	839.79
7	Sriramnagar (Near Saibaba Tem)	General	756	6,539.40	5,998.29
10	Bogaram	General	1,080	9,342.00	3,475.49
11	Pratap Singaram	General	2,208	17,112.00	12,860.28
EE Division II					
1	Yerukala Nancharamma Basti	In situ	288	2,491.20	2,309.56
2	Ahmedguda	General	4,428	38,302.20	38,759.99
3	Bagh hayathnagar	General	252	2,179.80	880.89
4	Thimmaiguda	General	864	7,473.60	6,243.34
5	Muraharipally	General	2,484	21,486.60	18,518.14
6	Munugunur-II	General	2,700	23,355.00	0.00
EE Division III					
1	Ameenpur-II	General	1,836	13,898.24	13,882.86
2	Ameenpur-III	General	3,240	28,026.00	16,583.94
3	Bowrampet-II (Dundigal)	General	3,996	34,565.40	33,794.94
4	Edulanagulapally	General	1,944	16,815.60	15,232.29
5	D.Pochampally-II	General	216	1,868.40	1,855.34
EE Division IV					
1	Narsingi	General	216	1,868.40	1,595.47
2	Kardanur-II	General	540	4,671.00	3,829.08
3	Inzapur	General	1,260	10,899.00	1,876.38
4	Mankhal-II	General	2,016	17,438.40	17,461.13
EE Division V					
1	Kollur-I	General	2,052	15,373.34	16,563.87
2	Kollur-II	General	15,660	1,16,909.95	1,11,321.40
Total			**50,333**	**4,09,195.73**	**3,37,497.35**

Appendix-2.2

(Reference to paragraph 2.1.3.2(d), page 26)

Undue benefit to the contractors due to adoption of incorrect/higher rates

(₹ in crore)

S.No.	Gist of Observation	Money value
(i)	***Revision of rate for earthwork filling data on the basis of higher labour coefficient, resulting in undue benefit to the contractor*** The rate for the item of work 'earthwork filling in foundations with useful excavated earth' was approved with the labour coefficient of 0.31 in Standard data. However, the rate/data in four projects *viz.,* Ahmedguda, Ameenpur-III, D.Pochampally-II, Edulanagulapally was revised with an irrelevant labour coefficient of 3.12, after finalisation of tenders. In Kollur-II project, the labour coefficient of 3.12 was adopted before finalisation of tenders. Due to this revision, the unit rate of ₹26.58 *per cum* was revised to higher rates varying from ₹280.52 to ₹334.86 *per cum*. Thus, pre-tender/post-tender changes made in the data/rate of the five projects entailed an undue benefit of ₹12.65 crore to the contractors. Department replied that rate was revised with labour co-efficient of 3.12 as per the latest amendment issued in SoR 2014-15. However, the Committee of Chief Engineers issued amendments to the Standard data (Buildings) (2011) and stated that the labour coefficient of 3.12 should be replaced with 0.31 in respect of this particular data for earth filling work. Revision of rates with adoption of higher labour-coefficient than the one provided in Standard Data resulted in undue benefit to the contractors. The Chairman, Board of Chief Engineers (BoCE) and the Special Chief Secretary, I&CAD have also been addressed in May 2021 and November 2021 respectively for clarification and the reply is awaited.	12.65
(ii)	***Incorrect adoption of higher rate of hire charges for centering and scaffolding, resulting in undue benefit to the contractor*** As per the Bureau of Indian Standards[1] and the State Revised Standard Data (Buildings), the hire charges for centering works (form works) should be measured in square meters (*sq.m.*) of actual surface area in contact with the concrete. The rates for centering charges were prescribed in cubic meters in the Schedule of Rates (SoR) and mentioned that the surface area requiring centering per cubic meter would be 3.88 *sq.m.*. However, the fact of 3.88 *sq.m.* surface area involved in one cubic meter was ignored while adopting the centering charges in cubic meters. Consequently, the higher rates of ₹5,988.98 per *sq.m.* for raft footings and ₹555.27 to ₹843.82 per *sq.m.* isolated footings were allowed on hire charges for centering works in the four test checked projects *viz.,* Ahmedguda, Kardhanur-II, Kollur-II and Narsingi, resulting in undue benefit of ₹6.11 crore[2].	6.11

[1] BIS Standard IS:1200 Part V
[2] Ahmedguda: ₹3.94 crore, Kardhanur-II: 0.12 crore, Kollur-II: ₹2 crore and Narsingi: ₹0.05 crore

	Department replied that the hire charges for centering works prescribed in terms of cubic metres in SoR 2016-17 were adopted and there was no undue benefit. However, the Preamble of SoR (Buildings) indicate that the rates prescribed were ceiling rates purely for the guidance and the authorities preparing the estimates are responsible for proper rates and correctness/reasonableness of the rates as envisaged in the State Public Works Department Code[3]. The Chairman, (BoCE) and the Special Chief Secretary, I&CAD have also been addressed for clarification and the reply is awaited.	
(iii)	***Adoption of incorrect centering charges, resulting in undue benefit to the contractors*** The rate for hire charges of centering work of RCC walls at Kollur-II site was prescribed as ₹964 per *sq.m* as per the SoR 2016-17 (Public Health). However, a higher rate of centring charges of ₹3,106 per *sq.m.* prescribed in SoR 2016-17 (Buildings & Electrical) was adopted for construction of 150 mm lift-well walls and 230 mm thick water tank walls resulting in undue benefit of ₹4.27 crore to the contractor. Department replied that the SoR 2016-17 (Public Health) rate of ₹964 per *sq.m.* cannot be generalised for all the engineering works and a rate of ₹3,106 per *sq.m.* prescribed in SoR 2016-17 (Buildings & Electrical) was adopted. The work involves construction of 230 mm thick overhead water tank walls for top floors and 150 mm thick lift-well retaining walls which are building items. However, the rate finalised in the tender for hire charges of centering works involved in this work was ₹964 per *sq.m.* was changed to ₹3,106 per *sq.m.* after finalisation of tender. The Board of Chief Engineers and the Special Chief Secretary, I&CAD have also been addressed for clarification and the reply is awaited.	4.27
	Total	**23.03**

[3] Para-45 and 113 of State PWD Code

Appendix-2.3

(Reference to paragraph 2.1.3.2(d), page 26)

Avoidable expenditure due to adoption of higher specifications and lack of uniformity

(₹ in crore)

S.No.	Gist of Observation	Money value
(i)	***Wall painting done with higher specification, resulting in avoidable expenditure and lack of uniformity*** Normal quality colour paint with two coats was provided for the external walls. However, a higher specification item of acrylic emulsion paint with two coats was provided in three projects *viz.,* Ahmedguda, Bowrampet-II and Kollur-II projects. Further, in Kollur-II, the external walls were painted with texture paint of 2-3 mm thickness, in addition to the acrylic emulsion paint. Thus, there was an avoidable expenditure of ₹97.61 crore, for which about 1,235 houses[4] could be constructed. Department replied the instructions were issued by the higher authorities to provide additional specifications to improve aesthetics, so as to reduce maintenance cost on the poor beneficiaries. However, the above additional improved features are not taken-up across all the projects, which shows lack of uniformity.	97.61
(ii)	***Fixing windows of higher specifications, resulting in avoidable expenditure and lack of uniformity*** Steel glazed windows (openable on both sides) with unit rate of ₹2,149.66 per *sq.m.* were provided for the houses. However, the casement openable pre-painted steel windows were provided in the 11 test checked projects[5] at higher rates, resulting in avoidable expenditure of ₹54.37 crore. Department replied that the instructions were issued by the higher authorities to provide better quality of windows to improve usability and aesthetics. However, the above better-quality windows are not taken-up across all the projects, which shows lack of uniformity.	54.37
(iii)	***Non-consideration of 50 per cent of manufactured sand to natural river sand, resulting in avoidable expenditure*** State Government notified the Telangana State Sand Mining Rules, 2015, vide Clause-9(v), mandated the Government Departments to use at least 50 *per cent* of crushed stone/manufactured sand in the constructions, as alternative to natural sand so as to conserve riverbeds. State Government reiterated the above orders again in May 2018[6] to conserve the sustainable eco-system. The Chief Engineer (Housing), GHMC had also issued instructions (July 2017) to maintain the register for the quality/quantity of	15.34

[4] ₹97.61 crore/₹7.90 lakh

[5] Ahmedguda, Ameenpur–II, Ameenpur–III, D. Pochampally, Edulanagulapally, Kollur-I, Kollur-II, Mankhal-II, Pilligudiselu, Thimmaigudem and Yerukala Nancharamma Basti

[6] G.O. Ms No. 37 of Industries and Commerce (Mines.1) Department dated 29 May 2018

	sand consumed in the works. However, the mandated ratio of 50 *per cent* use of manufactured sand was not adhered to, resulting in avoidable expenditure of ₹15.34 crore in 10[7] projects test checked. Department replied that the sand was being supplied at free of cost for these works and the lead charges of 165 km were only allowed in the estimates. The permission of the Chief Engineer (Housing), GHMC was obtained (July,2017) to use the manufacturing sand wherever, the natural (river) sand is not available so as to maintain the mandated 50 *per cent*. The use of natural sand and manufactured sand was done keeping in view of the short supply of natural sand and to prevent the stoppage of works and to avoid contractual obligations. However, the Department incurred avoidable expenditure of ₹15.34 crore towards transportation charges due to non-utilisation of manufacture sand.	
(iv)	***Paving of stilt floor with higher specification, resulting in avoidable expenditure and lack of uniformity*** Cement flooring for the stilt floor was provided for the Kollur-II project. However, the paving of stilt floor was done with precast concrete blocks, resulting in avoidable expenditure of ₹2.81 crore. Audit also noticed in other test checked projects that the flooring was done with cement Department replied that the instructions were issued by higher officials to provide additional specifications to improve aesthetics, so as to reduce maintenance cost on the poor beneficiaries. These additional items and improved specifications got executed within the approved square foot rates, by pursuing the contractors. However, the above additional improved features are not taken-up across all the projects, which shows lack of uniformity.	2.81
	Total	**170.13**

[7] Sriram Nagar, Old Marredpally, Ameenpur-II, D. Pochampally-II, Edulanagulapally, Injapur, Ahmedguda, Kollur-II, Thimaiguda, Bagh Hayathnagar

Appendix-2.4
(Reference to paragraph 2.1.3.2(d), page 27)

Non-deduction of statutory recoveries and revenue on the cost of material excavated from the site and non-remittance of cost of excavated hard rock into Government Account

(₹ in crore)

S.No.	Gist of Observation	Money value
(i)	***Non-recovery of cost of excavated earth/hard rock provided to the contractor*** As per the State Standard Specifications[8], the materials excavated and found suitable for back filling or other use shall be stacked separately. Further, as amended[9] in the Telangana Minor Mineral Concession Rules-1966, the executing Department should prepare action plan for earmarking land for stacking of excavated material till its disposal. The recovery was proposed in Kollur-II project @ ₹194 *per cum* with (63 *per cent)*[10] towards excavated hard rock. Though the recoveries were proposed in other works, no uniform rate was followed and the recoveries are yet to be proposed in the remaining projects. It was proposed @ ₹131.73 *per cum* (with 30 *per cent* excavation) in nine[11] projects. An amount of ₹0.41 crore (including 5 *per cent* GST) has to be recovered from the contractor's bills of 10 projects[12] towards use of excavated hard rock. Department replied that the excavated hard rock which is useful but not used on the work was recovered at a uniform rate of ₹194 *per cum* from subsequent intermediate stages wise payments by all the Housing Divisions. Recovery/remittance particulars yet to be furnished by the Department.	0.41
(ii)	***Utilisation of amount recovered towards cost of excavated hard rock instead of crediting to Government account*** The Financial Code prescribes that the revenue realised by the Government Departments should be deposited to the Government account at the earliest. As noticed from the Workslip-9 and the final deviation statement of Kollur-II project, the revenue of ₹3.57 crore (excluding 5 *per cent* GST) accrued as the cost of excavated hard rock was utilised for the work. However, this amount was utilised in the work, instead of remitting the same to Government account. Department replied that the recovery amount of rock of ₹3.57 crore was used for statutory payment of GST @ 12 *per cent* on works contract, after deducting embedded tax component and VAT provision of 5 *per cent*. The Government was requested to accord revised administrative sanction and the revenue of ₹3.57 crore will be remitted to the Government account on receipt of the funds. The remittance particulars are awaited.	3.57
	Total	**3.98**

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[8] Standard Specification 308(2) of State Standard Specifications

[9] G.O. Ms. No.6 Industries and Commerce (Mines-I) Dept. dated 8 February 2016

[10] The balance 37 *per cent* quantity of rock utilised in the work

[11] Pratapsingaram, Bogaram, Sriram Nagar, Sai Charan Colony, T. Anjaiah Nagar, Pilligudiselu, Old Maredpally, ACS Nagar, Kamala Nagar,

[12] Pratapsingaram, Bogaram, Sriram Nagar, Sai Charan Colony, T. Anjaiah Nagar, Pilligudiselu, Ziaguda, Old Maredpally, ACS Nagar, Kamala Nagar

Appendix: 2.5
(reference to Paragraph 2.2.3.5, page 40)

Non-Correlation of Meter reading

Sl. No.	Name of the District	Invoice No.	Vehicle No.	Date of Transpor--tation	No. of sheep units	Distance (in km)	Transpor--tation Cost (in ₹)	Starting Meter Reading	Ending Meter Reading
1	Mahabubnagar	8	AP03TE0159	02.01.2018	6	1,126	63,844	68,683	69,809
	Mahabubnagar	7	AP03TE0159	19.01.2018	6	1,151	65,262	1,71,116	1,72,267
2	Mahabubnagar	181	AP03TE0159	07.06.2018	6	342	19,391	2,14,563	2,14,928
	Mahabubnagar	184	AP03TE0159	08.06.2018	7	302	19,977	28,476	28,822
	Mahabubnagar	255	AP03TE0159	18.06.2018	6	940	53,298	3,71,692	3,72,665
3	Mahabubnagar	15	AP22Y2943	07.01.2018	6	261	10,852	2,49,348	2,49,663
	Mahabubnagar	23	AP22Y2943	07.02.2018	6	321	13,347	2,47,182	2,47,580
4	Nalgonda	374	AP09X4005	24.11.2017	5	105	6,505	1,09,250	1,09,399
	Nalgonda	372	AP09X4005	25.11.2017	6	140	10,408	1,08,606	1,08,746
	Nalgonda	62	AP09X4005	04.08.2018	6	98	7,285	3,63,613	3,63,767
	Nalgonda	23	AP09X4005	06.08.2018	6	196	14,571	1,36,632	1,36,833
	Nalgonda	24	AP09X4005	08.08.2018	6	144	10,705	1,36,353	1,36,498
	Nalgonda	25	AP09X4005	10.08.2018	6	196	14,571	1,91,342	1,91,539
5	Nalgonda	21	AP09Y9988	21.09.2018	6	344	25,573	3,92,146	3,92,606
	Nalgonda	20	AP09Y9988	23.09.2018	6	385	28,621	3,72,041	3,72,431
	Nalgonda	19	AP09Y9988	27.09.2018	5	398	24,656	3,62,074	3,62,482
	Nalgonda	22	AP09Y9988	28.09.2018	6	353	26,242	3,82,018	3,82,394
6	Nalgonda	54	AP24TB1077	19.09.2018	5	438	27,134	2,69,010	2,69,470
	Nalgonda	53	AP24TB1077	21.09.2018	6	301	22,376	2,69,470	2,69,771
7	Nalgonda	11	AP24TB6306	28.09.2018	6	353	26,242	2,68,092	2,68,468
	Nalgonda	12	AP24TB6306	29.09.2018	6	320	23,789	2,58,097	2,58,417
8	Nalgonda	14	AP24TB6306	01.10.2018	6	373	27,729	2,58,706	2,59,079
	Nalgonda	94	AP24TB6306	02.10.2018	6	330	24,532	2,58,806	2,59,138
	Nalgonda	95	AP24TB6306	04.10.2018	6	330	24,532	3,50,628	3,50,968
	Nalgonda	93	AP24TB6306	05.10.2018	6	330	24,532	2,60,594	2,60,926
9	Nalgonda	4,891	AP24TB6726	17.12.2017	5	259	16,045	3,87,718	3,87,977
	Nalgonda	4,921	AP24TB6726	18.12.2017	6	126	9,367	3,87,061	3,87,187
	Nalgonda	3,393	AP24TB6726	11.09.2018	6	324	24,086	36,980	37,309
	Nalgonda	4,205	AP24TB6726	15.09.2018	6	395	29,364	32,709	33,149
	Nalgonda	4,274	AP24TB6726	01.10.2018	5	361	22,364	2,23,786	2,24,156
	Nalgonda	4,252	AP24TB6726	03.10.2018	6	389	28,918	4,38,155	4,38,544
10	Nalgonda	3,386	AP24TB7146	08.09.2018	5	275	17,036	74,586	74,905
	Nalgonda	3,388	AP24TB7146	09.09.2018	5	385	23,851	98,590	98,993
11	Nalgonda	4,237	AP24TB7677	25.09.2018	6	302	22,451	2,56,789	2,57,092
	Nalgonda	3,697	AP24TB7677	28.09.2018	6	269	19,997	2,56,300	2,56,603
12	Nalgonda	4,219	AP24TB9677	22.09.2018	6	374	27,803	9,23,302	9,23,704

	Nalgonda	4,240	AP24TB9677	25.09.2018	6	302	22,451	58,690	58,993
13	Nalgonda	3,395	AP24TC3971	11.09.2018	6	353	26,242	98,745	99,110
	Nalgonda	3,399	AP24TC3971	13.09.2018	6	456	33,899	45,950	46,431
	Nalgonda	4,210	AP24TC3971	18.09.2018	6	402	29,885	2,88,504	2,88,930
	Nalgonda	80	AP24TC3971	22.09.2018	6	443	32,933	4,90,053	4,90,508
	Nalgonda	4,258	AP24TC3971	30.09.2018	4	320	15,859	25,643	25,978
14	Nalgonda	524	TS06UA3006	17.02.2018	6	125	9,293	1,16,907	1,17,050
	Nalgonda	505	TS06UA3006	18.02.2018	6	112	8,326	11,770	11,897
15	Suryapet	1,808	AP02TB9522	20.02.2018	6	616	41,913	2,53,937	2,54,553
	Suryapet	1,819	AP02TB9522	22.02.2018	5	625	35,438	3,28,917	3,29,542
16	Suryapet	3,130	AP12W0763	03.08.2018	5	598	33,907	1,05,200	1,05,798
	Suryapet	3,288	AP12W0763	04.08.2018	6	373	25,379	1,60,430	1,60,803
					278		**11,72,781**		

Cost of 278 sheep units = ₹1.11 lakh X 278 units = ₹308.58 lakh

Subsidy on the above = ₹308.58 lakh X 75% = ₹231.44 lakh

Subsidy on transportation cost = ₹11.73 lakh X 75% = ₹8.80 lakh

Total subsidy in sheep cost and transportation = ₹240.24 lakh or ₹2.40 crore

Appendix-2.6
(reference to Paragraph 2.6, page 55)

Statement showing the details of Damages/Interest due, paid and balances to EPFO

S. No	Name of ULB/ DRDA	Damages/Interest levied (₹)	Damages/Interest paid (₹)	Balance (₹)
Municipal Corporations				
1.	Greater Warangal	1,45,96,383	1,45,96,383	--
2.	Khammam	25,17,461	--	25,17,461
	Total	**1,71,13,844**	**1,45,96,383**	**25,17,461**
Municipalities				
1.	Pedda Amberpet	79,377	44,773	34,604
2.	Nirmal	1,17,43,437	1,17,43,437	--
3.	Nagarkurnool	43,86,873	43,86,873	--
4.	Adilabad	74,23,798	74,23,798	--
5.	Bellampally	17,44,218	17,44,218	--
6.	Dubbaka	5,64,390	5,64,390	--
7.	Kamareddy	3,84,544	3,84,544	--
8.	Siricilla	12,71,653	12,71,653	--
9.	Ieeja	17,09,528	--	17,09,528
10.	Narayanpet	35,30,897	--	35,30,897
	Total	**3,28,38,715**	**2,75,63,686**	**52,75,029**
District Rural Development Agencies				
1.	Warangal (Urban)	59,21,763	59,21,763	--
2.	Nalgonda	22,45,904	22,45,904	--
	Total	**81,67,667**	**81,67,667**	**---**
	Grand Total	**5,81,20,226 (5.81 crore)**	**5,03,27,736 (5.03 crore)**	**77,92,490 (0.78 crore)**

Glossary

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AAG	:	Additional Advocate General
ABAS	:	Aadhaar Based Biometric Attendance System
AHP	:	Affordable Housing Partnership
AIPs	:	Annual Implementation Plans
ATNs	:	Action Taken Notes
BoCE	:	Board of Chief Engineers
BMTC	:	Bangalore Metropolitan Transport Corporation
BPL	:	Below Poverty Line
CDP	:	Constituency Development Programme
CESS	:	Centre for Economic and Social Studies
CFA	:	Central Financial Assistance
CoA	:	Commissioner of Agriculture
CPO	:	Chief Planning Officer
CPT	:	Central Procurement Team
CSMC	:	Central Selection and Monitoring Committee
DD	:	Demand Draft
DLC	:	District Level Committee
DMA	:	Director of Municipal Administration
DPRs	:	Detailed Project Reports
DRDAs	:	District Rural Development Agencies
DV&AHO	:	District Veterinary & Animal Husbandry Officer
ECV	:	Estimated Contract Value
EE	:	Executive Engineer
EPF	:	Employees' Provident Fund
EPFO	:	EPF Organisation
GHMC	:	Greater Hyderabad Municipal Corporation
G.O.	:	Government Order
GoI	:	Government of India
GP	:	Gram Panchayats
GST	:	Goods and Services Tax
HUDCO	:	Housing and Urban Development Corporation
I&PR	:	Information and Public Relations
IR	:	Inspection Report
IT	:	Information Technology
KSRTC	:	Kerala State Road Transport Corporation
LIC	:	Life Insurance Corporation of India
MA&UD Department	:	Municipal Administration and Urban Development Department
MEPMA	:	Mission for Elimination of Urban Poverty in Municipal Area
MLC	:	Mandal Level Committee
MLD	:	Million Litres per Day
MoU	:	Memorandum of Understanding
MPDO	:	Mandal Parishad Development Officer
MRO	:	Mandal Revenue Officer
MTC	:	Metropolitan Transport Corporation
NAS	:	National Achievement Survey

NCDC	:	National Cooperative Development Corporation
NHAI	:	National Highways Authority of India
PAC	:	Public Accounts Committee
PIDDC	:	Product Infrastructure Development at Destinations and Circuits
PMAY	:	Pradhan Mantri Awas Yojana
PMU	:	Project Monitoring Unit
PoA	:	Plan of Action
PVC	:	Primary Veterinary Centre
RABs	:	Running Account Bills
RWS&S	:	Rural Water Supply and Sanitation
SBR	:	Sequencing Batch Reactor
SC	:	Scheduled Caste
SDF	:	Special Development Fund
SECC	:	Socio-Economic and Caste Census
SES	:	Socio-Economic Survey
SIS	:	State Implementation Society
SLAC	:	State Level Appraisal Committee
SLSMC	:	State Level Sanctioning and Monitoring Committee
SPD	:	State Project Director
SRDS	:	Sheep Rearing Development Scheme
SS	:	Samagra Siksha
ST	:	Scheduled Tribe
STPs	:	Sewage Treatment Plants
TDRs	:	Term Deposit Receipts
TPE	:	Third Party Evaluation
TSHCL	:	Telangana State Housing Corporation Limited
TSTDCL	:	Telangana State Tourism Development Corporation Limited
TSTSL	:	Telangana State Technology Services Limited
TSSGDCFL	:	Telangana State Sheep and Goat Development Cooperative Federation Limited
TUFIDC	:	Telangana Urban Finance and Infrastructure Development Corporation Limited
UCs	:	Utilisation Certificates
UGD	:	Underground Drainage
UIDAI	:	Unique Identification Authority of India
UIDSSMT	:	Urban Infrastructure Development Scheme for Small and Medium Towns
ULBs	:	Urban Local Bodies
VAH	:	Veterinary & Animal Husbandry
VAS	:	Veterinary Assistant Surgeon
WSP	:	Waste Stabilisation Pond
2BHK Housing Scheme	:	Two Bedroom Housing Scheme