

CHAPTER III

PERFORMANCE REVIEWS

This chapter contains performance reviews and long paragraph on Food Security, Subsidy and Management of Foodgrains (3.1), Conservation of Tiger and Eco-Development (3.2), Sarva Shiksha Abhiyan (3.3), Information Technology Audit of eProcurement (3.4), Tsunami Relief and Reconstruction (3.5) and Rural Road Upgrading and Maintenance Project (3.6).

CONSUMER AFFAIRS, FOOD AND CIVIL SUPPLIES DEPARTMENT

3.1 Food Security, Subsidy and Management of Foodgrains

Highlights

Government's food management strategy involves the implementation of a well targeted and properly functioning Public Distribution System (PDS) as a major instrument for providing food security for the poor by making available foodgrains at affordable prices. A review of the implementation of PDS revealed that the State Government had been providing rice to 1.34 crore Below Poverty Line (BPL) families as against 0.41 crore families identified (2001) by GOI. To cover the larger number of BPL families the State Government had to bear extra burden of Rs 1021 crore over a five year period. Moreover, foodgrains had not been provided to BPL families as per the prescribed scales. There was no mechanism for issuing new ration cards on regular basis and periodical reviews to weed out bogus cards. The review revealed that no action had been taken on most of the deficiencies/shortcomings reported in the Audit Report for the year ended 31 March 1999 and that these continued to exist.

◆ During the period 2001-06, subsidy borne by the State Government on PDS amounted to Rs 2114 crore. State Government provided subsidised rice to 1.34 crore families as against 0.41 crore identified by GOI. This resulted in an additional burden of Rs 1021 crore during 2001-06.

[Paragraphs 3.1.6.1 and 3.1.7.4]

◆ Ration cards were neither issued regularly nor were periodical reviews conducted to weed-out bogus cards and ineligible families.

[Paragraphs 3.1.7.5 and 3.1.7.7]

◆ The State Government was distributing the rice at 4 Kg per head subject to a maximum of 20 Kg as against the GOI norm of 35 Kg per month per BPL family. Test-check also revealed cases of issue of ration at a lesser scale including short weighment of foodgrains.

[Paragraphs 3.1.7.2 and 3.1.7.10]

◆ In East Godavari District, large quantities of rice was distributed under SGRY/Food For Work (FFW) programme on blank coupons and to single individuals defeating the very objective of providing food security to the genuine labourers. In Anantapur District, quantities of

rice under SGRY/FFW and in Adilabad District under National Nutrition Mission were lying undistributed in FPS for long periods.

[Paragraphs 3.1.8.1 and 3.1.8.2]

◆ The Civil Supplies Corporation procured rice from FCI during the 'pipeline period' at higher rates resulting in an excess payment of Rs 53.28 lakh yet to be claimed from FCI.

[Paragraph 3.1.7.12]

◆ Inspections of Fair Price Shops were altogether neglected, leaving misuse of stocks and other malpractices, if any, unchecked. The pace of settlement of cases of misappropriation of stocks had been very slow. There were 159 cases of misappropriation of stock involving Rs 12.21 crore awaiting settlement as of August 2006. Of these, 125 cases involving Rs 5.18 crore were pending for more than 10 years and recovery of Rs 3.22 crore in 62 cases is doubtful.

[Paragraphs 3.1.9.1 and 3.1.9.2]

3.1.1 Introduction

The Government's food management strategy involves the implementation of a well targeted and properly functioning Public Distribution System (PDS) which is a major instrument for providing food security for the poor by making available foodgrains at affordable prices. While the agricultural production in the State is rice, jowar, maize, etc. the staple food is primarily rice though wheat is also consumed.

The Central schemes such as 'Annapurna' (converted as State scheme from 2002-03) for old age pensioners and 'Anthyodaya Anna Yojana' (AAY) (for poorest of the poor) were also under implementation in the State from May 2000 and February 2001 respectively.

AP State Public Distribution System (PDS) (CONTROL) Order 2001 lays down *inter alia* the provisions relating to identification of BPL families, issue of ration cards, duties of Fair Price Shops (FPS), their maintenance and monitoring, etc.

Allotment of foodgrains is made by the Commissioner, Civil Supplies (Commissioner/Department). The AP State Civil Supplies Corporation Limited (CSC) procures and stores rice, wheat obtained from FCI, and based on the release orders issued by MROs, transports and distributes them up to the FPS level.

3.1.2 Organisational set up

The Commissioner of Civil Supplies and Ex-officio Secretary to Government (Commissioner) is responsible for implementing the schemes under PDS at State level. The Commissioner is assisted by a Director, Additional Director, one Joint Director and three Deputy Directors and Accounts Officer and other staff. At the district level, the scheme is implemented by Joint Collector (Civil Supplies)/ Chief Rationing Officer (CRO) in Hyderabad District with the assistance of District Supply Officer (DSO) and Mandal Revenue Officers

(MROs)/Assistant Supply Officer (ASO) in Hyderabad District. The CSC headed by the Vice-Chairman and Managing Director (VC&MD) lifts foodgrains from the Food Corporation of India (FCI), transports it to Mandal Level Stock (MLS) points for further distribution to FPS through its district offices.

3.1.3 Audit objectives

The main objectives of this performance audit review were to assess

- the effectiveness of the food subsidy policy;
- efficiency of the system of procurement and handling by CSC;
- effectiveness of distribution arrangements in terms of access and timeliness;
- convergence of foodgrains based schemes and effectiveness of their delivery to the target group and
- effectiveness of monitoring and evaluation.

3.1.4 Audit criteria

The following criteria was adopted for the performance audit review:

- Instructions under Control Order 2001;
- Government instructions under different foodgrains based schemes and offtake against PDS allocation;
- Scale of distribution of foodgrains issued time to time by the Government of India and the State Government;
- Guidelines of different foodgrains based schemes which converge on the target groups and
- Internal control systems.

3.1.5 Scope and Methodology of Audit

The implementation of PDS was last reviewed during the year 2000 and the findings incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (Civil). The present review covering the allotment, lifting and distribution of rice by the PDS including AAY and Annapurna schemes during the period 2001-02 to 2005-06 was conducted (August-October 2005 and April-May 2006) by test-check of records of the offices of the Commissioner, VC&MD, CSC, seven¹ district offices (DSOs/CRO and District Managers - CSC) including 18 MROs selected out of 334 and three ASOs out of nine of Hyderabad and 84 FPSs² out of 1146 in the seven selected districts. The compliance to audit findings in the previous report was also examined in the present review.

Entry conference was conducted (August 2005) with Commissioner, VC&MD, CSC, Senior Regional Manager (SRM), FCI, Director, Civil Supplies and DSOs/CRO of selected districts, in which the methodology being

¹ Adilabad, Anantapur, East Godavari, Guntur, Hyderabad, Kurnool and West Godavari

² four in each Mandal (at three mandals per district)

adopted was explained. Under each district, three mandals (Urban: one, Rural: two) were selected by Simple Random Sampling without Replacement method including four FPSs in each selected mandal under Circular Systematic Sampling method. The audit observations were also discussed with the VC & MD, CSC and Director in the exit conference held in August 2006. The results of the review are brought out in the succeeding paragraphs.

Audit Findings

3.1.6 Food Subsidy

3.1.6.1 Expenditure on rice subsidy

During the five year period 2001-06 subsidy on rice borne by the State Government was Rs 2114 crore

GOI had been issuing the rice to BPL families (white card holders) at subsidised rates i.e. at Rs 5.65 per Kg while the end consumer price fixed by the State Government was Rs 5.25 per Kg; the additional subsidy was borne by the State Government. Further, GOI was issuing rice at subsidised rates to cover only 40.63 lakh BPL families based on the number of BPL identified in Census 2001. As against this, the State Government was distributing the rice at BPL rates to 1.34 crore (as of March 2006) white card holders. To cover more number of BPL families the State Government had been procuring the rice (meant for distribution to Above Poverty Line (APL) families) at APL rate and supplying to BPL families (since there was no demand of APL rice) by giving additional subsidy. During the five year period 2001-06, the total cost of subsidy³ borne by the State Government was Rs 2113.83 crore including Rs 26.73 crore on Annapurna scheme.

3.1.7 Allotment, lifting and distribution of essential commodities

3.1.7.1 Profile of cards in the State

Four⁴ types of ration cards were in circulation in the State. Families with annual income of less than Rs 11000 per annum up to May 2005 (increased to Rs 20000 and Rs 24000 in rural and urban areas respectively in June 2005) were supplied with white cards and those above this level with pink cards for issue of foodgrains at normal rates. As of March 2006 there were 2.03 crore ration cards in the State. As per the GOI Census 2001, the BPL families, however, stood at only 40.63 lakh and the rice (for BPL) was being allocated by GOI on this basis only. The number of FPS in the State was 41254 including 1504 vacancies.

3.1.7.2 Scale of distribution of foodgrains

Scale prescribed by GOI for distribution of rice to BPL was not adhered to by the State Government and it adopted the reduced scale

GOI had been releasing rice at the rate of 35 Kg⁵ per BPL family irrespective of number of members in the family. However, the State Government had

³ including transportation and handling, storage and administrative charges, etc. incurred by CSC

⁴ (BPL (white): 1.34 crore, APL (pink): 0.52 crore, AAY (light green): 0.16 crore, Annapurna (light blue): 0.01 crore)

⁵ from April 2002 onwards (20 kg from April 2001 to June 2001 and 25 kg from July 2001 to March 2002)

adopted the reduced scale of 4 kg per head subject to maximum of 20 kg per month per BPL family thereby depriving 15 Kg to 31 Kg per family as the case may be. The Director stated (August 2006) that the reduced scale was adopted to accommodate larger number of poor families.

The purpose of AAY scheme is to ensure food security for the poorest of the poor in rural and urban areas by providing foodgrains at cheaper rates through PDS. As per the directions issued from time to time by the GOI, these families are to be issued rice at 25 kg per month (35 kg from April 2002) at Rs 3 per kg. Under the Annapurna scheme 10 kg of rice per month is provided free of cost to all senior citizens who were eligible for old age pensions but were not presently receiving the same under National Old Age Pension scheme (NOAP). The APL families are entitled to get 35 Kg rice @ Rs 9 per Kg.

3.1.7.3 Allotment and Distribution

On receipt of district-wise allotments from the Commissioner the CSC purchases rice and wheat from FCI, sugar from factories located within and outside the State and other miscellaneous commodities from wholesale dealers through its district offices.

During the five-year period 2001-06, as against allotment of 175 lakh MT of rice by the GOI/Commissioner, CSC had lifted (from FCI) 119.29 lakh MT for allotment to the DSOs; of this 117.98 lakh MT was distributed as shown below:

Allotment and distribution of rice under PDS during the years 2001-02 to 2005-06 vis-a-vis the beneficiaries were as follows:

(in lakh MTs)

Year	Allotment by GOI/Commissioner	Rice lifted from FCI				Total	Rice distributed to the beneficiaries				Total
		APL	BPL	AAY	Anna-purna		APL	BPL	AAY	Anna-purna	
2001-02	23.71	5.66	9.76	1.87	0.14	17.43	Nil	17.46	1.78	0.13	19.37
2002-03	36.39	3.35	14.45	2.60	0.11	20.51	Nil	17.30	2.46	0.10	19.86
2003-04	38.30	3.82	13.68	3.38	0.11	20.99	Nil	19.41	3.18	0.10	22.69
2004-05	38.30	11.34	12.30	4.74	0.11	28.49	Nil	22.55	4.47	0.10	27.12
2005-06	38.30	14.70	10.86	6.20	0.11	31.87	Nil	23.08	5.76	0.10	28.94
Total	175.00	38.87	61.05	18.79	0.58	119.29	Nil	99.80*	17.65	0.53	117.98

Note: Short lifting of allotted rice was mainly due to non-lifting of APL rice in full on account of cost factor/lack of demand.

* included 38.75 lakh MT (99.80 lakh MT – 61.05 lakh MT) of APL rice supplied to BPL and there was no distribution of rice to APL card holders due to lack of demand

It may be seen from the above table that the distribution of rice to BPL families in all the years was far in excess of the actual allotment by GOI for BPL. Since the quantity allotted for BPL was not sufficient, the State Government had been purchasing rice at APL rates from FCI and distributing the same to BPL families; the difference cost being met by the State Government involving higher subsidy burden to the Government.

3.1.7.4 Extension of benefit to ineligible BPL families

As per the GOI Census 2001, BPL families of the State stood at 40.63 lakh. However, the department had issued 1.07 crore white cards upto the end of 2001. This number had increased to 1.34 crore as of March 2006 without any BPL survey having been conducted for their identification. If this figure of BPL is considered, the total BPL population would constitute 80 *per cent* of the entire population in the State, which is unacceptable as it is not supported by any evidence. The department had no specific explanation to the existence of such a vast number of BPL population in the State.

Subsidy on BPL cards was on the increase in spite of the conversion of 15.58 lakh BPL into AAY

During the five year period 2001-06, 15.58 lakh⁶ BPL (white) cards had been converted to AAY cards for which the rice was provided by GOI at Rs 3 per Kg. Despite this, the expenditure on account of subsidy on BPL cards had been on increase instead of decrease during 2003-04 to 2005-06. This was mainly because of a large number (35.40 lakh) of new BPL cards had been issued (November 2003) by the State Government under Janmabhoomi⁷ (19th round) programme and Gandhi Jayanthi celebrations, etc. without any BPL survey.

State was distributing PDS rice to BPL families far in excess of number identified by GOI resulting in extra burden of Rs 1021 crore

In order to meet the additional requirement of rice to cover all the existing BPL white card holders the State had purchased rice at APL rates to the extent 38.75 lakh MTs during the period 2001-06. This has resulted in additional burden on the State exchequer to the extent of Rs 1021 crore by way of subsidy for the above period. Evaluation of Targeted PDS by the Programme Evaluation Organisation of the Planning Commission also revealed that there was abnormal leakage/diversion upto 25 *per cent* of the total off-take of BPL quota in the State.

The Commissioner stated (June 2006) that the issue of computerised and laminated ration cards on Iris Biometric Technology had commenced (June 2005) and was in progress and on completion of the process, ineligible families/non-residents/non-existent families known as bogus/ghost cards would be eliminated. Thus, it is clear that concrete steps had not been taken by the Government till June 2005 to weed out the ineligible/bogus BPL cards though pointed out in the Audit Report for the year ended 31 March 1999. As a result, a large number of ineligible families/bogus card holders had enjoyed the benefit for the last several years incurring huge additional burden on the exchequer.

3.1.7.5 Bogus cards in circulation

Periodical checking of ration cards was not resorted to

Control order 2001 stipulates that the Collector should get the lists of BPL and AAY families reviewed every year for the purpose of deletion of ineligible and inclusion of eligible families. Periodical checking of ration cards are also required to be conducted to weed out ineligible and bogus ration cards/units (members).

⁶ Phase I: (6.23lakh), Phase II: (3.12 lakh), Phase III: (3 lakh), Phase IV: (3.23 lakh)

⁷ a State sponsored programme involving all key departments to take spot decisions and execute them for long felt needs of the public

At least 8.55 lakh ineligible beneficiaries had enjoyed the benefit of PDS over the years

It was observed from the records of the Commissioner, that the verification of beneficiaries was done in the years 2002-03 and 2003-04 only and no annual review was conducted in the years 2001-02 and 2004-05. It was observed that a total of 8.55 lakh ineligible cards were deleted while issuing rice coupons in 2002-03, indicating that, many ineligible beneficiaries had enjoyed the benefit of PDS for the last several years.

The following points were also noticed in East Godavari and West Godavari out of seven test-checked districts.

- As per the proceedings (March 2006) of Commissioner, the allotment of rice to the West Godavari District for the month of March 2006 was reduced by 10 *per cent* in view of the surrendering 76651 white ration cards, which were found to be non-existent/bogus/ghost in circulation.
- In East Godavari District, some bogus cards were noticed in Pithapuram and Biccavolu mandals leading to an adhoc reduction in the allotment of foodgrains by five *per cent* (30922 cards) for the month of March 2006. However, there were no reports of BPL families complaining of being deprived of ration for the month, as confirmed (April 2006) by the DSO.

Thus, due to non-conducting of periodical checking and verification of ration cards/units, it is clear that bogus cards have obviously been in circulation over the years and ineligible people have been enjoying the benefits under PDS.

3.1.7.6 Issue of ration at a lesser scale

Rice was distributed to BPL at lesser scale due to insufficient allotment in Adilabad and East Godavari Districts

During the test-check of records of Kusli FPS of Dilawarpur mandal in Adilabad District, it was noticed that for the last four years, the distribution of rice was being made at 19 kg per month to families consisting of five and above members instead of 20 kg. It was noticed that allotment of rice to the FPS was being made by the MRO based on 326 white cards, as against 359 in circulation and the FPS had been covering 347 beneficiaries, thereby fully depriving the benefit of PDS rice to 12 eligible card holders.

Similarly in respect of Kapileswarapuram mandal of East Godavari District it was noticed that for eight months (April to November 2005), the PDS rice was being distributed to beneficiaries ranging between 144 to 510 at a lesser scale (less by 2 kg) for six months (April to November 2005) reportedly due to insufficient allotment by the DSO.

3.1.7.7 Non-issue of Ration cards regularly

Ration cards were not issued on a regular basis contravening the provisions of the Control Order 2001

As per clause 2 (4) of annexure to PDS Control Order (2001), ration cards should be issued within one month from the date of receipt of an application after necessary checks and verification. However, in all the test-checked districts there was no recorded evidence of any application for issue of a new card having been received or new ration cards having been issued regularly. It was also observed that the ration cards were being issued only when there were specific instructions from Government as a part of programmes such as Janmabhoomi, on the occasion of Gandhi Jayanthi, etc. but not as a regular

process as required under the Control Order. The MROs of the test checked mandals replied (August-September 2005/April 2006) that no applications were entertained for issue of fresh cards since there was ban on such issue, which goes against the provisions of the Control Order.

3.1.7.8 Non-appointment of FPS dealers

FPS dealer was not appointed; there was no follow-up on the audit observation

As per the orders issued by the Government from time to time, FPS should be opened within the periphery of one Km from any habitation even when the population was less than one thousand.

It was noticed (April 2006) that no action had been taken for opening of FPS to cover the tribal population of eight villages, where the beneficiaries had to commute 10 to 15 Km to draw their ration, despite being pointed out in the Audit Report for the year ended 31 March 1999. The Commissioner replied (June 2006), that the Girijan Cooperative Corporation would now be asked to open sub-depots for supply of essential commodities to the card-holders to minimize the distance to be covered by the tribals.

3.1.7.9 Improper maintenance of FP shop records

Basic records were not maintained by FPSs

As per the Control Order 2001, the FP shop dealer should maintain and submit accounts of the actual distribution of essential commodities and balance stock details, etc. to the Deputy Tahasildar (CS)/MRO. Of the 84 FPSs test-checked, in 31, following irregularities were noticed:

- The vital records on stocks, sales and bills register, etc. for the period up to December 2004 were not made available either at the test-checked FPS or at MROs (Eluru and Devarapalle) of West Godavari and MROs (Bela) of Adilabad Districts.
- In Dilawarpur mandal of Adilabad District no key registers indicating list of beneficiaries were made available either at the test-checked FPSs or at MROs office.
- It was seen from the records of MLS point, the FPS at Yalluru of Gospadu mandal (Kurnool District) had not maintained required stock, sales register, coupons account, etc. for the quantities of foodgrains lifted in May and July 2005.
- Each FPS dealer has to display a board at prominent place duly indicating the latest stock position of each commodity, samples of foodgrains and number of beneficiaries, etc. However, in the test-checked FPS of Kusli and Dilawarpur-1 of Dilawarpur Mandal (Adilabad district), and all the test-checked FPS in East Godavari District no such display boards were found.
- In respect of four FPS⁸ it was observed that rice was distributed without obtaining either the signature or thumb impression of the beneficiaries.

Boards indicating the number of beneficiaries, stock position, etc. were not displayed at FPS

⁸ Kusli (Dilawarpur), FPS no.34 (Adilabad urban) of Adilabad District and FPS no.26 and 34 of Kadiyam mandal in East Godavari District

3.1.7.10 Inaccurate weighing of foodgrains

Essential Commodities were distributed at lesser weights

As per the procedure in vogue, persons-in-charges of MLS points should arrange transportation of the stocks under proper weighing in the presence of the Route officer arranged by MRO, who in turn would deliver the stocks at the FPS under proper acknowledgement. However, from the minutes (June 2005) of the State level Food Advisory Committees, it was observed that rice bags received from Punjab and Haryana States were found to weigh only 46 kg each instead of 50 kg as printed and delivered. In the test-checked mandals⁹ of East Godavari District also, the dealers of FP shops stated (April 2006) that they had been receiving commodities on an average about two *per cent* less in each bag, over the years. Fines were also imposed on the dealers by legal Metrology Department for supplying less quantity to consumers. Thus, distribution of rice at lesser weight to the consumers over the years cannot be ruled out.

The Commissioner replied (June 2006) that Committee of Group of Ministers constituted (June 2004) by the Government for revamping the PDS had recommended (January 2005) for installation of Electronic Weighing Scales (EWS) at MLS points and that a committee was constituted in April 2006 for procurement and installation of EWS.

3.1.7.11 Doubtful viability of fair price shops

FPS were running with meagre income (below that of BPL) leading to doubtful viability of FPS

As per the existing orders issued by Government from time to time, the FPS should remain open for eight hours a day and therefore the FPS dealers are appointed on a full time basis. The margin permissible to FPS dealer on the sale of rice was Rs 12.92 per quintal plus cost of gunny bag. In respect of other commodities like wheat and sugar the rates allowed are Rs 13 and Rs 15.53 respectively per quintal plus Gunny bags and Kerosene oil at Rs 0.12 ps per litre. The FPS is to meet maintenance expenditure such as rent for the shop, contingencies, etc. from the earnings.

Audit analysed the annual income for 731 FPS (rural: 380; urban: 351) in 17 mandals (rural: 12; urban: 5) in the test-checked districts other than Hyderabad District. 237 FPSs (62 *per cent*) in rural mandals and 171 FPSs (49 *per cent*) in urban mandals earned income less than BPL income of Rs 20000 (rural) and Rs 24000 (urban) per annum. This raises doubt about the viability of the FPSs and the FPS dealers managing with such meagre income.

3.1.7.12 Differential cost not claimed by CSC

CSC was yet to claim refund of Rs 53.28 lakh from FCI, being the excess payment made towards purchase of rice during the pipeline period

During the years 2000-01 and 2001-02, GOI had reduced the CIP of rice distributed under PDS on various occasions. When CIP of rice was revised, a period of seven days prior to the effective date of revision was being considered as pipeline period. During this period procurement has to be made at revised rates only. The district units at Adilabad, Anantapur, West Godavari, Guntur and East Godavari procured rice during the pipeline

⁹ Kapileswarapuram mandal (FPS Nos. 20, 28, 11, 2); Kadiyam mandal (FPS Nos. 26, 10, 34, 18); Kakinada urban mandal (FPS Nos. 10, 68, 97, 39)

period¹⁰. However, payments were made to FCI at pre-revised (higher) rates. This has resulted in excess payments to FCI as detailed below:

Year	District Unit	Quantity purchased at higher rate (MTs)	Difference in rate (Rs)	Amount (Rs in lakh)
2000-01	Adilabad	550.000	1800	9.90
2001-02	Adilabad	546.000	1200	6.55
2000-01	Anantapur	6015.000	250	15.04
2000-01	West Godavari	325.000	1800	5.85
2000-01	Guntur	992.535	250	2.48
2001-02	Guntur	634.648	1200	7.61
2001-02	East Godavari	886.000	1800	15.95
Total				63.38

It was, however, seen that none of the DMs (CSC) had claimed the refund of excess payment from the FCI. The DM, Guntur got the refund in April 2006 after the excess payment was pointed out by Audit. The refund of Rs 53.28 lakh was yet to be claimed from the FCI. The VC&MD, CSC while accepting the audit point had agreed (August 2006) to review the position in all other districts also.

3.1.8 Convergence of other related schemes

3.1.8.1 Irregular issue/distribution of rice under Sampoorna Grameen Rozgar Yojana/ Food for Work programme

Rice under SGRY/ FFW was distributed on blank coupons and in large quantities to a single person in East Godavari District

GOI had been allotting rice (in addition to cash component) to the State under Sampoorna Grameena Rozgar Yojana (SGRY), Food For Work (FFW) programme and other welfare schemes for distribution through PDS to labourers who are engaged on works. In respect of SGRY and FFW, rice would be allotted to executing agencies by the administrative authority (CEO, ZP/District Collector) and based on the indents placed by the executing agencies, rice is then distributed to labourers through FPS on coupons. The MRO/MPDO would issue release order to lift the rice from the MLS point and place at FPS. After distribution of rice the coupons are to be surrendered to the MRO/MPDO. Scrutiny of records of six FPSs¹¹ out of eight test-checked in two mandals (Kadiyam and Kapileswarapuram) of East Godavari District disclosed the following:

- In all the six FPSs, rice was shown as distributed on blank coupons without containing the details of mandal, village and FP shop no, etc. The FPS dealers had also issued rice without insisting on proper coupons.
- Rice was distributed in lump (i.e., one tonne and above) to single individuals on a single day. Huge quantities (20 MT and 15 MT) of rice were distributed (23 & 29 July 2002) to single contractor in FPS No.10 of Kadiyam mandal. In Kapileswarapuram, there were specific orders from MRO during the period 2002-04 to issue rice to specific individuals in a lump.

¹⁰ 25 March 2000 to 31 March 2000; 18 July 2000 to 24 July 2000; 8 November 2000 to 14 November 2000; 5 July 2001 to 11 July 2001

¹¹ Kapileswarapuram mandal (FPS Nos. 11, 20, 28); Kadiyam mandal (FPS Nos. 10, 18, 26)

- Thousands of blank coupons on which rice was already distributed were still retained with the FPS dealers over the years without surrendering to MRO as required.

It would appear that the rice was not distributed directly to the genuine labourers at FPS level as envisaged, defeating the very objective of providing food security to the labourers. Thus, there was every possibility of the rice escaping into the open market.

The MRO (Kapileswarapuram) replied (April 2006) that necessary instructions would be issued to FPS dealers to supply the rice to the labourers only and to surrender the old coupons. No specific reply was furnished by the MRO, Kadiyam.

3.1.8.2 Retention of foodgrains pertaining to various Welfare Schemes for long periods

Foodgrains lifted under SGRY/FFW were retained undistributed for long periods

Scrutiny of records pertaining to management of foodgrains pertaining to welfare schemes in four (out of the seven) districts¹², revealed the following points:

- During the years 2003-04 and 2004-05, 123159.89 MT and 33175.01 MT of rice respectively was allotted by DSO, Anantapur to various mandals towards execution of works under SGRY (SC) in Dharmavaram and Singanamala mandals. It was noticed that as against total lifting of 87318.99 quintals of rice during 2003-05, only 81053.43 quintals were utilised towards execution of works under the scheme. The balance 6265.56 quintals had remained unutilised (October 2005) and are lying with FPS indicating non-generation of required mandays in the execution of works.
- During the year 2003-04, GOI had allotted 22100 MT of rice at BPL cost for the implementation of a pilot project of the National Nutrition Mission, in two districts viz., Adilabad (9200 MT) and Mahboobnagar (12900 MT). The rice was to be released to poor pregnant lactating women and adolescent girls free of cost. Though the rice was lifted from FCI in 2003-04, 4322 MT is still lying with the CSC and is yet to be released to FPS for distribution (March 2006). In the test-checked FPS (Kusli of Dilawarpur mandal) in Adilabad District which was implementing the scheme, against the total stock of 8.80 quintals released (May 2004), a quantity of only 2.50 quintals of rice was distributed (July 2004) to Child Development Project Officer leaving a balance of 6.30 quintals undistributed as of March 2006.
- The FPS dealer, Gospadu (SC) of Gospadu mandal of Kurnool District had received 119.46 quintals of rice up to May 2005 towards SGRY/FFW works. Out of this, only 93.30 quintals of rice was distributed (January 2006) leaving balance 26.16 quintals of rice unutilised over 11 months to one year. The MRO (Gospadu) replied (April 2006) that the release orders in this case were issued by MPDO and not by the MRO.

The status of action taken against the officers responsible in the above cases was not received (August 2006).

¹² Adilabad, Anantapur, Kurnool and Mahboobnagar

3.1.8.3 Cost of rice remained un-recovered from FPS dealers

In Guntur District, cost of SGRY/FFW rice (Rs 1.19 crore) was yet to be recovered from the FPS dealers

In Guntur District, 870 MT of rice pertaining to SGRY (2002-05) and FFW (2001-03) was diverted by FPS dealers. The cost of rice evaluated by the department worked out to Rs 1.19 crore. The Director, Civil Supplies promised (August 2006) to recover the cost of this 'diverted' rice from the concerned FPS dealers after obtaining the details from the district authorities.

3.1.9 Monitoring

3.1.9.1 Shortfall in periodical inspections of FPS

Inspections of FPS were neglected by various district authorities

To ensure effective and smooth functioning of PDS, Control Order 2001 stipulated monthly targets of inspection of FPS by various authorities (District Collector: three; Joint Collector: five; RDO/Sub-Collector: eight; and Deputy Tahsildar, Civil Supplies (Enforcement): 10).

It was, however, observed that in West Godavari District no inspections had been conducted by the District Collector for the entire period 2001-06. In Adilabad District no inspections were conducted by the District Collector during the years 2001-05 and there were large shortfalls (upto 95 per cent) during the year 2005-06. As against the target of 60 inspections per annum to be conducted by Joint Collector (Adilabad), only 28 and four inspections were conducted during 2003-04 and 2005-06 respectively. No inspections were conducted in the year 2004-05.

In other test-checked districts, details of inspections conducted were not shown to Audit.

Thus, the crucial aspect of inspection of FPS had not been given due attention despite being pointed out in the Audit Report for the year ended 31 March 1999.

3.1.9.2 Losses and misappropriations

There were 159 cases of misappropriation of stock worth Rs 12.21 crore; of these, 125 cases (Rs 5.18 crore) were pending for more than 10 years

As of August 2006, there were 159 cases of misappropriation of stock worth Rs 12.21 crore awaiting settlement. Of these, 90 cases (Rs 3.78 crore) were pending for over 15 years and above, 35 cases (Rs 1.40 crore) pending for 10 to 15 years, 17 cases (Rs 1.70 crore) pending for five to 10 years and 17 cases (Rs 1.01 crore) pending for one to five years.

The inordinate delay in the recovery was mainly due to the delay in completion of departmental inquiries/non-enforcement of final order for recovery from the delinquents. The recovery from the delinquents in 62 cases¹³ involving Rs 3.22 crore was doubtful.

¹³ awaiting recovery in the meanwhile died (23 cases: Rs 1.20 crore), or retired (24 cases: Rs 0.86 crore), dismissed/terminated (10 cases: Rs 0.59 crore) and whereabouts not known (five cases: Rs 0.57 crore)

3.1.9.3 Non-functioning of Food Advisory Committees

Food Advisory Committees were not functioning at FPS level

As per the Government orders issued from time to time, Food Advisory Committees (FAC) at FPS, mandal and district levels are required to be constituted to review the functioning of PDS particularly with reference to allotment and off-take, and bring deficiencies, irregularities, etc to the notice of concerned authorities.

Though the FACs were meeting at State, District and Mandal level, no meetings were conducted at FPS level during the period 2001-06 in any of the seven districts test-checked.

3.1.9.4 Internal audit

Internal audit was altogether neglected

Government had issued instructions (July 1997) to conduct internal audit of all monetary transactions and schemes of the department by the Accounts branch of the department. There was however, no separate internal audit wing in the department.

Though huge amounts (Rs 2114 crore during 2001-06) were spent by the department towards subsidy on PDS no targets were fixed for conduct of internal audit and no internal audit of the district offices was conducted during the entire period except in two (Karimnagar and Srikakulam up to 2001-02) districts.

The Commissioner attributed (June 2006) non-conduct of internal audit to shortage of personnel. He, however, assured (August 2006) to strengthen the internal audit in the department.

3.1.9.5 Evaluation of PDS

Majority of the recommendations of the Group of Ministers to revamp PDS were not implemented

No evaluation of implementation of PDS was conducted by the department in the last five years. Government had constituted (June 2004) a Group of Ministers to revamp the PDS. Accordingly, the Group of Ministers made (January 2005) various recommendations viz., increase of income limits for identification of BPL families in rural and urban areas, computerization of cards and bar coded coupons, de-linking of white cards from utilizing them for medical treatment in super specialty hospitals, electronic weighing scales at MLS points, increase in margins to be allowed to FPS dealers, rationalization of AAY scheme¹⁴, etc.

It was, however, observed that several recommendations such as rationalisation of AAY, increase the viability of FPS, installation of electronic weighing machines, etc had not been implemented as of June 2006. The Commissioner replied (June 2006) that these recommendations would be implemented after completion of the ongoing process of issue of new ration cards.

¹⁴ restricting the distribution of 35 kg of rice depending on the number of members of the family

3.1.10 Conclusions

The audit findings reported in the Audit Report for 1998-99 have still not been addressed and continue to exist even now.

The actual number of BPL families was identified (2001) by GOI at 0.41 crore and it had been providing rice on that basis; the State was providing subsidised rice to 1.34 crore BPL families. This has resulted in additional burden of Rs 1021 crore during the five-year period 2001-06. Periodical reviews to weed out ineligible and bogus cards were not conducted. In some mandals, BPL families had not been supplied benefits as per the prescribed scales and rice was distributed to consumers at lesser weights. Rice under SGRY/FFW programme were issued on blank coupons and in large quantities to single individuals contravening the provisions of these schemes. Inspections of FPSs by various district authorities were not given any attention indicating a lack of supervision and monitoring, leaving scope for misuse of stock and other malpractices. There were 159 cases of misappropriation of stocks involving Rs 12.21 crore awaiting settlement as of March 2006. Food Advisory Committees were not functioning at FPS level. The majority of the recommendations (January 2005) of the Group of Ministers on revamping the PDS had not been implemented even as of August 2006.

3.1.11 Recommendations

- Process of periodical review of the ration cards should be strengthened in order to weed out bogus cards/units to ensure food security to the targeted population.
- Proper system should be established for distribution of rice under SGRY/FFW and other welfare schemes to the genuine labourers.
- Cases of misappropriation and losses should be expeditiously settled and misappropriated amounts recovered.
- Inspections of FPSs by the various administrative authorities and monitoring at all levels should be strengthened. Regular meetings of Food Advisory Committees at FPS level should be ensured.
- Recommendations (January 2005) of the Group of Ministers, such as rationalisation of AAY scheme, installation of electronic weighing machines at MLS points, increase the viability of FPS, etc., should be implemented forthwith.

The above points were referred to Government in July 2006; reply had not been received (September 2006). The audit observations were discussed with the VC&MD, CSC, and Director in the exit conference held in August 2006. The points brought out by the Audit in the Performance review have been accepted. The recommendations made were also discussed and accepted.

ENVIRONMENT, FOREST, SCIENCE AND TECHNOLOGY DEPARTMENT

3.2 Conservation of Tiger and Eco-Development

Highlights

'Project Tiger', is a Centrally sponsored scheme, whose main objective is to ensure the maintenance of a viable population of tiger, for scientific, economic, aesthetic, cultural and ecological values. There was little evidence of protection measures having been undertaken. The tiger census conducted every year is unscientific and not systematic, and therefore unreliable in verifying the actual population of tigers in the Reserve. There is a large and growing increase in the human/cattle population in the Reserve causing enormous biotic pressure on the Reserve. No action has been taken for checking encroachment or for the translocation of people from the Sanctuary. The State Government has assigned a very low priority to Project Tiger.

◆ Project Tiger Management plans were not comprehensive and there was no correlation between the Management Plans and the Annual Plans of Operations.

[Paragraph 3.2.6.1]

◆ During 2001-06, against the total expenditure of Rs 62.60 crore on all the schemes in the Rajiv Gandhi Wildlife Sanctuary (RGWS), the expenditure on Project Tiger was only three per cent (Rs 1.91 crore).

[Paragraph 3.2.5.1]

◆ Delayed consolidation of the Tiger Reserve for nearly 20 years has resulted in large scale encroachment and in diversion of land for various purposes in the sanctuary area by other departments. Growth of cattle population in the RGWS has caused biotic pressure on the habitat including water/fodder shortages and soil erosion in the RGWS. The Project Tiger guidelines prescribed by the GOI regarding core area and buffer area had also not been implemented.

[Paragraphs 3.2.6.2, 3.2.6.4, 3.2.7.1 and 3.2.8.7]

◆ Tiger Census was unscientific and not systematic. Several discrepancies in the reporting of Tiger population over the years was noticed. Measures to protect tigers and other wildlife from poaching in the RGWS were inadequate.

[Paragraphs 3.2.8.1, 3.2.8.2, 3.2.9.1 to 3.2.9.4]

◆ A large number of vacancies (57 per cent) exist in the posts of key functionaries of Forest Range Officers. Also, none of the 348 Forest Beat Officers/Assistant Beat Officers and the 21 Range Officers were trained in wildlife management.

[Paragraphs 3.2.11.1 and 3.2.11.2]

3.2.1 Introduction

The Tiger has become, in a way, a symbol of the whole wildlife and nature conservation movement in India. For a viable tiger population, a habitat should possess a good prey base which in turn will depend on an undisturbed

forest vegetation. Thus, 'Project Tiger' is basically the conservation of the entire eco system.

Government of Andhra Pradesh in exercise of the powers conferred by Section 18 of the Wildlife (Protection) Act, 1972 (Central Act) had declared (July 1978) the Nagarjunasagar – Srisaïlam Reserve Forest area covering 3568 sq km spread over five districts¹⁵, as Wildlife sanctuary (Rajiv Gandhi Wildlife sanctuary (RGWS) from 1992). In February 1983, GOI approved inclusion of the sanctuary under the Centrally sponsored scheme of “Project Tiger”.

The objectives of the Project Tiger are to:

- ensure the maintenance of viable population of tiger for scientific, economic, aesthetic, cultural and ecological values.
- preserve, for all times, areas of such biological importance as a national heritage for the benefit, education and enjoyment of the people.

The stress was on conservation of endangered flora and fauna with specific stress on saving the Tiger with its prey base and habitat.

3.2.2 Organisational set up

Principal Chief Conservator of Forests (PCCF) is the Head of the Department. The PCCF (Wildlife) is responsible for implementation of Project Tiger including Eco-development in Tiger Reserves. The Field Director, Project Tiger (FDPT), Srisaïlam was created during 1978. The Project Tiger Circle is managed with the four Territorial Divisions – Divisional Forest Officer (DFO), Wildlife Management (WLM), Atmakur; DFO, WLM, Markapur; DFO, WLM, Achampet; DFO, WLM, Nagarjunasagar and two Functional Divisions - DFO, Flying Squad Party, Srisaïlam, and Assistant Conservator of Forests (ACF), Bio-Diversity, Srisaïlam.

3.2.3 Audit objectives

The main objectives of this Performance Audit review were to assess whether:

- release of funds and utilisation thereof was in accordance with management plans/annual plan of operations
- the consolidation of Tiger Reserve and Conservation of Tiger was done effectively
- effective protection measures for sustainable management of the Reserve were taken up
- efforts were made to restore degraded habitats and research initiatives for strengthening the bio-diversity in the Reserve, and impact of tourism on the Reserve
- manpower was adequate and effectively deployed
- there was proper interference by other departments in the Reserve
- monitoring in the overall management of the Reserve was done effectively

¹⁵ Guntur, Kurnool, Mahboobnagar, Nalgonda and Prakasam

3.2.4 Scope and Methodology of Audit

The Performance Audit of “Conservation of Tiger and Eco-Development in RGWS” was conducted from January to June 2006 at the offices of the PCCF, FDPT and the ACF (Bio-Diversity), Srisailam, and the DFO, Atmakur, covering the period from 2001-02 to 2005-06.

Entry Conference was held (January 2006) with the Special Secretary to Government, PCCF (Wild Life), and the FDPT (Srisailam) where the objectives of audit were discussed. The scheme was evaluated with reference to National wildlife Action plan for 2002-16, Wildlife Protection Act and Indian Forest Act, and Management plans for RGWS for 1990-95 and 2000-05. Physical evidence was obtained by taking photographs, maps, statements from the auditee units where considered necessary and the data was computed and analysed. Exit Conference was also held with the PCCF, PCCF(Wild Life), FDPT (Srisailam) in August 2006. The results of the review are presented in the succeeding paragraphs.

Audit findings

3.2.5 Financial Management

3.2.5.1 Meagre allotment of funds for Project Tiger

Allotment and the expenditure on Project Tiger was very meagre (only three per cent of the total expenditure on all schemes in the Project Tiger Circle)

As per the National Wildlife Action Plan, 2002-16, at the minimum, two *per cent* of the national budget should be allocated to the protection of forests, of which at least 15 *per cent* should be set aside for wildlife conservation.

During the five-year period 2001-06 the annual Budget of the Forest Department was about Rs 247 crore to Rs 426 crore. However, the State Government had allotted only 0.5 to 0.8 *per cent* of its resources to the Forest department. Of this, only four to six *per cent*¹⁶ were allotted to wildlife conservation. The allocations and expenditure incurred on Project Tiger during 2001-06 were as follows:

(Rupees in lakh)

Year	Amount sanctioned by GOI	Amount released by GOI	Amount released by State Govt.	Expenditure
2001-02	56.05	27.00	30.78	33.61
2002-03	44.70	33.10	19.10	16.24
2003-04	64.50	46.00	41.39	41.37
2004-05	76.00	38.14	42.14	41.86
2005-06	66.00	42.75	58.25	58.25
Total	307.25	186.99	191.66	191.33

The funds sanctioned by GOI could not be obtained in full due to shortage in spendings by the department and this was again attributed by the PCCF to belated release of funds by the State Government.

¹⁶ Plan: 2.41 to four *per cent*; non-plan: 8.68 to 10.42 *per cent*

During the period 2001-06, the total expenditure incurred by the department on all schemes in the Project Tiger Circle was Rs 62.60 crore while the expenditure on Project Tiger was only three *per cent* (Rs 1.91 crore).

3.2.5.2 Non-utilisation of funds under Compensatory Afforestation

Funds of Rs 10.20 crore deposited by user agencies for development of the RGWS were not utilised

For laying 400 KV lines through RGWS, and for exploration of Uranium and other atomic minerals in the sanctuary, Rs 5 crore each were to be deposited by APTRANSCO¹⁷ and Uranium Corporation of India (UCI) respectively for development of RGWS. In addition to the deposit of Rs 5 crore in September 2004, Rs 60 lakh was also paid (November 2005) to the Forest Department by UCI towards protection measures.

It was however, noticed that an amount of Rs 4.60 crore was deposited (September 1998 – January 2003) by APTRANSCO after adjusting Rs 0.40 crore against electricity dues against the provisions.

It was noticed that only Rs 59.22 lakh had been released (March 2006) to PCCF but could not be utilised due to release of funds at the fag end of the year. The remaining amount had, however, not been released to the PCCF as of August 2006 and was lying with the State Government.

Non-utilisation of the amounts intended for the development works of the sanctuary has defeated the very purpose for which they were remitted.

3.2.5.3 Revenue realised from RGWS

During the five-year period 2001-06, the revenue earned was Rs 13.30 crore as compared to Rs 1.91 crore spent under Project Tiger. Leading the earnings was Bamboo plantations (Rs 5.39 crore), Compounding Fees (Rs 2.35 crore) and Timber (Rs 1.35 crore). The objective of Project Tiger is to create natural environment for survival of indicator species tiger but not revenue realisation. The constant revenue realisation on compounding fee indicates lack of concern to stop illegal removal of wood and minor forest produce from the sanctuary even though the Supreme Court had prohibited (February 2006) even removal of the dead wood from the sanctuary. Further, revenue realisation in the buffer area indicates the consolidation of buffer for the advantage of villagers rather than creating the space for spatial distribution of increased tiger population. This indicates low priority for the Project Tiger.

3.2.6 Programme Management

The object of the project is to ensure uniformity and continuity of management objectives in implementing conservation measures. It seeks to eliminate all forms of human exploitation and biotic disturbance from the core area and to rationalize activities in the buffer zone such as commercial fellings, collection of minor forest produce, mining, excessive traffic, heavy grazing by domestic livestock which are clearly detrimental.

¹⁷ Transmission Corporation of Andhra Pradesh Limited

3.2.6.1 Preparation of Management Plans

Management plans were not comprehensive. No correlation existed between Management plans and the Annual Plans of Operations

The activities of Management Plan mainly comprised of (i) Zonation (ii) Resource management and development (iii) Protection of wildlife (iv) Fire management (v) Habitat management (vi) Wildlife inventories and Census methodology. The Management Plan should be taken as the guideline for formulation of the Annual Plan of Operations (APO). Accordingly, funds are to be requisitioned for and expenditure incurred for the purposes detailed in the Management Plan.

It was observed that the limiting factors like cattle grazing, human settlements, passage of pilgrims, illicit removal of firewood, etc. identified and included in the Management Plan 2000-05, were not planned for elimination and were ignored year after year. These were not also suitably taken to the APOs. The preparation of Management plan was, thus, not comprehensive. The formulation of Management Plan (2000-05) was badly delayed (April 2004). APO had, therefore, been undertaken only on ad-hoc basis and the expenditure incurred accordingly.

3.2.6.2 Consolidation of Tiger Reserve

The delayed consolidation of Tiger Reserve resulted in the department losing track of status of land area actually encroached upon

The State Government had notified in July 1978 an area of 3568.09 sq km as sanctuary under Section 18 of Wild Life Protection Act. But, Government only in April 1997, conferred the powers to the Conservator of Forests to issue proclamations under Sections 19 to 25 enabling the Government to notify the Sanctuary. But while determining the rights of enclosures and villages within the boundaries, the Conservator of Forests had not conducted any enquiry and determined the existence, nature and extent of rights enjoyed prior to declaration of sanctuary in the year 1978 "except in core area". Although some more settlements of villages/villagers had taken place during the intervening period of 19 years, action regarding proclamation and inquiry was not taken afresh. As a result many non-native tribes, fishermen have settled in the Reserve over a period of time with the intention of commercial exploitation. Socio-political conflicts make the resettlement of these encroachers very difficult now and their continuation in the Reserve is detrimental to natural habitat of wildlife.

The FDPT at Srisailam had not also maintained either updated land area register or village-wise existing rights thus losing the track of status of land area resulting in additional encroachments in the Reserve. PCCF while accepting the audit point stated (August 2006) that the delay was caused by the district administration in spite of constant persuasion.

Thus, the delayed action of the Government has created enormous biotic pressure on the sanctuary due to increased human activity, etc.

3.2.6.3 Non-declaration of additional sanctuary area

Due to reorganisation of Project Tiger Circle in 1999, an additional area of 2700 km of Reserved Forest was added to the sanctuary. A substantial portion of this area was not contiguous, but existed in isolated forest blocks

surrounded by human settlement. The FDPT replied (March 2006) that this area had been treated as Buffer Zone. It was, however, observed that this was not declared even as Buffer area. The status of additional area remains ambiguous.

3.2.6.4 Project Tiger Guidelines not implemented

None of the guidelines laid down by the GOI for Project Tiger had been implemented

The project *inter alia* lays down following measures for management of Tiger Reserve:

- A sanctum sanctorum of at least 300 sq km to be demarcated in each Reserve where no felling, grazing or movement of men, except for the management of the Reserve, be permitted
- Use of modern means like fast moving vehicles, aircraft, wireless sets, etc.
- Habitat development by manipulation to the best advantage of wildlife
- Undertake research programmes (data collection only) which are fundamental for improving management of the Reserves

It was, however, observed that although the RGWS had 3568.09 sq km of sanctuary area with another 2700 sq km as buffer area, a sanctum sanctorum of at least 300 sq km as laid down had not been created by the department. The department could not also control effectively the anti-poaching and protection operations. For such a vast area there were only five patrolling parties. Use of wireless sets has almost been abandoned and there were no modern/fast moving vehicles to deal with organised poaching groups. Natural habitat development was not given adequate attention, and the works relating to Forest Development Agency (FDA) and Bio-diesel plantations were being undertaken in the sanctuary.

3.2.7 Land Management

3.2.7.1 Diversion of land

Land within the sanctuary area was diverted adversely affecting the tiger habitat

During the period 1964-1966, Government already transferred a total of 2358.52 acres of forest land which is within the core area of sanctuary now to the Irrigation department for construction of Hydroelectric Project (Srisailam). Instead of surrendering the surplus land available after completion of the project, the Irrigation department in turn had allotted 305.43 acres of land to Revenue Department. In the year 1968, the Chief Engineer (Projects), Srisailam Hydroelectric Project allotted 632 plots (37 acres) for the lease of sites for commercial and non-commercial purposes to private parties. The District Collector, Kurnool had allotted (October 1985) 25.79 acres for construction of houses to the weaker sections. In 1998, the Executive Engineer, Camps & Buildings Division (Irrigation Department (1997-98) had also made irregular allotment of 709 plots (situated in enclosure in the core area) which is under inquiry (August 2006) since August 2001. Besides this, 890 acres of forest land was illegally occupied by the Irrigation Department.

The above diversion/illegal occupation of land is a consequence of the failure of the department to take action in respect of enclosures as per Sec. 22 of Wildlife Protection Act.

3.2.7.2 Encroachments

Encroached lands were being developed against the spirit of the Project Tiger

It was noticed that not even a single village had been relocated by the department as of August 2006. Further, the PCCF continued to release funds¹⁸ for execution of works under Forest Development Agency (FDA)¹⁹, bio-diesel plantations, etc. The encroached lands were being developed and commercially exploited by the department. Besides, the Ministry of Environment and Forests (MOEF) had acknowledged that some Lambadas (tribal migrants from Western India) had settled in the core area. In addition to this, many of the fishermen had migrated from the coastal areas to fish in with the encouragement being given by MOEF and other district authorities releasing funds for various development works inside and outside sanctuary/protected area. The State Government had also no plans for translocation of the encroachers.

Unabated fishing was noticed in the RGWS area

Thus, the increasing population inside and on the periphery of the protected area coupled with the migrations into the sanctuary had resulted in large-scale encroachment of the forest area by the villagers, adversely affecting the environment and habitat of the sanctuary. The PCCF (WL) replied (August 2006) that GOI had issued instructions to prepare a package for relocating all the villagers from within the sanctuary to outside and that the exercise was under process.

3.2.8 Programme execution

3.2.8.1 Tiger census and Panther census

Tiger census was unscientific and not systematic. Several discrepancies were noticed in Tiger population over the years

The main emphasis laid down for census, for both tigers and leopards, is collection of field information from the forest block by tracing pug marks and assessing population. It is based on the assumptions that each tiger has a unique pug mark by which it can be identified. The “pug mark” counting method is prone to human error as it relies on the “integrity of the primary data collectors, data compilers and their supervisors”. Though this method is not considered as accurate, it is the best of a limited choice of options.

As per the department, the number of tigers in the Reserve fluctuated from a high of 94 in 1989 to a low of 30 in 1994 and again to 70 in 2004 and 2005 (Male: 26, Female: 31, Cubs: 13).

Tigers are presumed as cubs till they reach two years of age, all the rest being adults. The claim of the department that there were 70 tigers as of March 2005 is highly optimistic as the method of conducting the tiger census was found to be unreliable, as evident from the following factors.

¹⁸ FDA: Rs 4.73 crore during 2003-06, Bio-diesel plantations: Rs 33.49 lakh in 2005-06

¹⁹ Entry level operations, development of minor forest produce (MFP)

- The tiger census is required to be completed within a span of a week since the tiger travels a lot and can cross the area of multiple counting groups. The tiger census for the year 2005 continued for at least 20 days raising the possibility that many tigers may have been counted multiple times.
- While taking the Census, the department had included as many as eight tigers from outside the sanctuary, inflating the tally.
- As shown in *Appendix 3.1*, from 2001 to 2002, and 2003 to 2004 there had been an increase in the number of adult male tigers and a corresponding decrease in the number of female adult tigers indicating the possibility of wrong identification in these years. In reply to an audit query about the reporting of a male tiger with a cub in compartment no. 48 of Achampet Division, FDPT accepted (May 2006) that it was a female tiger stating that it was wrongly reported earlier.
- In Achampet and Markapur Divisions, not a single tiger pug mark tracing could be produced by the department. However, the department without any convincing evidence had been claiming (in 2005) 17 and 32 tigers respectively in these two divisions.
- The details in tracing sheets such as beat/compartment number, date, pug mark length and breadth, etc. did not tally with the pug mark casts and details provided by the department. Further, the locations of the pug marks as recorded using a GPS locator vary with those shown for consolidating the figures casting doubts on their authenticity.
- If the tracings made by the departmental staff are accurate, then in Atmakur Division, based on the discrepancies/ mismatch in details, it is possible that there may have been multiple counts of tigers. The number of tigers are more likely to be 6 as against 18 claimed by the Division.
- It was noticed that the figure of 11 tigers forwarded by the Atmakur Division had been increased to 18 by the FDPT while consolidating the figures.
- As per the departmental figures, cubs ranged between 10.52 *per cent* to 18.57 *per cent* of the total tiger population as compared to the optimal 25 *per cent* for healthy and sustainable growth of tiger population.

There was a sudden decrease of 35 Panthers in one year

Similar to the tiger census, there are many unexplained differences in the number of panthers. The 68 panthers in 2001 increased to 85 in 2004 and fell to 50 in 2005 census. The sudden decrease of nearly 35 panthers in one year should have normally been a serious cause for concern but which has not been addressed by the department.

3.2.8.2 Results of stride analysis in Atmakur Division

Tigers: Stride²⁰ analysis shows further reduction of tigers to five in Atmakur Division as follows:

²⁰ distance between two successive prints of either the left or right hind foot as a result of complete movement of the respective leg. Stride is equal to 10 times of pug mark length in case of tigers

(Length in cms)

S.No.	Date	Compartment	Sex	PML	Stride*	Variation in stride	Variation percentage
1.	09-5-2005	882/881	F	14.5	102	(-)43	(-)30
2.	12-5-2005	896	F	12	NA	NA	NA
3.	12-5-2006	870	M	13.8	86	(-)52	(-)38
4.	14-5-2005	771	F	13	150	(+)20	(+)15
5.	16-5-2005	843	M	14.5	118	(-)27	(-)19
6.	17-5-2005	863	F	15	151	(+)1	No variation

* Stride = Pug Mark Length x 10

NA: Not Available

Note: Even as per the above figures, the number of tigers would be only five in the Atmakur Division as against 18 claimed by the department.

In the case of adult tigers, it is generally accepted that the minimum stride should not be less than 90 cm. In seven cases the tracings provided by the department, showed the stride ranged between 60 cm and 90 cm which could not therefore be of tigers.

Panthers: With regard to adult panthers, it is generally accepted that the stride is 12-14 times the PML (7 cm to 9.5 cm) and could be between 84 cm to 133 cm. In eight cases, the stride as per the tracings provided, or calculated from the size of the pug mark, ranged between 65 cm and 83 cm and must have therefore been of a smaller animal. While this definitely indicated the inefficiency of the frontline staff conducting the census, it raises serious questions about the process of consolidation at headquarters.

The department could not give any convincing replies in defence of the Tiger population figures after the unreliability of their census process had been pointed out by Audit.

These shortcomings of the census process are well known to wildlife experts and the department and also pointed out in "Tracking Tigers" the guideline issued by WWF Tiger Conservation Programme for estimating wild tiger population. The guideline points out that "the number of tigers or rather the increase or decrease in a given population, has become almost the sole measure to access the success or failure of an officer in charge of a protected area holding tigers"²¹.

3.2.8.3 Prey base in RGWS

As per the Herbivores Census 2003, there were a total of 47772 herbivorous²² wild animals in the Reserve. Also as of November 2003, there were 1.25 lakh domestic animals. Considering the 3568 sq km of the Sanctuary area, the density of the herbivorous wild animals was 13 animals per sq km as compared to a rather conservative estimate of 35 domestic cattle and 84 migrant cattle per sq km. As a result it would appear that the domestic

²¹ Dr.M.K.Ranjit Sinh, in his preface to "Tracking Tigers" the guidelines issued by WWF Tiger Conservation Programme for estimating wild tiger population

²² Chinkara: 7892 (16 per cent), Chital: 17980 (38 per cent), Chousinga: 5874 (12 per cent), Nilgai: 6489 (14 per cent), Sambar: 9537 (20 per cent)

cattle are taking over the grazing areas of the wild animals, the displaced wild animals are taking to eating the crops of farmers resulting in compensation and creating a vicious circle of conflict between man and animal.

However, even as of August 2006, the department had not taken steps to restrict the number of cattle entering the forest.

3.2.8.4 Zonation and Zone Plans

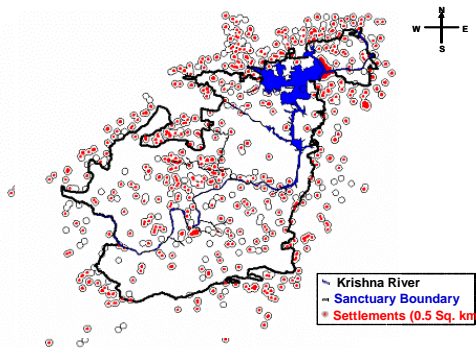
The concept of Zonation was only confined to paper

In the Wildlife management Plan of 2000-05, four zones viz. Wilderness, Traditional Use, Tourism and Buffer Zones had been identified. However, no Action Plans were prepared for each area depending upon its specific requirements. It was observed that the area upto two km distance from the sanctuary boundary was not included in the buffer zone as per the guidelines. It was also observed that most of the peripheral boundary is devoid of buffer.

A 300 sq km inviolate area as sanctum sanctorum for Tiger Reserve was not ensured

The project guidelines prescribed for maintaining a minimum of 300 sq km core area without any disturbance in the Tiger Reserve. This was not implemented even though 3568.09 sq km of sanctuary with a buffer area of 2700 sq km exists as Tiger Reserve. It was however, observed that there were 24 villages, a big project area – Srisailem Hydro Electric Project and Srisailem Temple as enclosure within the core area. These villages and enclosures defeat the very concept of core area.

The following map clearly indicates that virtually there is no undisturbed core area.



Settlements in and around RGWS

3.2.8.5 Growth of human population

Figures of human population reported by the department were unreliable

In the year 1991, there were 24 Core Villages, 96 Non-core villages and 80 Fringe villages with a total population of 46263. As per the department, during the period 1989 to 1991 in the core area, there was a 76 per cent increase in the native chenchu population and a 100 per cent decrease in the non-chenchu population while the human population as of March 2006 has remained constant i.e. 46263 over a period of 15 years. On the other hand, the Standing Committee of the Indian Board of the Wildlife which had inspected the Sanctuary along with the FDPT and ACF (Biodiversity) in November 2003

confirmed a human population of 1.25 lakh in the sanctuary. This suggests that the figures reported by the Department are unreliable.

3.2.8.6 Growth of domestic cattle population

Growth of cattle population has created enormous biotic pressure in the Reserve

The department has been reporting different figures for cattle population also as is evident from the following table:

	Cattle population
Management Plan 1990-95	60000
Management Plan 2000-05	46461
Status Report 2004	44850
Statement relating to finally notified parks	77433

As per the report (November 2003) of Indian Board for wildlife on Uranium exploration, there were 1.25 lakh domestic animals. This casts serious doubts on the veracity of the figures.

Goat menace: As per the Management Plan 2000-05, there were 24 villages in the core area with a total cattle population of 3110. As per this plan, of the 24 villages, two villages (Palutla and Allatam) had a population of 2586 cattle, while the remaining 22 villages had a total population of only 524 cattle.

As a test-check, Audit found on the highway from Vatvarlapalli to Mallelathirtham in the core area, cattle numbering 2500-3000, consisting of over 2500 goats, a few hundred cows/buffaloes, being taken inside the forest for grazing within a span of 30 minutes. Thus the figures of goats were clearly understated by the department. The reply of the department (August 2006) that the goats referred to by Audit were migratory cattle, only exacerbates the problem. It implies that these goats would enter the forest at a different points on different days causing multiple damage.



Hundreds of cows/goats were seen grazing inside the core area



Shepherd carrying an axe for cutting fire wood

Also all the shepherds and cowherds seen by Audit during test-check, were seen carrying an axe with them for the purpose of cutting firewood/chopping branches for their animals.

3.2.8.7 Grazing Policy

There was no grazing policy during 2000-05

As per the Management Plans of 1990-91 to 1994-95, grazing outside core areas was to be regulated on a free permit to be issued on verification of vaccination certificates. The details of cattle to be grazed were to be recorded on the permits. The Plan recommended, apart from stopping free grazing in

the sanctuary and levying a grazing fee in the peripheral and interim areas, that not more than 2000 cattle be allowed to camp at each water hole. There was however, no grazing policy for the period 2000-05.

Multi-dimensional impact of grazing caused biotic pressure on the habitat

Large migratory cattle influx force the herbivores to move to core areas in search of fodder. Large-scale cattle movement create serious gully erosion and threaten silting of the two major reservoirs of Nagarjunasagar and Srisaïlam. Their presence around perennial water sources are making tiger and Panther, cattle lifters and bringing them into conflict with man.

Grazing increases the biotic pressure on the habitat apart from leading to water/fodder shortages and soil erosion.

3.2.9 Protection measures

Measures to protect tigers and other wildlife from poaching were found to be inadequate

Depletion of Tiger population in the Reserve is mainly due to shrinkage and disturbance in its habitat, destruction of its prey animals and poaching.

3.2.9.1 Arms, ammunition and training

In RGWS, the authorities feared the possibility of the arms and ammunition of the forest personnel being snatched by the extremists. Under these circumstances, all arms and ammunition had been deposited with the local police station. Without weapons or training, the staff are ill equipped to tackle poachers who are equipped with sophisticated weapons. Even though adequate number of beat officers/Assistant beat officers were posted the frontline staff were not adequately trained in use of arms and no night patrolling equipment was provided to them.

3.2.9.2 Communication Systems

Communication system plays a vital role in the management of any sanctuary, and the project guidelines envisaged use of modern measures like wireless sets, etc. in the sanctuary for effective implementation of the Project Tiger.

It was, however, observed that the whole of the communication system was not being utilised. It was stopped on the advice of the police to prevent tracking of police on combing operations by the extremists. The PCCF(WL) replied (August 2006) that communication system was being restored gradually.

3.2.9.3 Roads network in RGWS area

The roads bifurcate the protected area into segments restricting the movement of wildlife apart from causing accidental deaths of animals. Though the speed restriction within the forest is 20 km, in the absence of a monitoring system, there was no check on the vehicles passing through the Reserve. While the important roads in the RGWS were over 600 km, the roads in Project Tiger Circle was shown by the FDPT as 424.25 km. As per the Death Register, five deaths (three Panthers and two Deer), were attributed to vehicular traffic.

3.2.9.4 Flying squads

The Flying squads are meant for vigilance and intelligence collection activities to bring out the illegal activities of the smugglers and also the forest officials. It was observed that the Flying Squad Parties were concentrating more on achieving the prescribed target of 'Compounding (C)' fees about Rs 35 lakh to Rs 54 lakh during the period 2001-06. It was also observed that the department had no preventive and proactive anti-poaching system but depended much on the Eco-Development Committees in and around the Tiger Reserve.

As per the department, out of 108 poaching cases detected, 51 cases had been disposed off by imposing penalties in majority of cases during 2001-03 (details for 2003-06 not furnished by the FDPT).

3.2.10 Promotional activities

3.2.10.1 Tourism

There was no assessment of biotic pressure on account of tourism

Though wildlife tourism and temple tourism exists in the Reserve, the department did not develop any tourism management plans. Every year 17 lakh tourists visit Srisailam and other temples situated within the amidst protected area and almost one lakh vehicles pass through the protected area. Besides this, about 20000 wildlife enthusiasts visit the sanctuary every year. The continuous movement of vehicles restrict the movement of wildlife, besides creating sound pollution.

It was, however, observed that no ceiling was fixed on number of tourists, vehicles, no mechanism to check the speed of vehicles, no eco tourism advisory board has been formed and the department did not make any impact analysis on biotic pressure due to temple tourism.

Absence of monitoring and effective management of tourism activity in the Tiger Reserve adversely affects the wildlife habitat.

3.2.10.2 Meagre expenditure on Research

Research activity was neglected

It was observed that during 2001-06, PCCF had requisitioned Rs 32 lakh for carrying out inventory and research work under Project Tiger. However, as against the sanction of Rs 21.50 lakh, only Rs 5.47 lakh (25 per cent) was expended. This resulted in non-receipt of further Central assistance beyond what had been actually spent.

3.2.11 Manpower Management

3.2.11.1 Large vacancies in key posts

Vacancies (57 per cent) existed in key posts of Forest Range Officers

The following table shows the sanctioned strength, number of vacancies of key posts in the Project Tiger as of March 2006.

Cadre	Sanctioned strength	Vacancies (percentage)
Divisional Forest Officer (DFO)	6	-
Forest Range Officer (FRO)	21	12 (57)
Beat Officers (BO)	222	19 (9)
Assistant Beat Officers (ABO)	122	15 (12)

Vacancies in the cadre of FROs (57 per cent) who are the key functionaries at the field level, affected the wildlife management overall. Audit also observed that during the five-year period 2000-05, no regular DFO was posted for Atmakur Division (for three years), Nagarjunasagar Division (for 11 months) and Achampet Division (for seven months) and during those periods the DFOs of other divisions held the additional charge of these divisions. Non-filling up of the vacancies of these DFOs for a considerable period especially that for Atmakur Division which is very rich in wildlife and where all the five FROs were also vacant could not but have adversely affected the management of Tiger Reserve. The PCCF replied (August 2006) that Government had permitted recruitment of 50 FROs but they would be available on field only after three years.

3.2.11.2 Training of key field functionaries neglected

As per the National Wildlife Plan, cadres below the Range Officer of Wildlife are required to be trained from the stage of initial recruitment to retirement and not to be transferred to non-wildlife wing. This was, however, not followed in the RGWS.

The FDPT and three DFOs (out of the six) are wildlife trained. In reply to an audit query, the PCCF stated (January 2006) that capsule training was being given to staff at AP Forest Academy, Dullapalli (Ranga Reddy District). Audit however, observed that none of the 348 staff (FBO/ABO) and 21 Range Officers working in the Project Tiger Circle, were trained in wildlife management during the period 2000-05.

During 2002-03, at the level of FRO, Dy. RO and FBO, only one person in Wildlife Conservation, five in Bio-Diversity Conservation and two in Management of Environment and Ecology were trained. Thus, training of key functionaries was altogether neglected. The PCCF, while accepting the audit point stated (August 2006) that efforts would be made to cover the training needs of the staff working in Project Tiger.

3.2.12 Issues linked with other Ministries

3.2.12.1 Uranium Mining in and around the sanctuary

Mining activities cause biotic disturbance and destruction of the Tiger Reserve. In reply to an audit query the FDPT had stated (April 2006) that only two industries were sanctioned (prior to 1960) within 25 km. It was observed that the proposal of the State Government for exploration of uranium and related minerals was once rejected by GOI in July 1999 stating that the activity would be detrimental to the cause of conservation and protection of flora and fauna in the area. Subsequently permission was granted (January

None of the 348 FBOs/ABOs and the Range Officers were trained in wildlife management

2004) for prospecting Uranium in RGWS area based on the recommendation of the Standing Committee of National Board of Wildlife. The department had accordingly diverted 2000 ha of land within the Reserve, and 447.22 ha outside the Reserve. Both the areas fall under eco-sensitive zone of RGWS.

The FDPT replied (January 2006) to Audit that the permission for exploration of Uranium and other atomic minerals was granted by GOI itself and the boring spot was permanently covered as “Capped Spots” and there was no habitat damage or fragmentation due to exploration drillings.

3.2.12.2 Insulated electric lines laid in the sanctuary contrary to Supreme Court Orders

Audit observed that in ‘Vatverlapalli’ village, the Central Power Distribution Company of the State (APCPDC), on the plea that no cutting of trees was required, laid, insulated lines (1 KV AB cable) all along the forest road from Mannanur to Vatverlapalli, even though no permission was given by the Forest Department, and in violation of the Supreme Court’s orders requiring their permission before laying transmission lines. No action was, however, taken by the FDPT against the violator (August 2006).

3.2.13 Monitoring and Evaluation

Monitoring was poor both at FDPT and PCCF (Wildlife) level

In pursuance of the Wildlife (Protection) Act 2002, the State Wildlife Advisory Board was renamed as the State Wildlife Board in August 2005. It was however, observed that, up to August 2006 the Board had met only once (January 2006).

The PCCF (Wildlife) office does not have an effective MIS system and for any information it had to collect from the field formations. It was also seen that the information obtained had not been consolidated nor was it maintained systematically. Further, the MIS reports forwarded by the field formations to the Headquarters (FDPT, Srisailam/PCCF) were neither regular nor accurate. Thus, the monitoring mechanism was ineffective at all levels in the department.

3.2.14 Conclusions

The size of Tiger movement space in the RGWS, is shrinking and it is feared that the number of tigers in it, is dwindling. The allotment and expenditure on Project Tiger during the five-year period 2001-06 was only a meagre amount. Project Tiger Management plans were not comprehensive. The consolidation of the Reserve delayed for nearly 20 years has resulted in continued encroachment without the knowledge of the department. The department on its part instead of taking steps to relocate the encroached villages/encroachers were consolidating them in the Tiger Reserve.

The actual population of Human/Cattle/Herbivores cannot be gauged with any degree of certainty as the department had several sets of figures. Similarly, the unscientific manner in which the tiger census had been conducted all these years casts doubts about the actual population of tigers as well. There had also

been tremendous unregulated increase in the human/cattle population in the Reserve causing enormous biotic pressure on the Tiger Reserve adversely affecting the very objective of protection of the Tiger. Protection measures in the Tiger Reserve were not effective as a result of which, poaching and fishing in the Reserve, were on the rise.

The RGWS has been poorly managed, with a large number of vacancies in the key posts of Forest Range Officers not being filled in. The PCCF's (Wildlife) office does not have a centralised database and the monitoring was poor both at the level of FDPT and the PCCF. Overall, the sanctity of the Tiger Reserve was not protected and the “tiger”, an indicator of the existence of sound ecological balance, seemed to have been given a low priority.

3.2.15 Recommendations

- The State Government should not release funds for development works inside sanctuary/protected area in the name of Forest Development Agency. This is counterproductive as it encourages encroachment and discourages their translocation.
- Consolidation of the Tiger Reserve should be given utmost priority and effective steps taken to relocate the villages that exists within the sanctuary.
- Settlement of fishing community should be stopped immediately to prevent exploitation of the diverse aquatic fauna.
- For the census of tigers, in addition to pug marks, a “peer-reviewed, scientific” method under which counting involves several stages, use of cameras, testing of DNA samples and mapping tiger density using Geographic Information Systems (GIS) as suggested by the MOEF for the 2006 All India Census should be adopted.
- Government should seriously consider regulation of traffic on the State highway which passes through the sanctuary, perhaps from dusk to dawn, and setting up of speed breakers at regular intervals to regulate speed.
- Monitoring of the implementation of Project Tiger should be strengthened both at FDPT and PCCF (Wildlife) level.

The above audit observations were discussed with the PCCF, PCCF (WL), additional PCCF (WL) and FDPT, Srisailam in the exit conference held in August 2006. The points brought out in the performance audit review have been accepted. The recommendations made were also discussed and accepted. Government forwarded (August 2006) the replies of PCCF (WL) without giving their specific remarks.

EDUCATION DEPARTMENT

3.3 Sarva Shiksha Abhiyan

Highlights

The Sarva Shiksha Abhiyan (SSA) programme aimed at Universal Elementary Education was launched to provide useful and relevant education for all children in the 6 to 14 age group by 2010. The primary goal was to have the children either in school, or in an education guarantee centre, or in an alternative schooling facility or back to school camp, by 2003 (modified as 2005 in August 2005). The implementation of SSA in the State suffered due to underutilisation of funds particularly in the first two years, poor infrastructure facilities in schools and inadequate monitoring of activities. As of March 2005, there was only a marginal improvement in the accessibility to schools and the number of 'out of school' children was 4.23 lakh. The shortage of teachers was 20 per cent. There were huge shortfalls in the training of teachers and community leaders. Beneficiary survey conducted by the Social and Rural Research Institute revealed that three per cent of the villages and ten per cent of the urban blocks were still not covered under the programme and that irregular functioning of schools adversely affected the quality of education. The objective of having all children in school or alternate school by 2005 was thus not achieved. With the present pace of implementation the objective of ensuring universal retention by 2010 is also a remote possibility.

- ◆ The utilisation of funds under SSA in the first two years of implementation i.e. 2001-02 and 2002-03 was only 37 and 36 per cent respectively. Financial management was ineffective.

[Paragraph 3.3.6.2]

- ◆ As of March 2005, 1925 habitations did not have any schooling facility. There was a shortage of 6309 upper primary schools in the State. The total number of 'out of school' children was 4.23 lakh.

[Paragraphs 3.3.8.2 and 3.3.8.3]

- ◆ There was a shortage of 54730 teachers in primary and upper primary schools. Quality of education suffered due to deployment of under-qualified para-teachers.

[Paragraphs 3.3.8.1 and 3.3.8.4]

- ◆ Twenty five per cent (1352 out of 5388) civil works relating to construction of classrooms, toilets and provision of drinking water facilities, etc. taken up during 2002-04 had not been completed as of August 2005; unfruitful expenditure was Rs 10.67 crore.

[Paragraph 3.3.9.3]

- ◆ The percentage of schools having toilets increased from 19 to 46 per cent, drinking water facility from 40 to 59 per cent. However, as of March 2005, there were still 6316 schools without own building, 3431 schools in dilapidated condition and 27490 classrooms that need repairs. Joint Physical verification of infrastructure facilities in 108 selected schools revealed poor infrastructure facilities in the schools.

[Paragraph 3.3.9.5]

◆ There were shortfalls in the training of untrained teachers (51 per cent), freshly trained recruits (78 per cent) and community leaders (43 per cent).

[Paragraph 3.3.11.1]

◆ Expenditure of Rs 11.21 crore incurred on procurement of 7531 colour television sets rendered unfruitful as all the TV sets were lying idle for want of infrastructure facilities for TV connectivity.

[Paragraph 3.3.12.2]

3.3.1 Introduction

The Sarva Shiksha Abhiyan (SSA) programme evolved from the recommendations of the State Education Ministers' conference held in October 1998 to pursue Universal Elementary Education in a mission mode. The SSA aims to provide useful and relevant elementary education to all children in the age group of 6-14 by 2010 by providing eight years of schooling with the active participation of the community by effectively involving the Panchayati Raj Institutions (PRIs), school education committees (SECs)²³ and other grassroot level structures to bridge social, regional and gender gaps. Several existing schemes in the elementary education sector like Operation Black Board, Janashala²⁴, District Primary Education Project (DPEP), etc. were proposed to be integrated with the SSA. In the State, the programme was initially implemented from January/ February 2001 onwards in four districts (viz., East Godavari, Krishna, Hyderabad and West Godavari) where DPEP had not been implemented. From April 2002, the programme was extended to 19 remaining districts simultaneously along with the ongoing DPEP.

The objectives of the SSA are:

- to have all children in school, education guarantee centre, alternate school and 'back to school' camp, by 2003 (modified as 2005 in August 2005)
- to ensure that all children complete five years of primary schooling by 2007
- to ensure that all children complete eight years of elementary schooling by 2010
- focus on elementary education of satisfactory quality with emphasis on education for life
- to bridge all gender and social category gaps at primary stage by 2007 and at elementary education level by 2010
- universal retention by 2010

²³ Headed by Chairperson

²⁴ a community based primary education programme - aims to make primary education more accessible to and effective, for girls and children of deprived communities, marginalised groups, SC/ST, minorities and children with special needs (children with disabilities viz., blindness, hearing impaired, mentally retarded, etc.)

3.3.2 Organisational set up

The AP School Education Society (Society) has been established (January 2005) with Minister for School Education as President of the General Council of the Society. An Executive Committee of the Society with Secretary to the State Government in School Education Department as Chairman oversees the execution. The programme is implemented in the State by the State Project Director (SPD) who also acts as Member Secretary for both General Council and Executive Committee of the Society. Implementation of the scheme is overseen by the District Collector at district level. District Educational Officer (DEO) is the District Project Coordinator, the execution of the programme is carried out by the Additional Project Coordinator (APC) at the district level and by Mandal Education Officer (MEO) at mandal level. The SEC monitors the programme, at school level.

3.3.3 Audit objectives

The objectives of performance audit were to assess whether:

- release of funds was adequate and utilisation thereof was as per the approved annual work plans.
- the planning for implementation of various components of the programme was adequate, proper and major interventions were carried out as per norms.
- all the targeted children were enrolled in schools, Education Guarantee Centres, back to school camps, alternate schools by 2005.
- the outreach of education for girls, Scheduled Caste (SC) and Scheduled Tribe (ST) children had expanded.
- the efforts of the government to improve the quality of educational standards have been effective and economical.
- meaningful research activities have been taken up at the State, district and block levels for the purpose of necessary evaluation.
- the planning for implementation of various programmes through NGOs was proper and effective.

3.3.4 Audit criteria

The audit criteria used for the performance audit covered following aspects of the scheme:

- receipt and utilisation of funds as per approved annual work plan;
- the guidelines issued by GOI in regard to preparation of habitation / district level plans;
- the different programmes and policies designed to meet the educational needs of children of the age group of 6-14 years;
- enrolment and drop out of girls and SC/ST children and retention of these children in the schools as envisaged in the programme;
- the standards of education, comprising curricula, teaching and learning material, teachers training and teaching-learning process were in place as envisaged in the scheme;

- utilisation of results of research activities in implementation of the scheme; and
- utilisation of funds provided to NGOs and the role of NGOs in mainstreaming of out of school children as envisaged under the scheme.

3.3.5 Scope of Audit and Methodology

A review of the implementation of the programme was conducted (June – September 2005) by test-check of the records of the SPD and APCs of the six²⁵ selected districts covering the period 2001-2005. The selection of sample was through Multi Stage Stratified Sampling Design. All districts (23) were divided into two strata. Capital district (Hyderabad) was selected in Stratum I and five out of the remaining 22 districts were selected in Stratum II through Probability Proportional to Size with Replacement, with total expenditure under the SSA as the size measure. The review covered 33 *per cent* (Rs 189 crore) of the total expenditure (Rs 573.66 crore) under the SSA. Under each test-checked district, three (one urban and two rural²⁶) mandals were selected through Simple Random Sampling without Replacement (SRSWOR) method. Under each mandal one Education Guarantee Scheme Centre/Alternative and Innovative Education Centre (EGS&AIE), two primary schools, two upper primary schools and two high schools with upper primary sections were selected (through SRSWOR method) and test-checked.

Out of 1123 schools, 108²⁷ were test-checked in the six districts. Joint physical verification of all these 108 schools was conducted in the presence of the concerned MEOs, Mandal Resource Persons and the Head Masters. Ten (out of 67) non-government organizations (NGOs-two each in four districts, one each in the other two districts) who were involved in the implementation of SSA were also test-checked.

The Social and Rural research Institute (SRI), a specialist unit of IMRB international was engaged by the Comptroller and Auditor General of India to conduct a survey of the impact of SSA from the perspective of beneficiaries and their parents. SRI carried out (December 2005-February 2006) the survey in 285 Primary Sampling Units (Rural: 165, Urban: 120)²⁸. A total of 5676 households (Rural: 3340, Urban: 2336) out of 14241 eligible households (with at least one child in the age group 6-14) were covered with whom a detailed structured interview was administered. Findings of the survey on the matter have been included in this review at appropriate places. The sampling plan (design and estimation procedure) and the summary of findings of SRI on implementation of SSA are given in *Appendix 3.2* and *3.3*.

²⁵ 1. Chittor (DPEP-II), 2. East Godavari (Non-DPEP), 3. Guntur (DPEP-II), 4. Hyderabad (Non-DPEP), 5. Warangal (DPEP-I) and 6. West Godavari (Non-DPEP)

²⁶ Except in Hyderabad where all are urban mandals

²⁷ Primary: 36 out of 776, Upper Primary: 36 out of 177, High Schools having UP Sections: 36 out of 170

²⁸ About two schools were covered under each primary sampling unit which included a few private schools also

An entry conference was held in June 2005 with the Secretary, Education Department, the State Project Director (SPD), representative from External Evaluation Agency, APCs of selected districts and their officers and various aspects of the Scheme were discussed. Physical evidence was obtained by taking photographs and by joint physical verification of facilities available in the schools. Exit conference was held with the SPD in November 2005. The views of the SPD have been taken into consideration while finalising the review. The results of the review are mentioned in the succeeding paragraphs.

Audit findings

3.3.6 Financial Management

Guidelines envisage preparation of perspective plan for 2001-10 for each district on the data collected through household survey, micro planning exercise, etc. Financial targets were prepared upto the end of Tenth Five Year Plan period i.e., 2006-07. The budget proposals under SSA are prepared in the form of Annual Work Plan and Budget (AWP&B), covering all the interventions specified in the SSA norms. AWP&B is finalised based on the progress overview of each intervention, which includes the progress made during the previous year, which is a tool for the district to understand its strategies, the positive and negative aspects that will enable the district to plan better for the forthcoming year. AWP&B proposals are thus envisaged in two parts, the plan for the current financial year and the progress of the previous year including the spill over activities proposed to be carried over to the current year.

3.3.6.1 Financing pattern and flow of funds

The assistance given by the GOI under SSA was on 85:15 sharing arrangement during Ninth Plan (2001-02), 75:25 during the Tenth Plan (2002-07) and would be 50:50 sharing thereafter. The GOI would release funds directly to the SPD who in turn releases funds to the APCs for implementation of the programme. The State Government has to transfer its share to the SPD within 30 days of the receipt of the GOI grant. The appraisal and approval of plans should be completed in time for the first instalment, to meet the proposed expenditure of the first six months to be released by 15 April. Further instalments would be released only after the State Government has transferred its matching funds to the SPD and expenditure of at least 50 *per cent* of the funds transferred (by Centre and State) has been incurred.

3.3.6.2 Budget and expenditure

The year-wise details of the proposed AWP&B, amount received by the SPD, and amount spent during 2001-05 were as follows:

(Rupees in crore)

Only 37 per cent and 36 per cent of the funds were utilised in the years 2001-02 and 2002-03

Year	Amount proposed in Annual Work Plan and Budget	Amount received by SPD from			Expenditure (Percentage)
		GOI	State Government	Total	
2001-02	53.76	19.55	3.45	23.00	8.61 (37)
2002-03	209.30	85.56	25.47	111.03	40.44 (36)
2003-04	379.06	95.79	43.84	139.63	162.93 (117)
2004-05	495.20	250.00	83.33	333.33	361.68 (108)
Total	1137.32	450.90	156.09	606.99	573.66^s (95)

^s In addition, Rs 63 lakh also received (September 2000) by the SPD from GOI for the pre-project survey in four non-DPEP districts was spent.

Note: The excess expenditure in the years 2003-04 and 2004-05 was met from the unspent balances in the previous years.

It could be seen that utilisation of funds was very poor during the initial two years. The SPD attributed (September 2005) the short-utilisation of funds to late release (during the later part of the year instead of first quarter) of funds both by GOI and the State Government. The intervention-wise expenditure is given in *Appendix 3.4*. The percentage of total expenditure under various major components was as under:

Category/ Item	Percentage of total expenditure
Civil works	44
Teacher's salary	15
Maintenance grant	10
TLE grant	8
Intervention for 'out of school' children	5
School grant	3
Teacher training	3
Teacher's grant	2
Free text books	1
Others	9

It may be seen from the table that major expenditure (44 per cent) was on civil works as against 33 per cent prescribed.

3.3.6.3 Delay in release of funds

There were delays in release of funds both by GOI and the State Government

As per the scheme guidelines, GOI was to release the grants to meet the proposed expenditure of the first six months by 15 April. It was, however, seen that there were delays ranging from two to twelve months in release of funds by the GOI. The State Government has to transfer its share to SPD within thirty days of the receipt of the GOI grant. The State's share was, however, released with delays up to four months. The delay in release of funds both by GOI and the State Government resulted in short utilisation of funds by the SPD. This also contributed ultimately to short releases by GOI as stated by the SPD.

3.3.6.4 Funds retained in term deposits

SSA funds of Rs 25.34 crore were kept in term deposits in Chittoor and East Godavari Districts

The APCs, Chittoor and East Godavari Districts have deposited (2001-05) programme funds of Rs 25.34 crore²⁹ in term deposits in different banks for periods ranging from six months to one year, contrary to the programme guidelines. While the investment in East Godavari District was at the instance of the District Collector, that in Chittoor District was made by the APC himself.

3.3.6.5 Outstanding Utilisation Certificates (UCs)

UCs for Rs 12.99 crore were yet to be submitted by the implementing agencies in the three districts

SPD has been furnishing UCs to GOI based on the certified annual statements of Chartered Accountants from the APCs of the districts. The UCs were required to be submitted by the implementing agencies within a month after the close of the financial year (in the case of civil works within three months of the completion of works). It was, however, observed that out of Rs 17.82 crore released by the APCs to MEOs, DIETs³⁰, ITDA, EE, PR (RWS)³¹ and DEOs, UCs for Rs 12.99 crore³² were pending for over six to forty two months in the three test-checked districts viz., East Godavari, Warangal and West Godavari. In the other three test-checked districts viz., Chittoor, Guntur and Hyderabad, the details of amounts for which UCs due were not available with the APCs.

3.3.6.6 Advances paid yet to be recouped to SSA

Rs 5.15 crore released to DEOs, etc. were pending adjustment

In five out of the six districts (i.e., except Warangal), the APCs released (January 2003-February 2005) Rs 5.15 crore³³ to DEOs, District Collector, etc. for various purposes such as rents of school buildings, mid day meal programme, honorarium to Vidya Volunteers, etc. not relating to the SSA. The expenditure on this account was to be met from the regular budget of the Education Department. The amounts were yet to be recouped to the SSA as of September 2005.

3.3.6.7 Operation Black Board (OBB) funds not transferred to SSA

Central assistance of Rs 13.41 crore for TLM was neither utilised nor was it transferred to SSA

Mention was made in paragraph 4.3.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 about non-utilisation of Central assistance of Rs 22.92 crore (received in March 2000) for purchase of Teaching and Learning Material (TLM) under the extended Operation Blackboard (OBB) scheme.

It was further observed that only Rs 9.51 crore was utilised up to January 2005 for purchase of books and band sets and the balance (Rs 13.41 crore) was still

²⁹ Chittoor: Rs 2.15 crore (2003-04), East Godavari: Rs 23.19 crore (2001-02 : Rs 1.59 crore, 2002-03: Rs 17.70 crore, 2003-04: Rs 3 crore, 2004-05: Rs 0.90 crore)

³⁰ District Institute of Education and Training

³¹ Executive Engineer, Panchayati Raj (Rural Water Supply)

³² East Godavari (Rs 10.51 crore), Warangal (Rs 2.15 crore), West Godavari (Rs 0.33 crore)

³³ Chittoor (Rs 0.50 lakh), East Godavari (Rs 3.97 crore), Guntur (Rs 28.80 lakh), Hyderabad (Rs 88.58 lakh), West Godavari (Rs 1.09 lakh)

lying unutilised outside the Government account in savings/current account of DEOs.

As the OBB scheme has been subsumed in SSA from the year 2002-03, Government should take urgent action for transfer of all the unspent amounts to the SSA account forthwith.

3.3.7 Planning for implementation of the programme

3.3.7.1 Profile of Access, Enrolment and Schools (prior to launching SSA)

As per the perspective plan (2001-2010) prepared (September 2001) for implementation of the SSA, 67832 habitations out of 72639 (93 *per cent*) were having access to primary schooling facility leaving 4807 habitations not having the facility. As against the total number of 1.56 crore children of the age group 6-14 years, 1.50 crore were already enrolled in schools and 6.42 lakh³⁴ children remained 'out of school'. As against the norm of one UP school/ section for every two primary schools, only 19950 UP schools (against the requirement of 29724) were existing, leaving a shortage of 9774 UP schools as of September 2001.

3.3.7.2 Pre-project survey

Pre-project survey was conducted only in four districts

SSA works on a community based approach to planning with habitation as a unit of planning and habitation plans forms the basis for formulating the district plans. Although the habitation level educational plans for micro planning and school mapping³⁵ were stated to have been prepared before launching the programme to assess the actual number of 'out of school' children in the age group of 6-14 years, none of the APCs in the test-checked districts could produce these plans to Audit.

Household baseline surveys to identify the children were not conducted except in the Districts of East Godavari, Hyderabad, Krishna and West Godavari. In Hyderabad and Warangal Districts, line departments were not involved in the planning process.

Major interventions under SSA

3.3.8 Quality of education

3.3.8.1 Shortage of teachers in primary and upper primary schools

There was a shortage of 54730 teachers (20 *per cent*) in primary and UP schools

As per the SSA norms, there should be one teacher for every 40 children in primary and UP schools. There should be at least two teachers in a primary school and one teacher for every class in UP school. As per these norms, requirement of teachers in 56924 primary schools and 22153 UP schools in the State was 268919 as of March 2005. As against this, only 214189 teachers

³⁴ Girls: 3.42 lakh, Boys: 3 lakh (of 6.42 lakh, SCs: 1.56 lakh, STs: 0.94 lakh)

³⁵ denotes the location of schools based on the distance from the habitation

were there leaving a shortage of 54730 teachers (20 *per cent*). The norm of one teacher per class in UP school was also not fulfilled in 39 *per cent* (14 out of 36) of schools test-checked and shortage of teachers in UP schools was 44 *per cent*.

No recruitment of regular teachers was done in the State due to non-disposal of a case relating to the service conditions of teachers pending in Supreme Court. The schools were however, being run through para teachers (Vidya Volunteers). As of March 2005, there were 46544 Vidya Volunteers (VVs) working in the schools on a monthly honorarium of Rs 1000 under the SSA. It was seen that quality of education suffered due to deployment of under-qualified VVs as mentioned elsewhere in the review.

3.3.8.2 Marginal improvement in Access, TPR, etc.

As of March 2005, 1925 habitations did not have any schooling facility

It was observed in audit that after implementation of various interventions of the SSA for five years, 2977 habitations (out of 72372) were not having regular schools as of March 2005. Of these, 1925 habitations (3 *per cent*) were not having any schooling facility (primary school/ALS/EGS). Survey by SRI revealed that the coverage of schools under SSA was not complete since three *per cent* of the villages and 10 *per cent* of the urban blocks were not covered by schools.

There was a shortage of 6309 UP schools

As of March 2005, the UP schools increased to 22153 (from 19950 in September 2001) by upgradation of primary schools as against the requirement of 28462 schools as per norms. Thus there was still a shortage of 6309 UP schools reflecting only marginal improvement in upgradation of primary schools to UP schools.

TPR in 24 *per cent* schools was more than 1:40

The overall teacher-pupil ratio (TPR) in the State has improved from 1:37 in 2001-02 to 1:33 in 2004-05 (1:30 with para teachers) after implementation of SSA. However, the actual TPR in the test-checked schools showed a different picture. In respect of the 108 test-checked schools in the six districts the ideal norm of 1:40 was maintained only in 82 schools (76 *per cent*) and in 25 schools (23 *per cent*) the TPR was between 1:41 and 1:74 and in one school³⁶ it was 1:89.

3.3.8.3 'Out of school' children

Total number of out of school children stood at 4.23 lakh. Number of girls, SC and ST 'out of school' children were still found to be high

The prime objective of the SSA was to have all children in school, education guarantee centre, alternate school and back to school camp by 2003 (modified as 2005 in August 2005). As of March 2005, the number of 'out of school' children stood at 4.23 lakh as against 6.42 lakh in September 2001, after four years of implementation of the programme and expenditure of Rs 574.29 crore. Of the 4.23 lakh 'out of school' children 3.03 lakh were of rural area and 1.20 lakh were of urban area; 2.26 lakh were girls and 1.97 lakh were boys; 0.91 lakh were SCs and 0.53 lakh were STs.

³⁶ Government High School, Puttur, Chittoor District

In urban areas, 37 children per thousand were out of school whereas in rural areas 36 children per thousand were out of school.

The number of children out of school per thousand in SC and ST was 40 and 48 respectively. This indicates that the proportion of SC and ST children still being out of school was considerably higher.

The proportion of those out of school was higher among girls (39 per thousand) as compared to boys (33 per thousand) with regard to all communities. Among SCs 37 boys and 42 girls per thousand; among STs, 42 boys and 55 girls per thousand were out of school.

Beneficiary survey by SRI revealed that as of February 2006, out of 146.52 lakh children in the age group 6-14 years, 5.89 lakh were out of school. Thus, about 40 children of every thousand were out of school.

3.3.8.4 Improvement in quality of education

Quality of education suffered due to deployment of under-qualified para teachers

While the minimum educational qualification of a regular teacher is B. Ed. or Diploma in Teacher Education, in the case of Vidya Volunteers (VVs) it is Class X to XII. As per the SSA guidelines, the VVs are required to be trained for at least 30 days before they start teaching. However, it was noticed in the test-checked districts that the VVs were given training only for three to seven days. Quality Improvement Programme reports³⁷ revealed that the quality of education imparted to students by VVs was far below the expected standards for a particular class. Further, the external agency (Osmania University) that evaluated the performance of SSA in RangaReddy District had brought out that VVs were not paying much attention towards children's education as they were very poor in understanding children problems and curriculum transaction process. Thus, the children were deprived of quality education.

3.3.9 Civil works

3.3.9.1 Huge expenditure on Civil works

Expenditure incurred on Civil works far exceeded the ceiling

Under SSA, various items of works such as construction of school buildings and additional classrooms, toilets, drinking water facilities, boundary walls, etc. can be undertaken under 'civil works' component. Programme funds on civil works shall not exceed the ceiling of 33 *per cent* of the entire project cost approved. However, in a particular year's annual work plan, provision for civil works can be considered up to 40 *per cent* of the annual plan expenditure depending on the priority assigned to various components of the programme in that year.

It was however, observed that in East Godavari District the expenditure on civil works was as high as 99 *per cent* in 2001-02, 62 *per cent* in 2002-03. In the four (out of six) text-checked districts also the expenditure far exceeded the ceiling of 33 *per cent* in Hyderabad (60 *per cent*), West Godavari (50 *per cent*), Chittoor (48 *per cent*), Guntur (47 *per cent*) during 2001-05.

³⁷ tests conducted and grades given to students by the Lecturers of DIETs, MEOs, etc.

3.3.9.2 Non-commencement of civil works

In the six test-checked districts, APCs released (2003-05) funds to 110 SECs and five executing agencies³⁸ for construction of additional classrooms and toilets in Guntur (514 schools), East Godavari (1103 schools) and Hyderabad (163 schools) Districts. However, it was noticed that 151 works (Guntur: 29, East Godavari: 81 and Hyderabad: 41) were not taken up as of August 2005 due to site disputes. Release of funds without ensuring the clear title of sites resulted in locking up of SSA funds of Rs 6.24crore³⁹ released for these works. The SPD did not furnish the details of action initiated, if any, to sort out the site problems.

3.3.9.3 Delay in completion of classrooms/provision of drinking water and toilet facilities

Execution of 25 per cent of Civil works (expenditure: Rs 10.67 crore) was pending for over five to 48 months

It was observed in the six test-checked districts, that out of 5388 works sanctioned during 2001-05, 1352 works (25 per cent) valued Rs 10.67 crore relating to constructions of classrooms, toilets, drinking water facilities, etc. taken up during 2002-04 had not been completed as of August 2005. The delays ranged between five months to 48 months. The SPD attributed (November 2005) the delays to change of members in school education committees and disputes between the ex-members and the existing members. Due to the delays in completion, the envisaged infrastructure facilities could not be provided to school children besides rendering the expenditure of Rs 10.67 crore unfruitful.

3.3.9.4 Utilisation of maintenance grant

Maintenance grant at the rate of Rs 5000 per year was to be provided for those schools which have existing buildings of their own and on receipt of specific proposals from the SECs in advance. It was noticed that Grants were released to the SECs without obtaining specific proposals from the SECs, in all the test-checked districts. It was also seen that in West Godavari District Rs 1.51 crore of the maintenance grant allocated (2004-05) for undertaking minor repairs of school buildings was diverted and utilised for procurement of child friendly items⁴⁰ which should have been met from civil works budget.

Due to improper utilisation of the maintenance grant the schools have been deprived of the repairs to be undertaken in the schools as also noticed by the Audit during joint physical verification.

3.3.9.5 Infrastructure facilities in schools

Infrastructure facilities were inadequate in most of the schools test-checked

Provision of adequate infrastructure in schools facilitates participation of children in education. There has been some improvement in regard to infrastructure facilities provided in schools as detailed below:

³⁸ EE, Social Welfare; EE, R&B, North Building Division; District Manager, Housing; Quli Qutub Shah Urban Development Authority (QSUUDA) and NGO (Naandi) - all in Hyderabad District.

³⁹ Guntur (Rs 27.25 lakh), East Godavari (Rs 49 lakh), Hyderabad (Rs 5.48 crore)

⁴⁰ Swings, See-saw, Slides, etc.

	As per Perspective Plan (as of September 2001)	As per Annual Work Plan and Budget 2005-06 (as of March 2005)
Number of schools (PS plus UP)	64631	75451*
Number of schools having toilets (percentage in bracket)	12584 (19)	34734 (46)
Number of schools having drinking water facility (percentage in bracket)	25769 (40)	44590 (59)
Number of schools having play ground (percentage in bracket)	18654 (29)	31758 (42)

* This figure does not include 3626 aided schools for which action plans of SSA did not provide for infrastructure facilities.

It was also noticed that as of March 2005, there were 6316 schools not having own building, 3431 schools in dilapidated condition, and 27490 classrooms that needed repairs.

Joint physical verification in 108 schools revealed the poor infrastructural facilities in most of the schools

Joint physical verification of infrastructure facilities in the 108 selected schools in the six test-checked districts conducted by Audit and the MEO, Mandal Resource Persons and Sectoral Officer revealed the following:

- Every primary school should have two rooms as per SSA norms. However, five out of 36 primary schools were having only one room.
- Due to lack of sufficient space, some of the schools were conducting classes in thatched huts, verandahs and in certain cases in the premises of the temples and under trees.
- In Warangal District, building of Government High school, Hanamkonda was declared unsafe by Roads and Buildings Department in 2003. However, the school authorities did not shift the school to a safe place (August 2005).
- Thirty out of 36 UP schools did not have separate room for Head Master.
- 29 out of 108 schools were not having drinking water facilities.
- Out of the 108 schools, 33 schools (31 per cent) were not having toilet facilities and 45 schools (42 per cent) were not having separate toilet facilities for girls. Though the toilets were available the same were not in use in several schools due to lack of water facilities.
- 44 out of 108 (41 per cent) schools were not having electricity.
- No furniture for school children was provided to any of the 72 primary or UP schools test-checked and the children were forced to sit on the floor even for the examinations. Only eight high schools (six in Hyderabad) out of 36 schools test-checked were having furniture.



Dilapidated Government High School Building, Hanamkonda (Warangal District) certified to be not fit by the EE, R&B



Girl children writing exam sitting on the floor in Government Girls High School, Moosarambagh (Hyderabad District)



Government Upper Primary School in Thatched hut, Bandarupalli (Warangal District)



Lack of classrooms in Government Upper Primary school, Gagillapur (Warangal District) functioning under trees

The above points indicated poor infrastructure facilities in the schools adversely impacting the enrolment, retention and the quality of education to children. The number of schools having drinking water facility, toilet facilities and play ground increased from 40 to 59 *per cent*, 19 to 46 *per cent* and 29 to 42 *per cent* respectively after implementation of SSA (March 2005).

Survey by SRI in this regard revealed that about 5.6 *per cent* of primary schools, 7.8 *per cent* upper primary schools and 0.9 *per cent* of high schools with upper primary sections were operating in kuchha structures which are basically not stable and suitable for running a school. It was also noticed that 1.7 *per cent* of primary schools did not have any building at all.

3.3.10 Coverage of Special Focus Groups

3.3.10.1 Coverage of girls and SC/ST children

Education of girls and SC/ST children is the primary focus in SSA. As against the total allocation of Rs 16.86 crore during 2003-05⁴¹ in the State, Rs 11.43 crore was spent as of March 2005 under this intervention. The shortfall in expenditure was stated to be due to late receipt of funds from GOI and consequent releases to the districts. It was also observed that the special model schools for girls were not opened in the State though envisaged under SSA. It was also noticed that the proportion of SC and ST children among social groups still being out of school was considerably higher; among SCs 37 boys and 42 girls per thousand and among STs 42 boys and 55 girls per thousand were out of school. Thus, coverage of special focus groups was not given due attention by the SPD.

Survey by SRI also revealed that in order to cater special education to the girl children, National Programme for Education of Girls at Elementary Level (NPEGEL) was implemented in about 3.1 *per cent* of the primary schools, 13.8 *per cent* of the upper primary schools and 5.1 *per cent* of high schools with upper primary sections.

3.3.10.2 Coverage of children with special needs

SSA envisages that every child with special needs, irrespective of the kind, category and degree of disability, is to be provided meaningful and quality

⁴¹ Information pertaining to 2001-02 and 2002-03 not available with the SPD

education and support services. As of March 2005, out of 1.56 lakh disabled children in the State, 42796 disabled children were still 'out of school'.

In the six test-checked districts although 40644 disabled children were enrolled in 10528 schools (2003-05), only 991 schools (nine *per cent*) were provided with the support services (tricycles, hearing aids and other aids and appliances). The SPD attributed (September 2005) the shortfall in coverage to non-supply of sufficient appliances by the lone factory i.e., ALIMCO, New Delhi.

3.3.11 Training of teachers and community leaders

3.3.11.1 Inadequate coverage of training of teachers, etc.

In-service, refresher and Orientation training for different category of teachers were not conducted as envisaged

SSA conceives training to teachers as vital component for imparting quality education. As per the norms for interventions under SSA, 20 days in-service course for all teachers each year, 60 days refresher course for untrained teachers (already employed as teachers) and 30 days orientation for freshly trained recruits have to be imparted. Community leaders (four persons per village and two per school in the village) were also to be trained for two days. Training has to be imparted by DIET at district level and by SCERT at State level. It was however, observed that in the six test-checked districts, out of Rs 18.13 crore released during 2004-05 only Rs 7.26 crore (44 *per cent*) was utilised and the balance (Rs 10.87 crore) was lying unutilised with the APCs⁴² as of March 2005.

There were heavy shortfalls (26 – 78 per cent) in the training of untrained and freshly trained recruits as well as community leaders as shown below:

Category	Number targeted			Number trained			Shortfall (Percentage)
	2003-04	2004-05	Total	2003-04	2004-05	Total (Percentage)	
In-service training	89767	104356	194123	51581	92212	143793 (74)	50330 (26)
Training of untrained teachers	1439	3374	4813	300	2039	2339 (49)	2474 (51)
Training to freshly trained recruits	5076	16879	21955	1497	3246	4743 (22)	17212 (78)
Training of Community leaders	103002	148596	251598	39753	104766	144519 (58)	107079 (43)

Note: Information pertaining to the years 2001-02 and 2002-03 not furnished by the SPD

It was also observed that as against in-service training period of 20 days, training was imparted only for four to six days. Survey by SRI revealed that only 28.7 *per cent* of community members were trained under SSA. In the six test-checked districts, no training was provided to community leaders up to 2003-04. Further, as against 1.34 lakh community leaders targeted to be trained in the six districts, only 0.20 lakh (15 *per cent*) were trained.

The SPD attributed the shortfalls in training of teachers, etc. to the shortage of manpower in DIETs. Thus, the component of training of teachers and

⁴² Chittoor (Rs 1.58 crore), East Godavari (Rs 4.10 crore), Guntur (Rs 0.51 crore), Hyderabad (Rs 0.54 crore), Warangal (Rs 0.46 crore), West Godavari (Rs 3.68 crore)

community leaders was not given due importance. This would adversely affect the implementation of the SSA.

3.3.12 Procurement

3.3.12.1 Locking up of funds for teaching learning equipment (TLE)

Rs 2.37 crore were not utilised for TLE

Adequate teaching learning equipment (TLE)⁴³ is vital for improvement of learning process. Under SSA, provision of Rs 10000 was made for each primary school which was newly set up or upgraded as primary school from EGS centre and Rs 50000 was provided for each UP school not covered under OBB. It was noticed that an amount of Rs 2.35 crore released to the SECs in Guntur District (Rs 0.94 crore in March 2004) and in Chittoor District (Rs 1.41 crore in August 2004) was not utilised due to non-finalisation of the tenders. Similarly, in Warangal District Rs 18.66 lakh released to the Project Officer, ITDA in September 2004 for purchase of TLE has also not been utilised (August 2005).

3.3.12.2 Purchase of television sets

Expenditure of Rs 11.21 crore on procurement (2004) of colour television sets remained unfruitful as the television sets were lying idle

With a view to using the educational channel in the name of MANA TV launched (in the year 2001) by the State Government for the benefit of target audience (children in UP schools), the SPD instructed (February 2004) all the DEOs to purchase and supply TV sets to all UP schools of Government, Zilla Parishad and Municipal High Schools having electricity connection. The expenditure on electrification, cable connection and TVs was to be met from the TLE grant.

In the State as a whole 7531 colour television sets were procured in 2004 at a cost of Rs 11.21 crore (Rs 14890 per TV). It was however, observed that infrastructure facilities for MANA TV connectivity were not provided to any of these schools. As a result, the 7531 colour television sets procured at a cost of Rs 11.21 crore across the State could not be put to use thereby rendering the entire expenditure unfruitful.

3.3.13 Research and Training

3.3.13.1 Utilisation of funds under research and evaluation

Only 40 per cent of funds were utilised under research and evaluation

As per the guidelines of SSA, research and evaluation activities have to be undertaken by the Department within the specified period and the research findings disseminated to facilitate quality improvement in teaching-learning. Though Rs 7.81 crore were provided in the annual plans for 2003-04 and 2004-05, an aggregated amount of Rs 3.10 crore (40 per cent) was spent as of March 2005 towards conducting of seminars/workshops, exhibitions and publishing of journals by the DIETs.

⁴³ Equipment to be procured as per local specific requirement/need for the purpose of teaching-learning process such as Television, Public Address System, Lab equipment, etc.

3.3.13.2 State Council of Education Research & Training (SCERT)

SCERT is the State agency responsible for various activities concerned with research and training. SSA contemplates strengthening of SCERT for preparation of curricula, teaching and learning material, teacher's training, teaching learning process etc. Out of Rs 23.50 lakh provided in 2004-05, Rs 21 lakh was released in March 2005 for textbook development. But the amount was not utilised as of September 2005. The SCERT was not also involved in the above activities and these were undertaken by DIETs at district level. Director, SCERT replied (September 2005) that these funds would be utilised as and when the revision (due in 2005-06) of textbooks would be taken up. Thus, the objective of strengthening the SCERT was not achieved.

3.3.13.3 State Institute of Educational Management and Training (SIEMAT)

Construction of the SIEMAT building was delayed which resulted in non-conducting of training

An amount of Rs 3 crore was allocated (estimate: Rs 2.70 crore) by GOI under SSA for construction of SIEMAT building. The institute is to develop professional competence in the functionaries of school education department in the area of educational planning and management. The State Government sanctioned Rs 1.67 crore in July 2001. However the SPD released Rs 69.84 lakh to EE, PR, only in March 2005 i.e. after a lapse of over three years by which time the estimate had gone up to Rs 5 crore. The work was scheduled to be completed by March 2006. The delay was stated to be due to delay in deciding the location of the proposed building at Government level which resulted in blocking of SSA funds besides cost escalation.

3.3.14 Involvement of NGOs

SSA conceives a vibrant partnership with NGOs in the area of capacity building, both in communities and in resource institutions. Several activities such as research, evaluation and monitoring, pedagogy, mainstreaming 'out of school' children, developing effective teacher training programmes, organising community for capacity development for planning and implementation and work in the sphere of disability among children are proposed to be done in partnership with NGOs, under SSA. As of March 2005, 643 NGOs were involved in the implementation of SSA in the State. In the six test-checked districts, 67 NGOs were provided grants-in-aid of Rs 2.84 crore during 2001-05 and the NGOs utilised Rs 2.79 crore as of March 2005.

3.3.14.1 False reporting of achievements by NGOs

False reporting of achievement by the NGOs was noticed by Audit

Scrutiny of the records of the NGOs MV Foundation, Kakinada and Garthapuri Consumer Council, Guntur running Residential Bridge Courses (RBCs)/Non-Residential Bridge Courses (NRBCs) and involved in mainstreaming revealed the following points:

- An amount of Rs 33.95 lakh was paid to MV Foundation, Secunderabad towards identification and mainstreaming of 'out of school' child labour in eight mandals and two urban areas in East Godavari District. As against the target of 18379 'out of school' children identified and to be mainstreamed

to regular schools the NGO had mainstreamed a meagre 7375 children. It was also noticed in six schools⁴⁴ that out of 141 children stated to have been mainstreamed in the schools by the NGO, only 15 children were actually found to be mainstreamed as per the school records. The remaining 126 children did not exist in the respective schools.

- In Guntur District, Garthapuri Consumer Council, an NGO was sanctioned (March 2004) Rs 1.87 lakh as first instalment for running one RBC at Konapalem in Nizampatnam mandal for nine months from June 2004 and six NRBCs for nine months from March 2004. Against the target of 120 children for mainstreaming to regular schools, 100 children were stated to have been mainstreamed by the NGO in four⁴⁵ schools. However, none of the children as mentioned by the NGO were found to be mainstreamed as per the school records.

Thus the reports furnished by the NGOs were not genuine. The APCs replied (July/August 2005) that appropriate action would be initiated against the NGOs.

3.3.15 Monitoring and Evaluation

3.3.15.1 Inadequate monitoring

Monitoring was inadequate at all levels

As per the guidelines under SSA, monitoring has to be done at community level, State level and National level. The implementation of the programme at village level is to be monitored by the SEC which has to play a vital role as representative institution of the community. The attendance of children, enrolment of 'out of school' children, parent-teacher meetings, etc. were to be monitored. The State level committee chaired by the Education Minister formed only in January 2005. There was also no effective monitoring of various activities under SSA both at the SPD and the APCs level. It was also observed in the test-checked schools that the SEC did not meet regularly to monitor various activities under SSA. Out of 108 schools physically verified, no meetings were conducted in 22 schools. In 17 schools, only one or two meetings were held; in 32 schools meetings held were less than five and in 23 schools less than 10 meetings were conducted during the period. It was noticed that the minutes and resolutions were recorded only in 47 schools. However, the progress was not regularly monitored in 61 schools. Thus the monitoring was poor at all levels.

3.3.15.2 Internal Audit

Internal audit system was not established though envisaged under SSA

Internal audit is one of the important controls that assess the adequacy and effectiveness of other controls throughout the organisation. As per SSA guidelines, the SPD should introduce proper internal audit system and strengthen internal checks to ensure proper utilisation of funds. The internal

⁴⁴Municipal Corporation Upper Primary Schools - Annamma Tank and Pegoda, Elementary schools - Parlapeta, New Kakinada, and Ratnapuri and High School at Sambamurthynagar - all at Kakinada, East Godavari District

⁴⁵ Municipal Corporation Upper Primary School, Vinobhanagar, Primary Schools, Kothapeta, Gulusukondala Rao Nagar and Yanadi colony - all at Guntur

audit of APCs and sub-district units (offices of MEOs/Deputy Inspector of Schools in Rural/Urban areas) should be conducted by the SPD on a percentage basis, so as to cover all districts and sub district units at least once in three years. It was, however, observed that no internal audit mechanism has been created so far by the SPD for ensuring proper utilisation of funds and to assist the implementing agencies of SSA in maintenance of various records. Thus, there was no check of possible misutilisations including misappropriations and for rectification of irregularities, if any.

3.3.15.3 Impact evaluation

Evaluation of implementation of SSA projects a poor picture

Osmania University was selected (July 2003) as an external monitoring agency for monitoring activities under SSA. The evaluation work was commenced in 2004-05. The University covered only one district (RangaReddy) for evaluation as of September 2005. The report revealed the following:

- The co-ordination and communication among DIETs and District Project Office was very weak.
- A number of schools in the district do not have buildings of their own.
- Adequate number of teachers were not available.
- The classrooms were over-crowded. Head Masters of the schools at Saroornagar, Malkajgiri, Rajendranagar, Balanagar had stopped fresh admissions into these schools.

In July 2005, the SPD also undertook Child Language Improvement Programme (CLIP) to assess and improve the learning achievement levels of the students. During the process the SPD noticed the following:

- Only 40 *per cent* of the children who completed fifth class have knowledge of reading, writing and arithmetic.
- On an average the teacher-pupil ratio in 2005-06 was found to be 1:71.

Non-availability of buildings, non-supply of books, non-availability of teachers, overcrowding of children and entrusting miscellaneous items⁴⁶ of work to the teachers were quoted as the reasons for the above deficiencies. According to the household survey by SRI, the reasons for not attending schools as stated by the parents were due to disinterest of the wards to go to school (reported by 23.3 *per cent* parents interviewed), their preference to go to work (reported by 17.5 *per cent* parents) and disabilities of children (reported by 10.8 *per cent* parents).

3.3.16 Conclusions

The objective to have all children either in school, or in an alternate school, by 2003 had not been achieved even as of March 2005 and with the present pace of implementation, the objective to ensure that all children complete five years of primary schooling by 2007, eight years of schooling and universal retention by 2010 is a remote possibility.

⁴⁶ conducting surveys, invigilation and evaluation work for examinations, etc.

The implementation of the programme suffered in the State due to inadequate planning and under-utilisation of funds, particularly in the first two years of the implementation. As of March 2005, 2977 habitations did not have regular schools, of which 1925 habitations did not have any schooling facility. There was shortage of teachers. The total number of 'out of school' children was 4.23 lakh.

Provision of infrastructure such as school buildings, qualified teachers, TLE, etc. provided to the schools were not adequate. About 25 per cent of civil works relating to construction of classrooms, toilets and provision of drinking water facilities, etc. remained incomplete. False reporting of achievements by the NGOs was also noticed. There were huge shortfalls (43 to 78 per cent) in training of teachers and community leaders. Quality of education suffered due to deployment of under-qualified para teachers, inadequate coverage of training of teachers and due to irregular functioning of schools (as disclosed by the beneficiary survey by SRI). The role of teachers was also reported to be not satisfactory. Thus, implementation of the programme in the State was far from satisfactory.

3.3.17 Recommendations

- Access to schools should be provided in all habitations/urban blocks in the State.
- Government need to take immediate steps for mainstreaming all 'out of school' children with special focus on girls and SC/ST children.
- Adequate infrastructure facilities should be provided in all the schools.
- Training to all in-service teachers, etc. should be provided as envisaged in SSA guidelines. The role of teachers also need to be thoroughly monitored.
- Performance of NGOs involved in the programme should be closely monitored.
- There is a need for strengthening Internal Audit System.
- Monitoring at all levels should be strengthened to ensure better utilisation of resources and timely completion of the civil works.

The above audit findings as well as the recommendations were discussed with the State Project Director in the exit conference held in November 2005. The points brought out by Audit in the performance review have been accepted by the State Project Director. Government also while accepting the audit points, assured (May 2006) that they would take remedial action wherever necessary.

INFORMATION TECHNOLOGY AND COMMUNICATIONS DEPARTMENT

3.4 Information Technology Audit of eProcurement

Highlights

The State Government, as part of its e-Governance initiatives, is implementing eProcurement, identified as one of the key thrust areas, for procuring of works and products, using Information Technology. Though the efforts of the Information Technology and Communications (IT&C) Department, were laudable and had addressed problems associated with bidding in calling for/submission of tenders, etc. the Project suffers with many deficiencies associated with software, policies, procedures and enterprise controls. Backup implementation, retention of important logs were inadequate. Major shortcomings in the implementation of the project, like ineffective implementation of automatic bid evaluation, non-standardisation of bid document, security problems, non-customisation of application, etc. were also noticed.

◆ Though the Government issued orders (July 2004) that all works/goods/services, be procured using the eProcurement platform, only 10 Government departments, 15 PSUs, 58 urban local bodies and five Universities out of 30 Government Departments, 36 working PSUs, 134 Urban Local Bodies and eight Universities are using the facility as of July 2006.

[Paragraphs 3.4.1 and 3.4.7.1]

◆ Automatic Bid evaluation was not implemented effectively and Backup implementation, adequacy of logs, retention of important logs were also inadequate.

[Paragraphs 3.4.7.2 and 3.4.8.1]

◆ Procurement processes across the user departments were not standardised, and customisation and validation to suit the functional requirements of individual departments was not attempted by the Vendor.

[Paragraphs 3.4.7.1, 3.4.8.2 and 3.4.8.3]

◆ Security Audit as envisaged, was not conducted as of July 2006. Consequently, the eProcurement platform was not used for transacting tenders for the projects taken up under World Bank and other multilateral bank loan assistance.

[Paragraph 3.4.9.2]

◆ Public Key Infrastructure (PKI) implementation was inadequate. eProcurement could not rule out possible cartel formation.

[Paragraphs 3.4.9.3 and 3.4.9.5]

3.4.1 Introduction

E-governance or electronic governance is the delivery of government services and information to the public using electronic means, referred to as information technology or 'IT'. Use of IT in government facilitates a competent, prompt and transparent method for sharing information with the public and other agencies, and for performing government administration

activities. Government of Andhra Pradesh as part of its e-Governance initiatives, identified eProcurement as one of the key thrust areas involving all the Government departments/PSUs/ Autonomous bodies and the Universities. The eProcurement platform consists of a Tender Management System, Rate Contract /Buy Site (catalogue based purchases), Market Site and Auctions modules. The TMS offers automation in the workflow, customised to individual departmental/ organisation's needs. It creates tenders right from the publishing of notice inviting tenders (NIT), bid submission by contractors electronically, bid opening (technical and price bid) and upto selection of successful bidder. The general public can view the NIT and registered suppliers can download the tender schedule document and submit their bids online. The suppliers upload the required scanned documents and certificates with their bids.

The objective to cover all departments under eProcurement platform had not been achieved even after two years of issue of orders

Price Waterhouse Coopers (PWC) was appointed as consultant for identifying the areas and preparing requirements, etc. C1 India Pvt. Limited (Vendor) was selected as the partner for the State Government to set up the eProcurement platform through bidding and evaluation. The State Government had entered into an agreement in June 2002 with the vendor for development, operation and maintenance of eProcurement portal by the vendor at its own cost. The portal was operational from 29 January 2003. The project initially covered four departments /agencies viz., AP Technology Services Ltd (APTS), AP State Road Transport Corporation (APSRTC), Commissionerate of Tenders (CoT) (covering Irrigation and Command Area Development Department and Roads & Buildings Department) and AP Health, Medical Housing and Infrastructure Development Corporation (APMHIDC). The pilot phase which was initially operative upto March 2003 was later extended upto September 2004. Later an agreement was entered with vendor in April 2005 (effective from 1 April 2004) with a desire to rollout the eProcurement solution to all departments, PSUs and local bodies. The agreement envisaged that all hardware and software would be bought (by the Government) at the end of three year (agreement) period i.e. by March 2007.

As of July 2006 the eProcurement platform was being used by 10 Government Departments, 15 PSUs, 58 Urban Local Bodies and five Universities, and 16260 tenders have been invited on the portal with an aggregate transaction turnover of Rs 35703 crore.

3.4.2 Organisational set up

Information Technology and Communications department (IT & C) headed by the Secretary to Government is the nodal agency for the eProcurement platform. The Secretary is assisted by a Project Manager in the State Secretariat. The Managing Director, APTS maintains the eProcurement Fund (collected at 0.04 *per cent* of Estimated Contract Value (ECV) from each successful bidder from April 2004) which is to be utilised for infrastructure development of eProcurement platform. Each individual department using the eProcurement platform would carry out the workflow right from indent creation to selection of successful bidder.

3.4.3 Audit objectives

The IT Audit of eProcurement platform had the following objectives:

- To evaluate Tender Management System (TMS - component of eProcurement) web application
- To analyse the data for completeness, integrity, reliability and accuracy
- To evaluate the security controls built into the system
- To review whether objectives of the eProcurement have been achieved as envisaged

3.4.4 Audit criteria

Audit used the criteria as laid down in various manuals and government orders, the requirements stated by the departments in the form of 'As is process' document, 'To be Process' document and mapping of the same to the application.

3.4.5 Scope and Methodology of Audit

The Review of the performance of the Tender Management System⁴⁷ - Component of eProcurement application was conducted (January – July 2006) with relevance to policies, procedures developed and implemented in respect of works (single and double packet⁴⁸) and products. Data pertaining to the period 29 January 2003 to 31 March 2006, was checked for completeness, integrity and accuracy. The data was analysed using a Computer aided Audit Tool, IDEA⁴⁹. Tender Management System was reviewed with test users created for audit purpose. The results of the review are discussed in the succeeding paragraphs.

3.4.6 Financial arrangement

While entering into the agreement with the vendor it was decided to have Tender hosting charges of Rs 4500 per tender to be paid by the respective departments and Transaction fees of 0.24 *per cent* of the ECV payable to the vendor by the successful bidder on receipt of purchase order / work order for all tenders published through eProcurement. The Government through an order issued in February 2005 changed the pricing structure giving it retrospective effect from April 2004. According to the new pricing structure transaction fee at 0.04 *per cent*⁵⁰ of ECV by all participating bidders was to be payable to the vendor. The hosting charges were however, dispensed with. Each successful bidder was also to pay 0.04 *per cent* of ECV (from April 2004) towards eProcurement Fund.

As of May 2006, accumulations to the eProcurement Fund maintained by APTS amounted to Rs 90.27 lakh. As per the Government guidelines (August

⁴⁷ as only this component was implemented fully

⁴⁸ Single packet means the technical bid and financial bid in a single sealed cover and double packet means the bids requiring both the technical and financial bid in separate sealed covers in the manual system

⁴⁹ Interactive Data Extraction and Analysis

⁵⁰ With a cap of Rs 10000 for ECV upto Rs 50 crore and Rs 25000 for ECV above Rs 50 crore

2005) for operating the eProcurement Fund 50 per cent of the eProcurement Fund charges received on behalf of the Departments/ Agencies in a financial year, would be spent on the respective Department's/ Agency's specific requirements to sustain IT initiatives within their Departments/ Agencies, and the remaining 50 per cent retained with APTS to be spent on initiatives taken up by IT & C Department to sustain eProcurement project overall. The IT & C department had however, no information on the actual expenditure incurred by APTS from this Fund.

3.4.7 Programme implementation

3.4.7.1 eProcurement platform not fully operationalised

Procurement processes across the departments were not standardised

The portal was operational from January 2003 with a targeted procurement worth Rs 250 crore during 2002-03. Government issued orders in July 2004 for procuring all the Government works with estimated value more than Rs 10 lakh and above and goods and services with estimated value more than Rs 5 lakh through eProcurement. It was however, observed that as of July 2006 the platform was being used by only 10 Government Departments, 15 PSUs, 58 Urban Local Bodies and five Universities out of 30 Government Departments, 36 working PSUs, 134 Urban Local Bodies and eight Universities. APSRTC, a State Undertaking, chosen as a user for the pilot phase had itself not started eProcurement as of July 2006.

The Project Manager attributed this to non-standardisation of procurement processes among procurement departments.

3.4.7.2 Autobid not effectively utilised

Autobid module was ineffective due to non-availability of contractor details database

The feature of Autobid facilitates automatic evaluation of tenders based on the details of contractors database. In the absence of an updated contractor's database containing details like annual turnover, previous experience in value and quantity, existing commitments and other key information relevant for evaluation of tenders, to be utilized by the autobid module, the autobid module could not be effectively implemented. Consequently, the evaluation of tenders with regard to contractor details had to be done manually, nullifying the stated objective of reducing the time taken in evaluation of tenders and also ensuring a faceless operation.

3.4.7.3 Development of alternate software by APTS – Duplication of efforts

APTS was asked to develop alternate software though Government was to buy back eProcurement platform from C1 India by March 2007

In response to an audit query, the Project Manager stated (May 2006) that the eProcurement application provided by the vendor had the required functionalities to service transactions costing below Rs10 lakh also. It was seen that a Sub-committee constituted to review the financial business model of eProcurement solution had recommended (September 2004) development of an alternate eProcurement platform by APTS. Government accordingly issued orders (February 2005) to develop an alternate platform for works, goods and services costing Rs 10 lakh and below for all departments/ PSUs/ Local bodies stating that developing and operating an eProcurement platform

would provide necessary experience to APTS in a niche area. It was, however, observed that the APTS was seeking a technology partner to develop such alternate platform. Thus, when a functional and tested application was available for buy back, Government's decision to develop alternate software with same functionality was inappropriate.

3.4.7.4 Conflict of Interest

It was seen from the technical bid submitted by the vendor that it had been a partner of PWC. Despite this, Government continued with PWC in the technical and commercial evaluation of the bids. Even after the selection of the vendor, Government continued to involve PWC in all critical areas like reviewing price structure and the future business model.

3.4.7.5 Intellectual Property Rights

Government has no share of intellectual Property Rights (IPR) on the TMS application

Government had contributed domain expertise for developing the tender management software and was therefore entitled to share the Intellectual Property Rights (IPR) of the TMS application. The reply of the department that vendor, alone had the IPR for Tender Management Software is not acceptable as the Government should have its proportionate share on IPR.

3.4.7.6 ESCROW Account

Full functionality of TMS software deposited in ESCROW account had not been ensured

Government entered into a tripartite Escrow agreement with the vendor and Escrowtech India (Chennai) in April 2006 for depositing the source code of Tender Management Software so as to safeguard the interests of the Government. Before creating an Escrow account⁵¹, the updated source code was to be duly verified and validated. Government appointed the Institute for Electronic Governance (IEG) (at Hyderabad) for verifying and validating the source code in deposit material and to furnish the necessary certificate to the effect that the source code was the same as that in the live eProcurement application serviced by the vendor on its behalf. IEG had given (April 2006) a report stating that it had checked the total functionality of the software. It was, however, observed that verification and validation done by IEG did not include super administration and departmental administration module which forms part of TMS application. Thus, the full functionality of the TMS software (deposited in ESCROW account) had not been ensured.

3.4.7.7 Procurement of low capacity hardware and software

Infrastructure created was not in accordance with the contractual agreement

As per the agreement, all servers were to have 2.7 GHz⁵² processors and Operating System (OS) Windows 2003 Enterprise Server. It was, however, noticed that the servers had lower processors of 700 Mhz⁵³ and Windows 2000 Advance Server OS which is a older version. In response to an audit enquiry the department stated (July 2006) that these lower configuration of hardware and OS created no performance issues. This was not tenable as the higher

⁵¹ A legal arrangement whereby a software source code is delivered to a third party (called an ESCROW agent) to be held in trust as per conditions in a contract

⁵² Gigahertz

⁵³ Megahertz

configurations were prescribed in the agreement considering the capacity planning and future growth needs when more departments join eProcurement platform. Also, contrary to the agreement conditions, instead of a Hardware Load Balancing Switch a Software Load Balancing which is memory intensive had been configured on the server.

3.4.8 Application performance

3.4.8.1 Business Continuity Plan/Disaster Recovery Plan

As of July 2006, BCP/DRP document was not approved by the Government. Database server application logs showed that database backup had failed from 29 March 2006 to 01 April 2006 due to insufficient disk space. This indicated that the daily backups were not available for these days. It was noticed in a test-check (March and April 2006) that the backup of transaction logs has completely failed. It was also observed that the backups were taken on disks instead of on tapes. Thus absence of a BCP/DRP system was at risk of losing important information.

3.4.8.2 Customisation

Basic customisation was not attempted by the vendor to suit the functional requirements of individual departments

All necessary customisations to the Tender Management Software to meet the functional and work flow requirements of the participating departments was to be carried out by the vendor. It was noticed that the vendor had not attempted the required customisation to suit the functional requirements of individual departments for the meaningful utilisation of eProcurement platform.

Though the feature of ‘Demand Aggregation’⁵⁴ was provided for APTS, the application did not provide it for APHMHIDC, where the consolidation continued to be done manually. Lack of this feature even as in June 2006 also indicated that there were gaps in the ‘Requirement Study’.

3.4.8.3 Validation Controls

The Vendor had not attempted the required validations

All necessary validations to the Tender Management Software to meet the functional and work flow requirements of the participating departments was also to be carried out by the vendor. It was noticed that the vendor had not attempted the required validations. Absence of various validation checks in the system design made the system vulnerable to data inaccuracies as is evident from cases cited below:

- While creating indents for common products, in delivery details, the ‘delivery period’ ranged from zero days to 11111 years. No validation for the delivery period was there in the application. The department replied that validation for the field would be fixed in the range from 1 to 365 days.
- While inviting the tenders, the department has to specify the period of contract. However the application allows entering values like 10000 months in this field. The department replied (May 2006) that the data

⁵⁴ Demand Aggregation facilitates the consolidation of requirement of the department

element was not defined for maximum value as the departments had not come up with permissible maximum contract period. It was however, agreed to set a maximum value of 180 months for the period of contract.

- As per government orders of July 2003 the ceiling for tender premium is 10 per cent (later amended to 5 per cent in November 2004). However, there were 2055 cases where it was more than 5 per cent which includes departments other than PSUs. In 637 cases where the excess value was quoted as 15 per cent and in one case it was recorded as 100 per cent. As such the software was not validating the input data so as to implement the Government orders. Department replied that this rule was not uniformly imposed across departments and PSUs and as such is not built into the application. Further the PSUs keep changing the limits from time to time. Departments are accountable if they have accepted tenders beyond the premium limits applicable to them. This indicates that proper customisation of the application had not been done to suite individual departmental requirements. The reply also indicates the inappropriateness of the change management system.

3.4.8.4 Incomplete Database

- There were 2752 records where after opening of the price bids the process was being completed offline and the application was not updated in terms of closing the bids. Thus the database was incomplete.
- Irregularities of incomplete capture of data like supplier details, log details of the transactions were noticed in the Database.

3.4.9 Security

3.4.9.1 Departmental Admin User ID operated by Vendor

Departmental activities like creation of users, updating departmental masters, etc. are to be controlled by each department only through an authorised official using concerned departmental admin user IDs. However, it was noticed that all the departmental admin user IDs except for the APHMHIDC and APTS were operated by the vendor.

The Project Manager stated (May 2006) that most of the participating departments were novice to IT systems and lack the required skills. The contention is not acceptable as the whole system was operated at the discretion of the vendor and no efforts were made by the Government to make the Departments self reliant despite the fact that the Government was to take over the project by March 2007 from the vendor.

3.4.9.2 Security Audit

PWC had conducted the post implementation audit of eProcurement application in August 2003 covering mainly the implementation aspects. As per the agreement of June 2002, the Government was to appoint an agency to conduct security audit of eProcurement platform at its own cost. Further, as per the subsequent agreement (April 2005), Government was to appoint a mutually acceptable independent agency to conduct the security audit at a

Security Audit as envisaged was not conducted as of July 2006

suitable interval not exceeding 12 months. The World Bank also intimated (January 2006), that a Security Audit of eProcurement for all bank funded projects be conducted by an independent third party with no conflicting interests. It was noticed that as of July 2006, no Security Audit of the Project had been conducted. Consequently, the eProcurement platform was not being used for the projects taken up under World Bank and other multilateral bank loan assistance. This indicates that the eProcurement platform was being used without any satisfactory assurance on the security of the system.

3.4.9.3 Public key infrastructure (PKI) implementation

**PKI
implementation
was critically
affected**

eProcurement Public Key Infrastructure (PKI) solution, has followed two – factor authentication, which involves PKI solution along with normal username and password authentication. PKI was enabled on 1 March 2005. PKI provides for a digital certificate that can identify an individual or an organisation and directory services that can store and, when necessary, revoke the certificates. The process involved in PKI implementation is (a) Digital Signature/Verification Process (b) Data signing and verification (c) Encryption/Decryption process (d) Transfer process.

It was observed from the data that verification of the signed price bid status including decryption was being done only from December 2005 whereas PKI has been implemented from March 2005. This indicated that verification process had not been done before December 2005.

The department replied (July 2006) that the Digital Signature was introduced (March 2005) for the data along with PKI implementation. At the time of bid opening however, it was decrypted and after verification stripped of the signature because it was stored in the same column and in the same table. This process however, destroyed the audit trail and the encrypted data in the tables itself does not conform the date and time of encryption/decryption processes. Even as of March 2006 the date and time of encryption were not available in the audit trail. The department replied (August 2006) that it was very difficult to maintain Database application log for each and every process related activity. The reply was not tenable as the log needs to be maintained capturing details like date and time of encryption and decryption events.

Further examination of the data revealed that:

In the table containing the details of bids in an encrypted form which are digitally signed with the supplier certificate, during the period 1 March 2005 to 31 March 2006:

- There were 39647 (out of 59312 records) records where price bid data digitally signed by the supplier using his digital certificate was blank. For seven records the department admitted (July 2006) that the cause of discrepancy had not been identified and required further investigation. Even for rest of the records where attached signature was used the signed data was not available. The department admitted that in hindsight it was indeed a shortcoming. The lack of signed price bid data makes the PKI implementation itself questionable.

- There were 4315 records (out of 59312 records) where the encryption key value was blank. The department replied that encryption key was stored in encryption key table. The reply is not tenable as encryption key value could not be blank as this stores information of all users while submitting the commercial bids.
- There were 303 records (out of 59312 records) where certificate serial number and certificate holder details column values were blank. The department replied that out of 303 records, nine records were accounted for test tenders. For the remaining 294 records the department could not explain the lack of details.

Further, 62 records indicated that suppliers could log in to the application without a digital certificate. When pointed out the department replied (August 2006) that the investigation was in progress.

The above points indicate that the PKI implementation was critically flawed. Apart from raising serious security concerns, it has also adversely affected the effective utilization of PKI.

3.4.9.4 Audit Module

Logs maintained were inadequate and incomplete

The purpose of a log would be to record all the activities to keep audit trail and to fix responsibility in case of any unforeseen activities in the application. As per the requirements, the application has to provide the feature of audit trail. It was, however, observed that even where the data was critical and sensitive, including the activities of the administrator, the logs maintained were inadequate and incomplete.

Vendor was requested to integrate 'Access Control' software by end of March 2006 at its own cost as per its obligations under the contract agreement to contain possible misuse of system by the Administrator. However, no such tools had been deployed as of June 2006 and as such the audit trail was not protected against misuse.

Audit logs have to be reviewed periodically by a responsible official other than the service provider so as to initiate action to improve or to plug the irregularities noticed in the system. It was noticed that the Audit logs were being reviewed by the vendor itself and were retained for a period of six months only. This was against the principle of segregation of duties. The department's reply (June 2006) that this was due to the difficulty in reviewing the huge volumes of transactions involved is not acceptable. Further, the non-retention of the logs without conducting any periodical audit /review either by Government or a third party could lead to possible destruction of evidence.

It was further noticed from the available log details that 959 gaps (out of 1161244 records) were present in respect of auditids.

3.4.9.5 Possible Cartel formation not ruled out

Payment Gateway services were not available for making payments of EMD, etc. resulting in possible cartel formation

As per the Agreement (April 2005), payment gateway services (electronic payments) was to be provided. This service was made available only for payment of transaction fee to the vendor from July 2006 and not for making payments, like Earnest Money Deposit, etc. to the department. Therefore, contractors/suppliers have to approach the departments for submitting their Demand Drafts. Contractors/ suppliers were also required to submit hard copy proof of other documents before opening of the bids. It was seen that though the electronic bids submitted by the suppliers ranged from 20 to 60 per NIT, hard copies of the bid documentation were actually submitted in most of the cases by one to three bidders for opening of the price bid indicating even the cartel formation is not ruled out (*Appendix 3.5*). Even though Government issued orders in December 2005 contemplating suspension of tenderer in case of failure to submit the hard copies of DD/BG⁵⁵ for EMD, DD for transaction fee, etc. within the stipulated time, these orders had been kept in abeyance even as in March 2006. The same would not even be required if e-payments were accepted and updated contractors database was maintained online (thus hard copy submissions would not be required) ensuring a faceless operation. Absence of the same defeated a key objective of the Project.

3.4.10 Conclusions

The pioneering initiative of implementation of the State-wide eProcurement platform did not yield the desired results. The objective to bring all departments under eProcurement platform was not achieved. The objective of implementing an automatic bid evaluation system could not be achieved. Basic customisation for all departments to suit the functional requirements of individual departments, was not attempted by the vendor. There were problems associated with standardisation of procurement processes across the user departments, implementation of PKI, backup implementation, retention of important logs, data irregularities, etc. The objective of preventing possible cartel formation could also not be fully achieved. Logs maintained were also inadequate and incomplete.

3.4.11 Recommendations

- Government should ensure that the objective that all its works/goods/services, be procured only by using the eProcurement platform, is fulfilled.
- Contractors' Database should be operationalised immediately to implement auto bid evaluation effectively.
- Business Continuity Plan, etc. should be drafted, approved and implemented as per requirements.
- Government needed to standardise procurement processes among all user departments.

⁵⁵ Bank Guarantee

- Problems associated with PKI implementation should be sorted out without delay.
- Controls should be established and implemented properly to ensure 'capture and maintenance' of adequate and complete audit logs.

The above points were referred to Government in August 2006; reply had not been received (September 2006).

REVENUE (Relief and Rehabilitation) DEPARTMENT

3.5 Tsunami Relief and Reconstruction

Highlights

An earthquake induced tidal wave, called Tsunami, hit all the nine coastal districts in Andhra Pradesh on 26 December 2004 causing a loss of 107 human lives with four missing, besides loss and damages to houses, fishing boats and other infrastructural facilities. A performance audit of “Tsunami Relief and Reconstruction” revealed that even after 18 months of the disaster, rehabilitation of the affected fishermen and reconstruction of infrastructure facilities had not been completed (June 2006). Replacement and repairs to damaged boats had yet to be done in Krishna, East Godavari, Nellore and Prakasam Districts. Rural water sources had not been fully repaired or damaged roads restored. Unauthorised/inadmissible/ excess expenditure, etc. were also noticed in the six districts.

◆ The assessment of damages/loss on account of Tsunami was not realistic. Against the total losses/damages initially assessed at Rs 75.27 crore in the nine coastal districts, the loss was later re-assessed at Rs 51.84 crore. The final assessment of damage has yet to be made. In the six districts, only Rs 30.59 crore was utilised against the drawal of Rs 40.18 crore.

[Paragraphs 3.5.6.1, 3.5.6.2 and 3.5.7.1]

◆ Out of the 55 Rural Water Supply sources damaged in Tsunami in the five districts only 19 were restored at a cost of Rs 1.27 crore out of Rs 3.10 crore provision. In Guntur District no work has been taken up in respect of seven sanctioned works.

[Paragraph 3.5.9.8]

◆ Rehabilitation of the affected fishermen was not done on priority basis even after 18 months of its occurrence. Only 35 per cent of the destroyed boats in Krishna, 60 per cent in East Godavari and 71 per cent in Nellore Districts were replaced. Similarly only 68 per cent of the damaged boats in Nellore District and 77 per cent in Prakasam District were repaired.

[Paragraph 3.5.9.2]

◆ In Krishna District, Rice (Value: Rs 63.44 lakh) and cash component (Rs 15.86 lakh) under SGRY were not distributed to the affected families as no work had been identified. Benefit to the extent of Rs 1.40 crore was irregularly extended to six mandals not affected by Tsunami.

[Paragraphs 3.5.9.6 and 3.5.9.11]

◆ The repairs to roads in the Kakinada rural mandal affected by Tsunami, had not been carried out as of June 2006, despite the availability of funds.

[Paragraph 3.5.9.7]

◆ Out of 481 fully damaged houses to be reconstructed in the five affected districts, only three were actually completed while work on

317 had not even started and 161 houses were at different stages of completion (June 2006).

[Paragraph 3.5.9.9]

3.5.1 Introduction

Tsunami is a series of waves with a longer wavelength and period (time between two crests), generated by large, impulsive displacement of the seabed level mainly due to earthquakes, which cause vertical movement of the sea floor. It is also triggered by landslides under the water surface or impacts by volcanic activity and meteor. A great shallow focus earthquake of a magnitude of 8.6 on the Richter Scale occurred with its epicentre off the west coast of Northern Sumatra on 26 December 2004 at 06.29AM (IST). This earthquake generated massively destructive Tsunami waves which hit the Coastal States and Union Territories of Pondicherry and Andaman Nicobar Islands causing extensive loss of lives and property. In Andhra Pradesh, the tidal waves entered villages along all the nine coastal districts inundating 301 villages in 69 Mandals affecting a population of 2.12 lakh. As per the preliminary survey, there were reports of 107 deaths, and four missing persons. While, damages were reported to 481 houses, 10683 country boats, 180 mechanised boats and 1362 country boats were claimed as lost. 47370 Fishing nets belonging to marine fishermen were also reported as lost/damaged due to Tsunami. The total estimated loss (as per the initial assessment) was Rs 75.27 crore which was re-assessed at Rs 51.84 crore. The details are given in *Appendix 3.6*.

3.5.2 Organisational setup

A State Level High Power Standing Committee had been constituted (May 1978) to deal with natural calamities including relief, reconstruction and rehabilitation under the Chairmanship of the Chief Secretary to Government. A State Level Commissionerate for disaster management had been functioning under the administrative control of Revenue Department for coordinating and rescue operations.

The relief operations of the Tsunami disaster were being implemented by the Commissioner, Disaster Management (Commissioner) with the assistance of various departments⁵⁶. The Chief Executive Officer (CEO), Indira Kranthi Patham (IKP) through Project Directors, IKP had assessed the loss of boats, nets of marine fishermen at village level in the affected mandals in coordination with the Fisheries Department. The other damages were assessed by Chief Engineer (CE) (R&B) – Roads; CE (RWS) – Rural water supply sources; MD, Andhra Pradesh State Housing Corporation (APSHC) – Housing; Commissioner of Agriculture – Agriculture; Director of Animal Husbandry – Animal Husbandry; Principal Chief Conservator of Forest – Forest respectively.

⁵⁶ Agriculture, Animal Husbandry, Fisheries, Forest, Housing, Revenue, Roads & Buildings (R&B), Rural Water Supply and Rural Development (DRDAs and Society for Eradication of Rural Poverty)

3.5.3 Audit objectives

The audit objectives framed for the performance audit were to assess whether:

- there were any deficiencies in the assessment, release of funds and utilisation thereof and the expenditure conformed to the norms
- the process of identification of beneficiaries and the need assessment of affected areas/population was scientific
- the institutional mechanism for disaster management, mitigation, prevention and preparedness was effective
- the steps taken for providing immediate assistance, procurement and delivery of relief and rehabilitation and restoration of infrastructural services were adequate and
- the system of monitoring of relief and rehabilitation operations was effective.

3.5.4 Audit criteria

The criteria used for the Performance Audit were as under:

- Assessment report on the loss on account of Tsunami, allocation of funds made by GOI, releases to executing agencies and their utilisation in accordance with GOI guidelines
- System of identification of beneficiaries and policies formulated for rehabilitation of affected people
- Guidelines issued by the GOI/Planning Commission for effective implementation of Tsunami Rehabilitation Programme and the Coastal Zone Regulation Act, Town Planning Act and Municipalities Act, etc.
- Coordination amongst various departments including NGOs involved in Tsunami Relief operations and timeliness of delivery of relief and rehabilitation and
- Monitoring system instituted by the State Government

3.5.5 Scope and Methodology of Audit

Performance audit of the relief, reconstruction and rehabilitation operations in the aftermath of the Tsunami, covering the period December 2004 to June 2006 was conducted (November 2005 – June 2006) by test-check of records of the Commissioners – Disaster Management, Fisheries, Agriculture; Director, Town and Country Planning; Managing Director, APSHC; CE (R&B); CE (RWS) and other implementing departments/ agencies in the six⁵⁷ out of nine affected districts. The results of the review are presented in the succeeding paragraphs.

Discussions were held with the departmental officers in an entry conference held in January 2006, wherein the objectives and scope of performance audit and the audit criteria were discussed. Views of the Commissionerate of Disaster Management and other departmental officers were considered while

⁵⁷ Nellore, Prakasam, Krishna, East Godavari, Srikakulam and Visakhapatnam

arriving at the audit conclusions. In the exit conference held (August 2006) with the departmental officers all the points included in the draft report including the recommendations were discussed with the entity.

Audit Findings

3.5.6 Financial Management

3.5.6.1 Funding pattern

All financial assistance to the States affected by natural calamities is provided under Calamity Relief Fund (CRF) and National Calamity Contingency Fund (NCCF). In case these funds are insufficient additional Central assistance is provided from NCCF.

Based on the preliminary assessment reports received from the district authorities (through teleconference), the State Government submitted (December 2004) to GOI, a memorandum containing sector-wise damages requiring assistance of Rs 317 crore besides 19500 MT rice (under Sampoorna Grameen Rojgar Yojana (SGRY)) – Food Assurance Programme (FAP) to restore damages (Rs 75.27 crore) and also to undertake mitigation measures. The funds for reconstruction of damages caused by Tsunami were received from the following sources:

(Rupees in crore)

Source	Purpose	Amount received
GOI		
NCCF	Relief and Rehabilitation	69.32
RGRP	Housing	2.30
RGNDWM	Rural Water Supply	3.00
CRF	Housing	20.00
State		
CMRF	Housing	20.00
	Fishing crafts	0.90
Total		115.52

Note: In addition to the above, an NGO - Indian Red Cross Society had contributed Rs 1.06 crore (Nellore: Rs 49 lakh (expenditure Rs 33.50 lakh); Prakasam: Rs 57 lakh (expenditure Rs 52.05 lakh)) for procurement of boats through respective District Collectors. Besides, some NGOs also assisted the beneficiaries to meet the cost of construction of house, over and above Rs 40000 (Para 3.5.9.4 refers).

3.5.6.2 Sanctioned outlay and expenditure

As against Rs 115.52 crore sanctioned/received from various sources, only Rs 90.30 crore were released to the districts, CE(RWS), CE(R&B) and MD, APSHC under 'Relief and Reconstruction' (Rs 45.20 crore); Housing (Rs 42 crore); RWS (Rs 3.10 crore).

The Commissioner, Disaster Management had no information on the total expenditure incurred on the 'Relief and Rehabilitation' activities in the State. In the six test-checked districts, an amount of Rs 4.49 crore (including the additional rice supplied in Srikakulam and Visakhapatnam Districts) was

incurred by the respective District Collectors to provide immediate relief⁵⁸ to the victims.

In the six districts, Rs 30.59 crore was spent against the drawal of Rs 40.18 crore

The district-wise releases and the expenditure as of June 2006 under the Reconstruction and Rehabilitation activity in the six test-checked districts were as follows:

(Rupees in crore)

District	Releases	Drawn	Expenditure (Percentage)
East Godavari	9.17	7.13	4.85 (68)
Krishna	6.29	6.29	4.51 (72)
Nellore	15.34	14.95	12.94 (87)
Prakasam	9.20	9.20	6.13 (67)
Srikakulam	0.98	0.98	0.58 (59)
Visakhapatnam	1.63	1.63	1.58 (97)
Total	42.61	40.18	30.59 (76)

Large amounts (24 per cent) were lying unutilised with the district authorities/SE (RWS) mainly due to initial improper assessment of losses

Thus, in the six districts, only Rs 30.59 crore (72 per cent of the releases and 76 per cent of the amount drawn) was spent, leaving Rs 9.58 crore⁵⁹ unutilised. The sector-wise details are given in *Appendix 3.7*.

Further, as against Rs 5.13 crore released to CE (RWS) for restoration of rural water supply sources, Rs 3.10 crore was released to Superintending Engineers, RWS in the six affected districts; the balance Rs 2.03 crore was still lying with the CE, (RWS) (June 2006). The expenditure reported was only Rs 1.27 crore (25 per cent of the releases) leaving Rs 1.83 crore lying unutilised (June 2006) with the PAOs.

In Prakasam District, the entire amount of Rs 3.10 crore released to the DM, Housing in May 2005 had been lying unutilised (June 2006) in the form of Demand Drafts (Rs 2 crore) and in a savings bank account (Rs 1.10 crore).

Full amounts could not be utilised in these districts mainly because the district authorities had initially inflated the requirement of funds and that the rehabilitation operations could be managed with less funds. Further, in the Fishing sector, of three out of six sample districts, overstatement of losses also resulted in excess sanctions/releases.

Besides, under-utilisation of funds amounting to Rs 9.58 crore was also noticed in Fisheries (Rs 5.94 crore), Roads (Rs 1.20 crore), Housing (Rs 1.55 crore) and RWS works (Rs 0.69 crore).

⁵⁸ evacuation of victims, relief camps, distribution of rice, relief for house damages, ex-gratia, etc.

⁵⁹ JD, Fisheries (Rs 0.03 crore); PDs, IKP (Rs 4.36 crore), Pay and Accounts Officers, RWS and R&B (Rs 1.88 crore); DMs, Housing (Rs 1.55 crore); District Collectors (Rs 1.38 crore); and amount remitted by District Collector, Srikakulam in November 2005 (Rs 0.38 crore)

3.5.7 Identification of beneficiaries and need assessment

3.5.7.1 Improper initial assessment of damages/loss

Assessment of loss/damages was not need based and scientifically designed

Immediately after occurrence of Tsunami, the damages of property and loss of life was assessed (December 2004) by the District Revenue authorities with the help of Fisheries Department. Subsequently, another micro survey was conducted (July 2005) by the Project Directors, IKP in all the affected districts as per the orders of the District Collectors and the victims of the calamity (mainly fishermen) were identified by gramasabhas in the presence of officers of the Revenue and Fisheries Departments and the Village elders. The resolutions were passed confirming the losses. The subsequent assessment of damages to boats/nets, etc. were arrived at Rs 51.84 crore.

According to the assessment, the requirement of funds had come down in all the districts (except in Viskhapatnam District), resulting in excess sanction/releases in most cases as discussed below. Thus, it was evident that the initial assessment had been unrealistic. The final assessment of damages has yet to be done by the Commissioner, Disaster Management (August 2006), even after 18 months of occurrence of Tsunami.

3.5.7.2 Excess sanctions/releases due to improper survey

After the micro survey of the assessment of losses conducted in July 2005, the requirement of funds came down. Therefore, although the State Government/Commissioner had released amounts for the replacements/repairs to boats, nets, etc. on the basis of the figures projected in the initial survey the supplies were made on the basis of subsequent assessment. On verifying the releases towards replacements/repairs of boats and nets in the six test-checked districts, unspent balances amounting to Rs 4.12 crore were lying with the District Collectors, PDs/IKP, PAOs and JD/Fisheries in three districts as follows:

District	Sanctioned	Supplied	Excess sanctions	Funds released	Expenditure	Unspent balance
	(in numbers)			(Rupees in lakh)		
East Godavari (Boat repairs)	1731	1822	---	69.24	36.44*	32.80
Krishna (Supply of Boats)	213	76	137	80.62	9.09	71.53
Prakasam (Supply of Nets)	8998	4312	4686	572.84	265.53	307.31
Total				722.70	311.06	411.64

* the reduction in expenditure was due to limiting of repairs to Rs 2000 on the basis of extent of damages as against the ceiling of Rs 10000 per craft

PD, IKP, Prakasam drew the amounts in advance of requirement resulting in huge unspent amounts

In Prakasam District it was further observed that Rs 10.01 crore was sanctioned (March 2005) for replacement of 8998 fishing nets based on the initial assessment. Subsequently, as per micro assessment, the actual requirement was found to be 4312 nets only which cost Rs 2.66 crore. Instead of restricting the release and drawal to this extent, the Commissioner in March 2005, had released Rs 5 crore as the first instalment. However, the resultant unspent balance of Rs 2.34 crore instead of being remitted back to

Government, was placed (March 2006) at the disposal of the PD, IKP. Moreover, the Commissioner further released Rs 72.54 lakh and the District Collector authorised the Assistant Director, Fisheries to draw the amount even without requirement. The entire amount of Rs 3.07 crore was thus kept unutilised/unremitted by the PD, IKP as of June 2006.

3.5.7.3 Non-implementation of Marine Fishermen Regulation Act

Marine Fishermen Regulation Act was not adhered to while providing relief and rehabilitation to affected fishermen

As per Marine Fishermen Regulation Act, fishermen who acquire a boat of their own for fishing purpose have to register the boats with the Fisheries Department. It was observed that this practice was not being followed and no data on the number of boats registered/ purchased were available with them. The Fisheries Department therefore, was not in a position to assess the number of boats lost/damaged and had to rely on the recommendations of gramsabhas to extend financial assistance. This was indicative of poor planning and poor implementation of the provision of the Act, by the Department.

3.5.8 Effectiveness of Institutional Mechanism for disaster management

3.5.8.1 Preventive measures not implemented

State had not geared up sufficiently to meet disasters like Tsunami

Guidelines on Tsunami Rehabilitation programmes with regard to Institutional and fund flow mechanism, norms, community participation and involvement of NGOs and programme monitoring issued (February 2006) by the Planning Commission/GOI after the Tsunami, have yet to be adopted and implemented by the State Government. The Director, Town and Country Planning proposed (December 2004) to the State Government, for amendments to Andhra Pradesh Town Planning Act, 1920 and Andhra Pradesh Municipalities Act, 1965 by suggesting model amendments to Town and Country Planning, Land Use Zone Regulations, Building Regulations for National Hazard Zone. He had also mapped (December 2004), vulnerable coastal areas with reference to high tide line. No action was, however, taken by the Government as of June 2006. In fact, the Coastal Zone Regulations (1981) of GOI prohibiting all kinds of artificial development within 500 metres from the high tide mark, had not been adhered to while sanctioning houses to the affected fishermen. The Marine Fishermen Regulation Act requiring the registration of boats with Fisheries Department was also not implemented.

Training courses under National Programme for Capacity Building on earthquake risk management, were being conducted regularly. The State level and district level training programmes on disaster management were organised by APARD⁶⁰ only for two to five days for 2024 district/village level staff (State level: 456 participants; District level: 1568 participants) during 2005-06 and 2006-07(as of July 2006). Details of trainings imparted to Engineering and Medical staff were not furnished.

Thus, the State had not geared up sufficiently to meet the disasters like Tsunami.

⁶⁰ AP Academy of Rural Development

3.5.9 Post disaster activities on providing immediate assistance and arrangements for delivery of relief

3.5.9.1 Immediate Relief

District collectors of the nine affected coastal districts had quickly evacuated 34264 people into 67 relief camps, and provided food and drinking water and later 25 kg of rice per family on their return home from relief camps. Where no relief camps were organised, 10 kg of rice was provided to each family. A total number of 101 stationary, 72 mobile and 568 para-medical teams were speedily deployed to take up healthcare and sanitation measures in the affected areas. Some 132470 houses and 8015 water sources were chlorinated and the affected villages sanitised to prevent the outbreak of any epidemic. The Commissioner, however, had no information on the relief provided to the Tsunami victims in the nine Coastal districts of the State as a whole.

3.5.9.2 Delay in providing rehabilitation

Despite the availability of Central assistance in January 2005 itself, although 18 months had elapsed after the Tsunami, the delivery of assistance for reconstruction in respect of supply of boats (in four test-checked districts) and for repairs to boats (in three test-checked districts) was not completed (June 2006) as follows:

There were huge shortages in supply of boats/repairs of boats

District	Number of boats			
	Sanctioned for supply	Supplied (Percentage)	Sanctioned for repairs	Repaired (Percentage)
East Godavari	107	64 (60)	1822	1822 (100)
Krishna	215	76 (35)	1742	1500 (86)
Nellore	756	535 (71)	3503	2367 (68)
Prakasam	518	446 (86)*	2491	1920 (77)
Srikakulam	-	-	247	247 (100)
Visakhapatnam	5**	30	540	657 (100)

* Exclusive of 321 dinghies supplied

** In Visakhapatnam district, five boats were sanctioned based on the initial assessment of Fisheries department in Urban area. Later the IKP had assessed the loss in rural areas. Hence the excess in supply of boats (Para 3.5.9.3 refers)

It will be seen that the extent of short supply of new boats was very high in Krishna (65 per cent), East Godavari (40 per cent), Nellore (29 per cent) and Prakasam (14 per cent). Also, 32 per cent and 23 per cent damaged boats were not repaired in Nellore and Prakasam Districts respectively.

Delay in repairs and supply of new boats adversely affected the earnings and the livelihood of the fishermen (42162 families).

3.5.9.3 Improper assessment of loss of boats in Visakhapatnam District

63 (out of 93) boats lost were not replaced for want of additional funds, in Visakhapatnam District

According to the preliminary report on loss of assets in Visakhapatnam District, only five boats were lost and for which Government had released Rs 0.68 lakh for their replacement. In a later assessment done as per the orders of District Collector, the loss was reported as 93 boats (90 wooden boats and

three Fiber Reinforced plastic boats-FRP) and 108 mechanised boats needing repairs. It was however, seen that no further funds had been released by the Government so far (June 2006) to cover all these boats though asked for by the PD, IKP. In the meantime, the PD, IKP had procured 30 boats (cost: Rs 3.37 lakh) and repaired all the 108 mechanised boats (Rs 5.21 lakh out of IKP funds) leaving a balance of 63 boats yet to be replaced due to non-receipt of additional funds of Rs 19.02 lakh sought for by the District Collector in November 2005. Non-provision of additional funds for this purpose, though funds were lying unspent with the district level authorities, in all test-checked districts was indicative of lack of proper monitoring of expenditure at the Commissionerate level.

3.5.9.4 Non-utilisation of relief made available by NGOs

NGOs involvement in delivery of relief was not effectively coordinated. Assistance rendered by NGOs was not also used

The Commissioner had no information with regard to the number of NGOs and assistance rendered by them in the nine affected coastal districts. The district administration did not also coordinate effectively with the NGOs in distribution of relief to the affected families. In the three out of six test-checked districts, it was seen that 20 NGOs (Krishna : three, Prakasam : 13, Nellore: four) were involved in the Tsunami relief operations.

It was observed that Indian Red Cross Society (IRCS) had extended (July 2005) financial assistance of Rs 49 lakh for supply (subsidy: Rs 75000, loan: Rs 20000 and beneficiary contribution: Rs 5000) of 100 FRP boats in Nellore District. These funds were kept at the disposal of the District Project Directors, IKP. As against the 100 boats sanctioned, only 79 were supplied as of June 2006 (part payment made: Rs 33.50 lakh). There was also delay on the part of the Fisheries Department and the PD, IKP in identifying the beneficiaries for supply of FRP boats (instead of wooden catamarans). Due to the delay, the beneficiaries were deprived of the boats in spite of the funds being provided by the NGO way back in July 2005.

3.5.9.5 Doubtful utilisation of funds under Boat repairs

Full utilisation of funds for boat repairs by PD,IKP in Prakasam District was doubtful

Government fixed (March 2005) the ceiling of Rs 10000 per boat for repairs. In Prakasam District tenders were called for by the PD, IKP and rates obtained for units of repairs and identified the firms for taking up the repair works. It was observed that out of 2479 boats damaged (2491 as per initial assessment) in the district, the maximum amount (Rs 10000) fixed by the State Government was allowed for all the 547 boats repaired (Rs 54.70 lakh) as of January 2006. For the remaining boats also (boat-wise expenditure for another 1373 boats repaired as of June 2006 was not furnished to Audit) a provision of Rs 10000 per boat was made, not adhering to the approved rates for units of repairs. It was also seen that the extent of damages was not indicated by the Fisheries Development Officers concerned in the damage assessment reports. On a comparative study made by Audit in East Godavari and Visakhapatnam Districts, it was found that the average expenditure incurred per boat was only Rs 2000 and Rs 2570 respectively. Thus the expenditure incurred by the PD, IKP, Prakasam District towards repairs of boats appears to be on the higher side and hence doubtful. Government while accepting the audit point stated

(July 2006) that a Senior District Officer was being appointed to investigate into the matter.

3.5.9.6 Non-utilisation of SGRY funds in Krishna District

Rice and cash component drawn under SGRY were not distributed to the affected families

In Krishna District, an amount of Rs 15.86 lakh in cash and 793 MTs of rice (Rs 63.44 lakh) was sanctioned under SGRY (Special Component) for 5285 Tsunami affected families for relief employment works for three months. It was, however, seen that although the cash component of Rs 15.86 lakh was drawn by the District Collector, Krishna in January 2005 and deposited in the PD Account, no expenditure had been incurred so far (June 2006). The rice sanctioned under SGRY (FAP) was, however, not drawn as no works were identified for the affected families under SGRY in the district.

3.5.9.7 Non-execution of major repairs to road by R&B Department

Repairs to road were not undertaken even 18 months after occurrence of Tsunami leaving entire amount of Rs 1.20 crore unspent

Government had released (March 2005) Rs 1.20 crore for execution of repair works to road in the Tsunami affected mandal (Kakinada Rural) of East Godavari District. The CE (R&B – Roads) had drawn the amount and deposited (March 2005) it with the Assistant Pay and Accounts Officer, Yeleru Reservoir Scheme, Kakinada. In response to the tender call (October 2005), a single tender was received (November 2005). This was however, disqualified as the firm did not produce the certificate showing experience in ‘gabion structure’ or the Memorandum of Understanding (MOU). Hence, re-tenders were called for in January 2006. The work could not be taken up (June 2006) as there was no response to the tender calls. Government stated (July 2006) that the proposal of work was now being modified with an alternative workable design. This itself indicated the department’s failure to formulate a suitable design for execution of work at initial stage.

Thus, despite the funds being provided in March 2005, the envisaged repairs to road works in the Tsunami affected mandal had not been undertaken even 18 months after occurrence of Tsunami causing inconvenience to public.

3.5.9.8 Rural Water Supply scheme works not executed

Only 19 (out of 55) Rural Water Supply sources were restored in the six districts. In Guntur, seven (out of eight) works were not even taken up

Government had sanctioned and released Rs 3.10 crore (estimated cost: Rs 5.13 crore) in August 2005 for restoration of 55 drinking water sources⁶¹ affected due to Tsunami in the six⁶¹ (out of nine) districts. As of April 2006, only 19 works⁶¹ had been completed at an expenditure of Rs.1.27 crore in the five districts. It was also observed that seven of the eight works sanctioned in Guntur District have not even been taken up so far for want of revised administrative sanction by the Government for the modified proposals submitted by the SE (RWS) in September 2005. The remaining 29 works were at different stages of completion (June 2006). Thus a crucial requirement of providing drinking water facility to the Tsunami affected mandals was still pending.

⁶¹ Guntur (8/nil), East Godavari (13/9), Krishna (7/1), Nellore (17/6), Prakasam (8/3) and West Godavari (2/nil)

3.5.9.9 Poor progress in the construction of houses under RGRP

Reconstruction of damaged houses (for fishermen) was neglected

Based on the report submitted by the Commissioner, GOI had sanctioned/released (January 2005) Rs 2.30 crore for construction of 500 houses for reconstruction of the fully damaged houses along with land acquisition if required under Rajiv Gandhi Rehabilitation Package (RGRP). Out of Rs 2.30 crore received from GOI, the State Government had released Rs 2 crore to the MD, APSHC for construction of 481 houses at Rs 40000 per house in the five (out of the nine coastal districts) districts (including the three test-checked districts). The houses were to be constructed on Self help Mutual help basis. Physical Progress of the construction of houses as of July 2006 was as under:

District	Number of Houses				
	Allocated	Taken-up	Completed	Under Construction	Not started
East Godavari	152	152	3	38	111
Guntur	9	9	--	-	9
Krishna	21	21	--	3	18
Nellore	280	280	--	113	167
West Godavari	19	19	--	7	12
Total	481	481	3	161	317

Thus, of the 481 houses proposed for which funds were released by GOI way back in January 2005, only three houses had been completed, 161 houses were at different stages of construction and 317 houses were not yet started due to non-availability of land, delay in acquisition of land and resistance from the beneficiaries to move out of Coastal Regulatory Zone (CRZ). Government attributed (July 2006) the delay in completion of houses *inter alia* to the slow progress in making availability of the land since the houses were proposed in coastal areas outside CRZ. The fact remains that the MD, APSHC/Government failed to provide shelter to the Tsunami affected fishermen even 18 months after occurrence of Tsunami despite the availability of the Central assistance.

3.5.9.10 Coastal Zone Regulations violated in providing housing to the affected fishermen

Coastal Zone Regulations were violated in sanction of houses to fishermen

The Coastal Zone Regulations (CZR) of GOI (1981) mandates keeping beaches free from all kinds of artificial development at least 500 metres from the high tide mark. The areas affected by Tsunami were falling mostly under CRZ Category I & II representing areas lying between low tide line and high tide line and ecologically sensitive area in which construction activities were not permissible. According to CZR, clearance should only be given for construction of residential buildings and infrastructure facilities in CRZ subject to norms specified under each category. Government sanctioned (March 2005) 40000 houses to Tsunami affected fishermen. Out of these, sanction was accorded (January 2006) by Government for construction of 65 houses within CRZ in Prakasam⁶² District as a special case (based on the

⁶² to the Tsunami victims of Ramayapatnam (Ulavapadu Mandal)

circumstances stated by the District Collector) and in Visakhapatnam District, construction of 504 houses was taken up within CRZ reportedly based on the verbal orders of the District Collector on the request of the beneficiaries as they were reluctant to move out of existing sites. The District Manager, Housing (DM) stated (March 2006) that construction was ordered within CRZ as the sites were located at elevated places. This was however, not in accordance with the CZR.

3.5.9.11 Extension of benefits to persons not affected by Tsunami

Benefit of Tsunami relief was irregularly extended to certain mandals in two districts (unwarranted expenditure: Rs 1.40 crore)

During test-check of records it was noticed that benefit of Tsunami relief was irregularly extended to certain mandals, which were not affected by Tsunami to the extent of Rs 1.40 crore in East Godavari (Rs 67.09 lakh) and Nellore District (Rs 73.35 lakh) as detailed below:

- In East Godavari District the benefits under SGRY were extended to 2088 families in two mandals⁶³. 334.74 MTs of rice (cost: Rs 26.78 lakh) and Rs 13.45 lakh cash was distributed resulting in unwarranted expenditure of Rs 40.23 lakh.
- In three more mandals⁶⁴ of East Godavari, nets and one boat were supplied besides undertaking repairs to 66 wooden catamarans (cost: Rs 26.86 lakh) reportedly as per the decision of the District Collector.
- 'Tada' mandal (Nellore District) was provided relief by way of cash and rice components under SGRY (SC) for six months on par with affected 10 mandals of the district. The unwarranted expenditure on this account worked out to Rs 73.35 lakh (Cash component: Rs 14.67 lakh; Rice (738.5 MT) : Rs 58.68 lakh).

3.5.10 Monitoring and Evaluation

Monitoring at State level was poor

Except releasing the funds to various District Collectors and other implementing authorities, the Commissioner did not monitor expenditure on the various activities of Tsunami relief operations. The releases made to the district authorities were being shown as expenditure by the Commissioner even without ascertaining the actual expenditure incurred. Thus, monitoring at Commissionerate level was absent and as a result, the Commissioner was not in the knowledge of State-wide (for nine affected districts) position of the relief and rehabilitation provided to the fishermen, etc.

It was observed that though district level coordination meetings were being held to assess the progress of relief and rehabilitation measures, inter-departmental co-ordination meetings were not conducted regularly at State level even though several departments were involved in the delivery of Tsunami relief and rehabilitation operations. The relief and assistance rendered were not evaluated so far (June 2006).

⁶³ Gokavaram and Korukonda

⁶⁴ Razole, K. Gangavaram and Ambajipeta

3.5.11 Conclusions

The State Government had not anticipated a disaster of the magnitude of Tsunami and had, therefore, not established effective institutional mechanism to meet it. The assessment of damages was not realistic and the projections were exaggerated except in Visakhapatnam District where the loss was underestimated. The final assessment of damage caused by Tsunami has not been made so far. Large amounts are lying with the various implementing authorities unutilised and un-refunded. Though immediate relief was promptly provided to the Tsunami victims, rehabilitation of the affected fishermen (42162 families) and reconstruction envisaged still remain to be completed (June 2006) even 18 months after Tsunami. A large number of damaged boats have yet to be replaced/repared particularly in Prakasam, Nellore, Krishna and Visakhapatnam Districts. Further, the lessons of the disaster have not been learnt as the Marine Fishermen Regulation Act has not been implemented as yet and the CZR of GOI are not being observed while providing housing to affected fishermen. Reconstruction of the damaged houses of fishermen was also neglected. Monitoring at State level was poor.

3.5.12 Recommendations

- Government should consider disaster management as a vital and crucial issue and develop and establish adequate forecast and warning systems to minimise loss of lives and property in the event of future calamities.
- Registration of fishermen's boats as stipulated in MFR Act, should be enforced so that loss can be properly assessed, affected people adequately compensated and fraudulent claims prevented.
- Coordination amongst all the departments including NGOs who are involved in relief and rehabilitation activities should be ensured for speedy and proper delivery of relief and for optimum utilisation of resources.
- Coastal Zone Regulations should be strictly adhered to while according permissions for construction of houses so as to minimise loss of life and property in the event of any natural disasters in future.

The audit observations were discussed with the Additional Commissioner, Disaster Management, Joint Director (Fisheries), General Manager (Finance), APSHC in the exit conference held in August 2006 and the audit points were accepted by them. The recommendations made by Audit were also accepted.

**TRANSPORT, ROADS AND BUILDINGS (Roads Wing)/
PANCHAYAT RAJ AND RURAL DEVELOPMENT
DEPARTMENTS**

3.6 Rural Road Upgrading and Maintenance Project

3.6.1 Introduction

Andhra Pradesh Economic Restructuring Project (APERP) commenced in 1998-99 with assistance from the World Bank, to meet priority needs in human development such as nutrition, primary health and primary education and in the maintenance of economic assets i.e., irrigation, rural roads and core access roads benefiting the rural poor. The basic objective of the Rural Road Upgrading and Maintenance component was to provide all-weather road access to 2677 villages in the three selected districts because of their backwardness. However, the project was subsequently implemented by the Roads and Buildings Department (RBD) in 19 other districts also with the approval of the World Bank. The World Bank assistance was available by way of reimbursement of eligible expenditure initially incurred from State funds. The Project was closed on 31 March 2006. The technical supervision was provided by the Chief Engineer, Roads and Buildings and Ex-officio Managing Director, Andhra Pradesh Road Development Corporation (CE, R&B) supported by Superintending Engineers (SEs) at circle level and Executive Engineers (EEs) at division level in RBD and in Panchayat Raj Engineering Department (PRED) the Project Implementation Unit (PIU) headed by Chief Engineer, APERP (CE, PRED), supported by PIUs at district level in selected districts, headed by SEs and assisted by EEs at divisional level.

Implementation of the project during the period 2001-06 was reviewed by test-check (December 2005-May 2006) of records of the implementing agencies, viz., Secretaries to Government in Transport, Roads and Buildings (TR&B) and Panchayat Raj and Rural Development (PR&RD) Departments, CE, R&B, CE, PRED and circles/divisions in ten⁶⁵ districts. Out of 125 packages of works, 73 packages were test-checked in audit. Joint physical verification of the selected works executed by the RBD and PRED was also conducted and conclusions drawn. Exit conference was held with the Government in August 2006. The results of the review are mentioned in the succeeding paragraphs.

Audit findings

3.6.2 Financial Management

3.6.2.1 Budget and expenditure

As per the original project cost (May 1998) of Rs 718 crore, the share of World Bank was Rs 450.40 crore and the share of State Government was

⁶⁵ Adilabad, Karimnagar, Warangal, Anantapur, Chittoor, East Godavari, Kadapa, Kurnool, Nellore and Rangareddy Districts

Rs 267.60 crore. However, the total project cost of the component was revised from time to time to Rs 969.44 crore (World Bank - Rs 794.47 crore; State Government - Rs 174.97 crore).

The total release of funds since inception of the project (1998-99) to end of March 2006 was Rs 862.46 crore while the expenditure during the period was Rs 809.19 crore. As against the claim of Rs 725.78 crore, Rs 692.36 crore was reimbursed by the World Bank as of March 2006.

Rs 467.35 crore was spent on works in 19 other than selected districts

World Bank originally accepted to finance Rs 302.40 crore for 1200 km of primary core network in three selected districts. RBD took up heavy periodic maintenance only on 101 km in three selected districts at a cost of Rs 27.93 crore, while the works were taken up at a cost of Rs 467.35 crore on 1677 km in 19 other districts with the approval of the World Bank.

3.6.2.2 Release of funds at the fag end of the year

Funds of Rs 13.62 crore had lapsed due to release at the fag end of the financial years

A total amount of Rs 13.62 crore released by the Government in PRED under Rural Road Maintenance grant at the fag end of the financial years 2004-05 and 2005-06 could not be spent by the EEs of the project districts for want of time and thus lapsed at the end of the years. As a result, 47 package works suffered. Government, while confirming the lapse of funds, stated (August 2006) that the release of funds was delayed due to administrative exigencies and the savings were surrendered to avoid last minute rush.

3.6.2.3 Diversion of funds

Rs 2.19 crore were diverted for purposes not relevant to objectives of the project

The CE, RBD spent project funds of Rs 55.39 lakh on procurement of digital plasma screens, computers and accessories which were not connected with implementation of the project. Similarly, CE, PRED procured laptop computers, office furniture and other miscellaneous articles at a cost of Rs 1.64 crore from the project funds and supplied to other wings of the department which were not connected with implementation of the project. Thus, an amount of Rs 2.19 crore was diverted to the purposes not relevant to the objective of the project.

3.6.3 Improper planning

The Project Appraisal Document (PAD) envisaged deployment of the resources on rural road upgrading and maintenance component. The major focus of this component was on road maintenance consisting of (i) clearance of the backlog in maintenance on 1200 km of primary core network (State highways and major district roads) already identified by the RBD to ensure full connectivity for secondary core network (rural roads); (ii) upgradation of 2800 km of seasonal rural roads to all-weather standards including construction of 650 drainage works, 35 bridges with spans longer than 30 mts; (iii) yearly maintenance of entire secondary core network (12500 km in three districts) for four years; and (iv) strengthening the institutional set up in PRED for sustained management of rural roads.

Accordingly, targets for each sub-component and the nature of works to be executed were also specified, keeping in view the cost-effectiveness and number of beneficiaries involved. However, the works executed in RBD had no relevance to the project objective, while PRED executed works without observing norms of efficiency and economy.

3.6.3.1 Works not taken up

Improper planning resulted in foregoing World Bank assistance of Rs 45 crore

World Bank suggested taking up cost-effective and long lasting chip-sealing works for surface dressing in place of conventional Semi Dense Bituminous Concrete (SDBC) under the project. RBD initiated processing of 27 chip-sealing package works in 14 districts⁶⁶ at an estimated cost of Rs 50 crore. These packages were later regrouped into 15 packages in August 2005. The tenders called for subsequently were cancelled by the Implementation Tender Committee (ITC) in November 2005 on the ground that the quoted rates for these works were on higher side (14-15 *per cent*) though in many other cases tenders were accepted at a premium ranging from 14.10 to 25.31 *per cent*. No action was taken to call for tenders afresh and the works were not taken up as of March 2006. Thus, improper planning and inaction on the part of the CE, R&B in taking up the cost-effective chip-sealing works resulted in non-achievement of desired objectives besides foregoing World Bank assistance of Rs 45 crore (90 *per cent* of the cost of these works). Government attributed (August 2006) this to lack of response from the contractors in the first call. Tenders in second call were, however, rejected (November 2005) by the ITC as the contractors quoted high premium and the World Bank had not issued no objection for reinvitation of bids for these works as the project was going to be closed by March 2006. The reply of Government is not acceptable, as this position was known to the Department in August 2005 itself, so these works should have been taken up by modifying the specification as was done (August 2005) in respect of other two works⁶⁷.

3.6.4 Works not conforming to project guidelines

Out of 73 packages test-checked in RBD, 14 packages (19 *per cent*) covering works on National Highways, and in urban areas, and 477 road/bridge works in PRED on partial upgradation of roads, construction of bridges less than 30 mts length and laying of roads less than 3 km executed at a total cost of Rs 245.94 crore were not covered by project objectives as discussed below:

3.6.4.1 Works on National Highways

Expenditure of Rs 14.99 crore on National Highways was not legitimate charge on the project

Five⁶⁸ roads in Chittoor District which were part of State Highways were converted to National Highways in January 1999. Works on these roads were taken up under the project and the agreements for these packages were

⁶⁶ Adilabad, Anantapur, Chittoor, East Godavari, Guntur, Kadapa, Karimnagar, Khammam, Medak, Nalgonda, RangaReddy, Visakhapatnam, Vizianagaram and West Godavari

⁶⁷ (i) Package No. RBERP - RKW - 122 and (ii) RBER - NA - 121

⁶⁸ Ananthapuram - Palamaneru Road from km 126/2 to 149/0; from km149/0 to 166/0; from km181/0 to 187/0 and from km 203/0 to 211/0; from km 211/0 to 225/0 and Arakkonam - Renigunta road from km 23/08 to 45/0.

concluded between May 1999 and June 2000, at a cost of Rs 14.99 crore. This expenditure was not a legitimate charge on the project, as the responsibility of maintenance of National Highways was that of Government of India.

3.6.4.2 Works in urban areas

Rs 39.26 crore incurred on works in urban areas did not serve the objective of project

While maintenance of roads in the primary core network was envisaged under the project with the objective of providing connectivity to rural roads, Government in RBD gave administrative approval (April 1999-September 2004) to nine works of heavy periodic maintenance of urban roads within the municipal limits. These works did not provide any connectivity to rural roads and the expenditure of Rs 39.26 crore incurred on them, did not serve the objective of the project.

3.6.4.3 Wasteful expenditure on partially upgraded roads

Expenditure of Rs 166 crore on partially upgraded roads was unfruitful

The objective of the project under secondary core network (rural roads) was to provide basic all weather roads in the villages. However, it was observed that about 77 per cent of the roads (296 out of 384) were upgraded partly to gravel, WBM and BT. The parts of the roads so upgraded would not have the same longevity and sustainability as that of blacktopped stretches unless upgraded by black topping. Since this was not done, such works are neither cost effective nor economical. As a result, the roads partially upgraded at a cost of Rs 166 crore had become largely unfruitful.

Unnecessary blacktopping of low traffic roads was done at a cost of Rs 12.13 crore

In Adilabad, Karimnagar and Warangal Districts PRED black topped 82 roads connecting each less than 3000 population at a cost of Rs 12.13 crore, contrary to the project guidelines.

3.6.4.4 Construction of bridges less than 30 mts length

Expenditure of Rs 6.88 crore on bridges less than 30 mts long was not in conformity with project guidelines

Government in PRED administratively approved (May 1998 - June 2005) 64 bridges with lengths less than 30 mts in selected districts at an expenditure of Rs 6.88 crore (March 2006) contrary to the project guidelines.

Government replied (August 2006) that the construction of bridges with length less than 30 mts was taken up under 650 drainage works provided in the PAD and also added that construction of roads without bridges would result in unfruitful expenditure. The reply is not acceptable as all the above bridges were medium bridges of more than six mts length, and which cannot be termed as 'drainage works' such as culverts, minor bridges which are less than six mts, and causeways. Government, if it at all felt necessary, should have constructed such bridges with State funds.

3.6.4.5 Laying of roads less than 3 km

Laying roads less than 3 km long at a cost of Rs 6.68 crore was contrary to project guidelines

Government in PRED administratively approved (May 1998 - June 2005) 35 roads of less than three km length, which were executed at a cost of Rs 6.68 crore contrary to the project guidelines.

3.6.5 Execution of works

3.6.5.1 Physical performance

24 km road (RBD) and 212 km road (PRED) remained incomplete. 972 km road under RBD was cancelled

Out of 3058 km road length sanctioned in three selected districts under PRED. 2846 km of road was completed leaving 212 km incomplete. Under RBD, out of 2750 km of road sanctioned, 1754 km of road was completed leaving 25 km of road incomplete and 972 km road cancelled. Scrutiny of records of different works revealed the following:

3.6.5.2 Unfruitful outlay on incomplete works

At the time of project closure in March 2006, two road packages in RBD and 15 road packages and 28 bridge packages in PRED remained incomplete rendering the expenditure of Rs 12.72 crore on these incomplete packages unfruitful. Non-completion of the bridges left missing gaps and denied full connectivity to the beneficiaries. Government stated (August 2006) that these works would be completed by September 2006 with State funds.

3.6.5.3 Works commenced without prior approval of the World Bank

Works commenced without prior approval of World Bank resulted in foregoing of aid of Rs 84.42 lakh

Government in PR&RD accorded (January 1999) administrative and technical sanction for construction of three causeways in Adilabad District for Rs 77 lakh. The SE, PR Circle, Adilabad entrusted (November 2000) the works to a contractor for Rs 84.42 lakh without obtaining clearance from the World Bank. The World Bank however, declined (January 2002) to consider funding the works for want of its prior clearance. The department instructed (February 2002) the contractor to stop the work by which time the contractor had already executed work valued Rs 52.10 lakh and had been paid Rs 42.96 lakh. The work was stopped and has not yet resumed (August 2006) for want of approval from the Government. Government replied (August 2006) that these works were proposed to complete with State funds.

3.6.5.4 Forfeiture/ recovery on termination of a contract

The contract for the work “construction of a bridge on the road from Talodi to Salugupally in Adilabad District” was terminated (June 2003) by the SE, PR circle, Adilabad as the contractor had abandoned the work. However, the EE, PR Division, Adilabad failed to recover the balance secured advances, security deposits, etc. amounting to Rs 15.04 lakh. Government replied (August 2006) that action was initiated to recover the dues under Revenue Recovery Act as the whereabouts of the contractor were not known.

3.6.5.5 Inclusion of Insurance in unit rates

As per the instructions of the Government (March 1999) a lumpsum (LS) provision shall be made in the estimate towards insurance and kept under part-II of the bill of quantities. The actual insurance premium paid by the contractor is reimbursed on production of proof of payment limiting to the LS provisions. However, in 14 test-checked cases the RBD, while computing rates for various items of works, inadvertently added the insurance component

of 0.50 *per cent* in the unit rates. As seen from the insurance policies produced by the contractors, the premium paid was less than the provision made in the estimates involving undue benefit of Rs 16.75 lakh to the contractors.

3.6.6 Quality control

3.6.6.1 Non-compliance with observations of Technical Auditor

Technical Auditor observed incorrect preparation of estimates, delays in award of works, defective works etc.

The CE, RBD entrusted (November 2001) the technical audit of rural roads maintenance to a consultant in three spells of six months each and fourth spell for 11½ months for a total consideration of Rs 60 lakh. The consultants observed (March 2006) that :

- The periodic maintenance works of less priority roads have been taken up while the essentially required roads were not included.
- The maintenance contracts were awarded with delays ranging from 3 to 7 months during 2004-05 and 2005-06, which affected the Road Maintenance Management Programme.
- Gravel sheet of 4” to 6” thick compacted was laid over WBM surface on several roads in Adilabad and Karimnagar Districts during 2004-05 and 2005-06 which were already having sufficient thickness. Gravel collected on many roads was not of good quality satisfying the required Quality Control tests.
- Though technical personnel were not engaged by the contractors, recovery was not effected in lieu thereof, as required under the provisions of agreement.

Action taken report on Technical Auditor’s observations was not received as of August 2006. The Technical Auditor appointed by the CE, PRED also observed that the quality control in rural road maintenance was not adhered to.

3.6.6.2 Recoveries proposed by quality control/ vigilance authorities not effected

Recoveries for deficiencies in works/materials proposed by quality control and vigilance authorities during their inspection of works were to be effected from the work bills of contractors. It was, however, observed that an amount of Rs 17.73 lakh (13 cases in RBD) proposed (September 2005-April 2006) by the quality control/ vigilance authorities were not recovered as of August 2006.

3.6.6.3 Joint physical verification

Joint physical verification of 32 road and bridge works executed by PRED and 13 road works executed by RBD, conducted (June/ August 2006) by Audit with the departmental officers, disclosed defective execution, incomplete works, etc. as detailed in *Appendix 3.8*.

3.6.7 Conclusions

The project objectives had largely not been achieved. Works had been taken up by RBD without planning and with little relevance to the project goals while the PRED had taken up works not envisaged in the project guidelines and without observing norms of efficiency and economy. An amount of Rs 2.19 crore was diverted irregularly towards purchase of items not connected with the project implementation. Failure of RBD to take up cost-effective chip-sealing works resulted in non-achievement of objective besides foregoing World Bank assistance of Rs 45 crore. In 14 out of 73 packages (19 *per cent*) of RBD, works executed at a total cost of Rs 54.25 crore were not covered by the project objectives. Similarly expenditure of Rs 191.69 crore incurred by PRED was also not in conformity with the project guidelines.

3.6.8 Recommendations

- Urgent action should be taken to upgrade all unfinished roads to Black-topping standards so as to fulfill the objectives of the project such as reducing transport costs, improving connectivity, etc. by providing funds from State exchequer.
- As the project has already been closed (March 2006), Government should provide funds for completing all unfinished roads and bridges to ensure that money already spent on the incomplete works is not wasted and that the promise of better access to health services, education, jobs, commercial establishments, etc. to the rural population is fulfilled.
- Sufficient grant should be provided in future for regular maintenance of the upgraded roads to make them long lasting.
- Government should take action to strengthen quality control mechanism in PRED to improve the quality of works.

The above points and recommendations have been accepted by the Government in the exit conference held in August 2006.