

CHAPTER III

PERFORMANCE AUDIT

This chapter contains performance audit on Nutritional Support to Primary Education (3.1), Functioning of Sri Venkateswara University (3.2), Management of Wastes (3.3) and Implementation of Andhra Pradesh Community Forest Management Project (3.4).

SCHOOL EDUCATION DEPARTMENT

3.1 Nutritional Support to Primary Education

Highlights

The scheme, commonly known as mid-day meals (MDM) Scheme, was launched by the GOI with the intention to boost the universalisation of primary education by increasing enrolment, attendance and retention in schools and simultaneously improving the nutritional level of the students in primary classes. Performance Audit of the scheme, revealed that the enrolment figures were inflated by the State Government while seeking allotment of rice from GOI resulting in excess lifting of rice and huge accumulation of rice stocks with State Civil Supplies Corporation. Utilisation of Fair Average Quality (FAQ) foodgrains in preparing MDM for the children was not monitored. Many of the test checked schools had no water facility and other infrastructure like kitchen sheds, cooking devices. There is no assurance that the stipulated nutritional requirements are being met. No mechanism was evolved to monitor the impact of the scheme on health of the children. Evaluation of the scheme as a whole was also not done and as such the impact of the scheme remained un-assessed.

As against the total budget provision (including the Central assistance) of Rs 1,702 crore for implementation of the Mid-day meals (MDM) scheme during the five year period 2003-08, Rs 1,003 crore (59 per cent) was spent.

[Paragraph 3.1.6.2]

About 95 per cent of the funds released by GOI towards construction of kitchen sheds was not spent. Audit also noticed deficiencies like unspent scheme funds lying in bank accounts (Rs 6.03 crore), diversion of scheme funds (Rs 4.46 crore), irregular drawal of Rs 10 crore by DEOs on Abstract Contingent (AC) bills and non-reconciliation of expenditure in the test checked districts.

[Paragraphs 3.1.6.2 and 3.1.6.4]

No system was in place to cross verify the figures of enrolment and attendance furnished by schools. The enrolment figures were inflated while seeking allotment of rice from GOI resulting in excess lifting of rice.

[Paragraph 3.1.7.1]

There was no mechanism to assess actual utilisation of foodgrains under the MDM scheme and no periodical verification of rice stocks was conducted by Deputy Educational Officers though prescribed. Rice stocks ranging up to 1,10,305 MT had accumulated at State Civil Supplies Corporation. Utilisation of Fair Average Quality (FAQ) foodgrains in preparing MDM for the children was also not monitored.

[Paragraphs 3.1.7.2 and 3.1.7.3]

Twenty two per cent of the schools in the State had no water facility; 67 per cent had no kitchen sheds for cooking mid-day meals. Further, none of the schools in the eight test checked districts were provided with cooking utensils and 84 per cent of the schools had no gas connection. Audit noticed cases of cooking of meals in the open space.

[Paragraph 3.1.8]

Audit noticed deficiencies in the implementation of MDM scheme in Hyderabad District and Visakhapatnam Urban by a Non-Government Organisation (NGO), such as inadequate quantity of meals supplied, incorrect reporting of MDM intakers, non-serving of hot cooked food, non-accountal of rice, excess claim of cooking cost, etc.

[Paragraph 3.1.14.1]

Neither the Central government nor the State government had established any indicators for measuring the impact on nutrition and health. There is no assurance that the stipulated nutritional requirements are being met. Periodical health check-ups were also not being organised by the district authorities.

[Paragraph 3.1.15.3]

The vital aspect of Monitoring and Supervision of the programme was deficient and impact of the implementation of the scheme remained unevaluated.

[Paragraph 3.1.16]

3.1.1 Introduction

Nutritional Support to Primary Education (NSPE) known as Mid Day Meals Programme (MDM) is a Centrally sponsored scheme launched all over India on 15 August 1995. The Scheme was intended to boost the universalisation of Primary education by increasing (a) enrolment (b) retention and (c) attendance and simultaneously impact on the nutrition of students in primary classes country-wide in a phased manner by 1997-98. The guidelines of the scheme were revised in September 2004 and June 2006. Central support is provided by way of supply of free foodgrains through FCI at the rate of 100 gram per child per school day in respect of Primary Schools, AIE¹ and EGS² centres, where cooked meals are served and at the rate of 3 kg per student per month where foodgrains are distributed. The State Government introduced the supply of cooked food with effect from January 2003. The coverage of scheme for various types of schools/centres is as detailed in Table-1:

¹ Alternative and Innovative Education centres

² Education Guarantee Scheme centres

Table-1

Period of implementation	Coverage	Mode of distribution of rice/quantum of rice used in cooked food
August 1995 to September 2002	Primary Schools only (Government/aided/Local Bodies)	3 Kg rice per child per month to be distributed
October to December 2002	Extended to AIE/EGS centres	
January to November 2003	Extended to Upper Primary Schools	Serving hot cooked food at the rate of 120 grams per child per school day (PS/AIE/ EGS) and 125 grams (Upper Primary Schools) per child per school day
December 2003 onwards	Extended to Anganwadi Centres attached to schools (children age 3 to 6 years)	
March 2004 onwards	Extended to Schools run by certain Charitable Trusts and Madarasas	
October 2007 onwards	Extended to Educationally Backward Blocks (VI to VIII class)	150 grams per child per school day

3.1.2 Organizational set up

The Scheme is implemented in the State by the School Education Department. The Secretary to Government, School Education Department is the head assisted by the Director of School Education (DSE) as State Nodal Officer. The District Collector is the Nodal Officer at district level and he is assisted by District Educational Officers (DEOs). At the Mandal level, the Mandal Educational Officers (MEOs) are responsible and at School level the supervision of the programme was entrusted to Grampanchayath Sarpanch/Village Education Committee/Parent Teacher Association/ Mother Teacher Association/Head Master of the school.

The responsibility for cooking is assigned to Self Help Groups (SHG) and DWCRA³ groups who are designated as implementing agencies. In Hyderabad District and Visakhapatnam Urban, the supply of mid-day meals was entrusted to a Non-Governmental Organization (NGO) having centralised kitchen.

3.1.3 Audit objectives

The objectives of the performance audit were to assess/evaluate the following:

- Budgetary and Expenditure Control System;
- Requisition, allocation, receipt and utilisation of foodgrains;
- Transportation of foodgrains from FCI to Fair Price Shops;
- Infrastructure facilities such as Kitchen-cum-Store, Kitchen devices, Drinking Water facilities;
- Serving of cooked food to school children;
- Impact of the scheme on enrolment, attendance, retention and nutritional status of children; and
- Management, Monitoring, Evaluation (MME) and reporting system.

³ Development of Women and Children in Rural Areas

3.1.4 Audit criteria

The following criteria were adopted for the Performance Audit:

- Annual work plans, Budget release orders of State Government, Sanction orders of GOI;
- Norms prescribed for utilisation of rice and guidelines issued by GOI;
- Norms prescribed by GOI to get the reimbursement of the cost of transportation of foodgrains;
- Norms prescribed for infrastructural development of the scheme;
- Quality assurance norms of food for serving mid-day meals;
- Statistics on enrolment, retention and attendance in schools and performance indicators/programme parameters for assurance of nutritional status; and
- Prescribed monitoring mechanism.

3.1.5 Scope and methodology of Audit

The Performance Audit covered the period from 2003-04 to 2007-08. The records in the Director of School Education, Commissioner of Civil Supplies, AP State Civil Supplies Corporation Limited (APSCSCL) and 14 Primary Schools (Class I to V), six EGS/AIE centres and three Upper Primary Schools each in nine selected districts⁴ were test checked. The selection of districts was made by adopting Circular Systematic Sampling method. The schools were selected by adopting Simple Random Sampling Without Replacement method.

An entry conference was held (May 2007) and the methodology of the Performance Audit explained to the officers of State Government. Joint physical inspection of the 204 schools was conducted along with departmental officers in nine test checked districts. Exit conference was held (August 2008) with the officials of the Government, DSE and Civil Supplies department. The replies of the departments have been taken into account while arriving at the audit conclusions.

The results of the Performance Audit are presented in the succeeding paragraphs.

Audit findings

3.1.6 Financial outlay

3.1.6.1 Funding pattern

The components of the scheme are: foodgrains, transportation of foodgrains, infrastructure namely kitchen sheds, kitchen devices for cooking, preparation and distribution of cooked meal, and management, monitoring and evaluation.

⁴ Hyderabad, Kurnool, Nalgonda, Warangal, Anantapur, Ranga Reddy, Nellore, Khammam and Visakhapatnam

Free rice is provided by the GOI, cost of which is reimbursed to FCI. Cost of transportation of rice is paid by GOI to the State Civil Supplies Corporation, subject to ceiling of Rs 50 per quintal up to August 2004 and at the rate of Rs 75 per quintal from September 2004.

The expenditure on infrastructure and management, monitoring and evaluation are met by the GOI, and being implemented by the District Nodal authorities.

The expenditure on cooking cost are met by the GOI and State Government and the payments are made to implementing agencies. i.e. Self Help Groups and DWCRA members.

The funding pattern for various components of the scheme is given in *Appendix-3.1*.

3.1.6.2 Budget provision and expenditure

Funds sanctioned/ released were found to be far in excess of actual requirement for serving mid-day meals

Till 2004-05, the State Government was already providing cooked meals to all primary schools and Upper Primary schools children and from 2004-05 onwards GOI had been releasing the Central assistance.

During the four year period 2004-08, GOI provided Central assistance of Rs 678.18 crore towards cooking cost (Rs 543.92 crore), kitchen sheds (Rs 103.20 crore), kitchen devices (Rs 24.80 crore) and management, monitoring and evaluation (Rs 6.26 crore). As against this, State Government made a budget provision of Rs 516.89 crore. However, expenditure amounted to only Rs 182.64 crore. Further, as against Rs 1185 crore provided by the State Government towards its share, the expenditure was Rs 820.81 crore.

Budget provision vis-à-vis the expenditure on the programme during the five year period 2003-04 to 2007-08 were as under.

Table-2

(Rupees in crore)

Year	Central share		State share		Total	
	Budget provision	Expenditure	Budget provision	Expenditure	Budget provision	Expenditure (percentage)
2003-04	0	0	250.00	220.44	250.00	220.44 (88)
2004-05	0	0	250.00	187.67	250.00	187.67 (75)
2005-06	0	25.79	240.00	158.39	240.00	184.18 (77)
2006-07	137.32	36.53	240.00	159.92	377.32	196.45 (52)
2007-08	379.57	120.32	205.00	94.39	584.57	214.71 (37)
Total	516.89	182.64	1185.00	820.81	1701.89	1003.45 (59)

Note: In addition to the above, GOI also allotted 6,89,392.18 MT of Rice (free of cost). Cost of rice (7,06,871 MT lifted by the State Government) reimbursed by GOI to the FCI was Rs 399.38 crore (at subsidized rate of Rs 565 per quintal)

The above table would indicate that non-utilisation of funds ranged from 12 per cent to as high as 63 per cent (2007-08).

Central assistance (2004-05) of Rs 76 crore intended for cooking cost was not released to the district authorities as of March 2008

The entire additional Central assistance of Rs 76 crore for cooking cost received in the year 2004-05 was not released to district authorities as of March 2008 for implementation of the scheme. But the State Government furnished a wrong Utilisation Certificate (UC) to GOI showing its full utilisation. For the year 2005-06, UC for Rs 125.80 crore was also furnished even though the expenditure was only Rs 25.79 crore.

As against Rs 103 crore released by GOI towards construction of kitchen sheds a meagre amount of Rs 5 crore was spent

As against Rs 103 crore released by GOI during 2006-07 towards construction of kitchen sheds a meagre amount of Rs 5 crore was spent leaving Rs 98 crore (95 per cent) unutilised as of March 2008. The short utilisation was attributed by the DEOs mainly to insufficient unit cost (Rs 60,000) fixed by GOI for a kitchen shed which was enhanced only in October 2007 to Rs 75,000 (by the State Government). The reply is not tenable. The DEOs should have taken up the matter with the DSE/Government for enhancement of unit cost immediately on receipt of funds for construction of kitchen sheds.

3.1.6.3 Non-implementation of GOI guidelines

While communicating the guidelines in 2004, Government of India directed all the State Governments that since States were already providing cooked meals to all primary school children, provision of Central assistance with effect from 1 September 2004 to meet cooking cost would result in savings of State resources to some extent. However, it would be mandatory for a State Government not to reduce their budget allocation for MDM programme in 2004-05 or any subsequent year below the level of their budget provision for 2004-05 nor divert the money saved as a result of Central Assistance for cooking, to purposes other than MDM. GOI also directed that savings should be utilised in the following order of preference.

- (i) To improve infrastructure in Primary Schools required for mid-day meals (e.g. Kitchen-cum-Store, Drinking Water facilities, Smokeless Chullah, Pressure Cooker, Gas-based cooking, etc.);
- (ii) To provide mid-day meals of a quality better than had been the case so far; and
- (iii) Remaining savings, if any, for other interventions connected with further improvement of the programme e.g. de-worming, micro-nutrient supplementation and management, monitoring and evaluation.

The figures given in the Table-2 above, however, showed that the State Government had been continuously reducing budget provision towards its share right from 2004-05 onwards. The expenditure too reduced from Rs 220.44 crore in 2003-04 to Rs 94.39 crore in 2007-08. Scrutiny revealed that the direction as given by the GOI was not complied with resulting in no improvement in infrastructure facilities and serving of quality food. The interventions like de-worming, micro-nutrient supplementation, etc. had also been totally neglected in the State despite receipt of adequate Central assistance as discussed elsewhere in the review.

3.1.6.4 Deficiencies in utilisation of funds

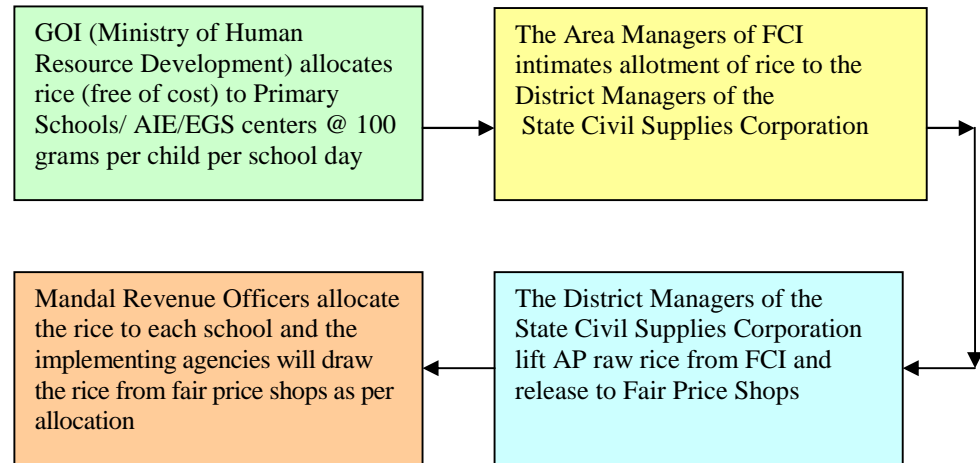
Audit noticed the deficiencies/irregularities in utilisation of funds in the nine sample districts as detailed below:

Nature of irregularity	Audit findings
Huge unspent scheme funds lying in bank accounts	In the eight sample districts (i.e. except Hyderabad District), scheme funds amounting to Rs 6.03 crore relating to the period 2002-08 were lying in bank accounts of DEOs. This includes the Central assistance (towards cooking cost) of Rs 3.20 crore out of Rs 4.33 crore drawn by DEO, Kurnool during 2005-06 without utilisation/remittance to Government account.
Huge diversion of scheme funds	The DEOs, Nalgonda and Warangal Districts diverted a total amount of Rs 4.46 crore ⁵ being the Central assistance towards cooking cost received during 2006-07 for construction of 744 Kitchen cum Stores. Of this Rs 85.18 lakh was lying in the bank account of 16 MEOs (including Rs 6 lakh kept in a co-operative bank by MEO, Gurrampode) of Nalgonda District. The DEO, Visakhapatnam diverted (2003-04) Rs 85 lakh intended for cooking cost and gave interest free advance to an NGO (Naandi Foundation) for construction of centralised Kitchen Shed.
Irregular drawl of funds on AC bills	The DEOs, Warangal and Kurnool drew (2003-04) a total amount of Rs 10 crore on AC Bills towards cooking cost in contravention of the provisions. The detailed accounts had also not been rendered by them as of July 2008. Of this, Rs 1.57 crore out of the amounts drawn on AC bills was lying in the bank account of DEO, Kurnool.
Irregular allotment of scheme funds	The DEO, Ranga Reddy District irregularly released an amount of Rs 8.60 lakh to 172 Zilla Parishad High Schools which are not covered under mid-day meals scheme for purchase of Kitchen devices.
Collection of Security Deposits from the implementing agencies	Though the scheme did not envisage, the DEO, Anantapur, collected (January 2003) Rs 8.84 lakh towards Security Deposits from implementing agencies (who are basically Self Help Groups) and kept in the bank accounts.
Absence of reconciliation of expenditure	No reconciliation of funds released for implementation of mid-day meals scheme was done at any level and the releases were being treated as expenditure. There were cases of misappropriation of Rs 4.53 lakh at mandal level in Warangal (Rs 3.38 lakh) and Kurnool (Rs 1.15 lakh) Districts.

⁵ Nalgonda: Rs 3.26 crore and Warangal: Rs 1.20 crore

3.1.7 Lifting of Foodgrains

The following chart depicts the flow of rice distribution from GOI to Fair Price Shops for implementation of the mid-day meals scheme.



The following points were noticed in audit:

3.1.7.1 Communication of enrolment figures to GOI for rice allotment

The GOI is providing rice free of cost for providing mid-day meals to the children studying in Primary schools, Alternative Innovative Education (AIE) centres and Education Guarantee Scheme (EGS) centres at 100 gm per child per school day.

The State Government was implementing the mid-day meals scheme in the State by providing 120 grams of rice per child enrolled in Primary School/AIE/EGS centres per school day. In addition, the State Government also extended the scheme to the children enrolled in UP Schools by providing 125 grams of rice since inception (January 2003) of the scheme of serving cooked food. However, the State Government did not make its own arrangements for providing additional rice (20 grams) required for children in primary classes and for children enrolled in upper primary classes (125 grams)/Anganwadi (120 grams), etc.

The enrolment figures furnished to GOI by DSE were very much on the high side

Audit observed in the test checked districts that no system was in place for cross verification of figures of enrolment and attendance reported by schools. Scrutiny also revealed that the enrolment figures furnished (2003-08) to GOI for allotment of foodgrains suffered from inconsistencies. The enrolment figures were inflated while seeking the allotment of rice. It was also observed that enrolment figures of upper primary classes were also included by DSE along with the number of primary classes for the purpose of lifting rice. It resulted in excess lifting of rice.

3.1.7.2 Mechanism to assess actual utilisation of foodgrains

There was no proper mechanism to assess actual utilisation of foodgrains. Audit noticed deficiencies in all the test-checked districts/schools

As per the Para 6 of the GOI guidelines (2004) the District Nodal Authority (DEO) should send periodical reports stating quantity of foodgrains lifted, the quantity of foodgrains transported to the schools, utilised, balances available if any, the number of beneficiaries and schools covered by the State Nodal Authority who in turn consolidate the reports and furnish them to GOI so as to ensure actual utilisation of foodgrains supplied and regulate further allocation.

Test-check of 179 schools in eight⁶ selected districts revealed the following deficiencies/ shortcomings:

- While the records relating to actual supply received from Fair Price Shops were available in the schools, allotment orders/release orders of foodgrains issued by the MROs were not being received at school level.
- In 68 schools, there were no stock registers of foodgrains. Thus, the actual utilisation of rice and the balances available at school level/ mandal level could not be assessed.
- There was no proper mechanism at district level to assess and obtain monthly reports (off-take)/utilisation certificates from school/mandal level on the actual utilisation of foodgrains and balances of foodgrains available with them. The foodgrains lifted by the implementing agencies were being assumed as actually utilised by them and the available balances of foodgrains at various levels were not taken into account at the time of further release of foodgrains.
- The State Nodal Agency did not furnish periodical reports on lifting, actual utilisation and balances of foodgrains to GOI. As a result, GOI was unable to ensure actual utilisation of foodgrains supplied to State and to regulate further allocation. This caused huge accumulation of rice stocks ranging from 36,853 MT to as high as 1,10,305 MT during 2003-08 with APSCSCL.
- No periodical reconciliation of foodgrains supplied to schools was done at School/Mandal/District level.
- Periodical physical verification of rice stocks with receipt and utilisation was not conducted by Deputy Educational Officers (DyEO).
- Fair Price Shops supplied rice directly to the implementing agencies. But there were complaints from the implementing agencies about shortage of 2 kg to 5 kg rice per 50 kg bag.

Rice stocks ranging up to 1,10,305 MT had accumulated at APSCSCL

There was no periodical verification of rice stocks by DyEOs

3.1.7.3 Quality of foodgrains

Utilisation of fair quality of foodgrains in preparing mid-day meals for the school children was not ensured

According to the guidelines for the revised scheme issued by the GOI in 2004, FCI was to issue foodgrains of best quality available, which would in any case be at least of Fair Average Quality (FAQ). District Collectors are to ensure that foodgrains of at least FAQ are issued by the FCI, after joint inspection by a team consisting of his nominees and FCI. DEOs are required to submit monthly reports to the DSE certifying that foodgrains received and disbursed to the schools were of FAQ.

⁶ except Hyderabad and five test-checked schools in Visakhapatnam

It was however, noticed in the six test checked districts⁷ that no reports on quality of foodgrains were submitted (2003-08) to the DSE. It was also noticed that there were many complaints by the implementing agencies regarding inferior quality of rice being supplied. In the absence of proper system to ensure quality, there was no assurance that fair quality of foodgrains was utilised in preparing the meals for the school children.

3.1.7.4 Transportation charges

APSCSCL claimed (and was paid by GOI) Rs 8.20 crore in excess of actual expenditure towards transportation

As per the scheme guidelines, GOI is to reimburse the actual cost of transportation of foodgrains from the nearest FCI godown to Fair Price Shop subject to a ceiling of Rs 500 per MT (Rs 750 with effect from 1 October 2004), on submission of claim and after it is duly verified by the State nodal department (DSE). The claim is to be restricted to the actual expenditure. The implementing agencies have to make their own arrangements for lifting the rice from Fair Price Shops. The State Civil Supplies Corporation shall claim transportation cost as per the details furnished by the district units. It was observed that the Corporation has been obtaining re-imburement of transportation cost far in excess of the actual expenditure.

It was noticed in six⁸ (out of nine) test checked districts, that the Corporation claimed and received from GOI an amount of Rs 8.20 crore in excess of actual expenditure (as reported by District Managers of the Corporation) towards transportation cost during 2003-07. The district-wise details are given in *Appendix 3.2*.

3.1.8 Infrastructure facilities for providing mid-day meals

Provision of essential infrastructure is one of the components of mid-day meals programme. It includes kitchen-cum-store, kitchen utensils, storage containers of foodgrains and adequate water supply for cooking/drinking, etc. The responsibility for creation of infrastructure and procurement of kitchen devices, etc. lies with the State Government.

Twenty two per cent of the schools in the State had no water facility and 67 per cent had no kitchen sheds for cooking mid-day meals

The “Selected Educational Statistics”⁹ prepared for the year 2006-07 under Sarva Siksha Abhiyan (SSA) however, showed that 22 per cent (17,456 schools) of the schools in the State had no water facility and 67 per cent (53,516 schools) of the schools had no kitchen sheds for cooking mid-day meals.

Only when the specific directions (June 2006) were issued by the High Court on the basis of a Public Interest Litigation Writ Petition the DSE made temporary arrangements (for about three months) of supply of drinking water in 10,000 (out of 23,853) schools by releasing (August 2006) Rs 1.60 crore for purchase of containers and labour charges for fetching water.

⁷ Nellore, Warangal, Khammam, Anantapur, Kurnool and Nalgonda

⁸ Kurnool, Nalgonda, Warangal, Anantapur, Nellore and Ranga Reddy. The relevant particulars in respect of the other three districts and that of 2007-08 from all nine districts were not available to audit

⁹ Compiled by SSA every year and contains data relating to schools

Audit noticed inadequate infrastructure and water facility in all the test-checked schools

In all the test checked districts, Audit noticed inadequate infrastructure as detailed below:

Table-3

District	Total number of schools	Schools having infrastructure facilities (percentage)			
		Kitchen-cum-storage	Water	Cooking utensils	Gas connection
Hyderabad	856	38 (4)	673 (79)	NA	NA
Nellore	2959	1173 (40)	2905 (98)	NIL	102 (3)
Visakhapatnam	3713	1169 (31)	3579 (96)	NIL	1076 (29)
Ranga Reddy	2075	667 (32)	1182 (57)	NIL	667 (31)
Nalgonda	3021	814 (27)	2072 (69)	NIL	882 (29)
Anantapur	3621	2264 (63)	2064 (57)	NIL	NIL
Warangal	3051	932 (31)	NA	NIL	237 (8)
Kurnool	2544	1317 (52)	1255 (49)	NIL	274 (11)
Khammam	3389	1564 (46)	2071 (61)	NIL	889 (26)
Total	25719	10022 (39)	16621 (65)	NIL	4127 (16)

Source: Data as furnished by the DEOs

In the test checked districts, none of the schools were provided with cooking utensils. In Nalgonda and Khammam Districts an amount of Rs 1.90 crore¹⁰ intended for kitchen devices released by the DSE in August and October 2007 was not drawn by the DEOs during 2007-08 and the amount lapsed despite the requirement of kitchen utensils in the mid-day meals served schools.

None of the schools in the eight test-checked districts were provided with cooking utensils and 84 per cent had no Gas connection

136 out of 204 schools had no kitchen sheds

Audit also observed deficiencies/shortcomings with regard to provision of infrastructure facilities to implement the scheme in the test checked schools (in the same districts). The results of joint spot inspection of 204 schools conducted by Audit and School Education authorities are discussed below:

- In 54 test checked schools, food was prepared in open space in the absence of kitchen sheds. The joint inspection also revealed that 136 out of 204 schools were not having kitchen sheds. There were cases of food poisoning on account of food being cooked in open space underneath trees and without lids.
- In 79 test checked schools, the foodgrains were stored with the implementing agencies with the attendant risk of misappropriation/misutilisation of foodgrains (as also noticed by audit in some cases).
- Firewood as fuel is to be discouraged as per GOI instructions in the interest of environmental protection. It was observed that only 16 per cent of the schools had Gas connection and the remaining schools were using fire wood for cooking mid-day meals.
- The joint spot inspection revealed that 93 (out of 204) schools had no water for drinking and cleaning purposes. Thus, despite availability of sufficient Central assistance, the scheme suffered from inadequate infrastructure facilities with adverse implications on quality of meals served, hygiene and health of the targeted children.

¹⁰ Nalgonda: Rs 1.27 crore and Khammam: Rs 0.63 crore

3.1.9 Serving of mid-day meals to children

3.1.9.1 Serving of food

The quantum of food fixed was 120/125 grams of rice and foodgrains were accordingly provided to the implementing agencies. No standard serving bowl was used to serve the cooked food to children as per the laid down norms.

3.1.9.2 Reports relating to figures of students who have taken mid-day meals

The figures of the students who have taken mid-day meals were inflated

The mid-day meals taken reports furnished by the DEO, Warangal to district authorities for the years 2003-04 and 2004-05 were compared with reports on rice utilisation. Audit observed excess reporting of mid-day meals with reference to rice consumption. This resulted in excess payment of cooking cost of Rs 5.44 crore (as per the expenditure particulars furnished by the DEO on the cooking cost) computed at minimum rate of Rs 1.50 per meal.

The DEO accepted (February 2008) the audit point and attributed the lapse to misreporting by the MEOs and he also assured that action would be taken to streamline the reporting system.

3.1.10 Implementation of scheme in summer holidays in drought prone mandals

Mid-day meals were not provided during summer vacations in drought prone areas though stipulated in guidelines

The scheme guidelines provide for supply of mid-day meals in drought prone mandals during summer vacations. There was also a Supreme Court direction (April 2004) to this effect. Though the school authorities stated that mid-day meals was served to children in the drought prone mandals during 2003-06, no related records were available at school level/DEO/DSE. It was also observed that no arrangements were in place in the entire State to serve cooked food in drought prone mandals in summer vacations. Although drought prone areas were notified by the State Government the DSE did not issue any instructions during 2006-08 for serving mid-day meals in drought prone areas in summer vacations.

3.1.11 Implementation of scheme in Educationally Backward Blocks

Mid-day meals scheme was not implemented in any of the Educationally Backward Blocks despite availability of Central assistance

GOI decided (October 2007) to extend the mid-day meals scheme to Upper Primary classes (Classes VI to VIII) in Educationally Backward Blocks (EBB) commencing 1 October 2007. GOI provides subsidy of cooking cost of Rs 2.50 and 150 grams of foodgrains per child per school day for an academic year not exceeding 220 working days.

It was observed that mid-day meals scheme was not implemented in any EBB as of March 2008 despite availability of GOI's assistance (Foodgrains: 2,765 MT and cooking cost: Rs 36.86 crore) for the period October 2007 to March 2008.

DSE replied (August 2008) that the implementation of the scheme in EBBs was not yet commenced as the State Government is contemplating to extend the scheme up to 10th Class in all schools (including EBB) in the State and hence no amounts were sanctioned by the State Government.

3.1.12 Instructions relating to display of critical information about the scheme

Critical information about the implementation of the scheme was not displayed by schools

Scheme guidelines stipulate that the information such as number of children to be covered under mid-day meals scheme, the entitlement of rice, daily menu, quality of rice, ingredients, stock details, roster of community members involved on a weekly/monthly basis are to be displayed at the school for creating awareness among parents/children about the scheme and their privileges. It was however, observed in all the nine sample districts that no such information was being displayed in any of the test checked schools serving the meals leading to non-awareness of the entitlements of the children and other critical information.

3.1.13 Grievances of implementing agencies

The implementing agencies had grievances about inadequate charges

The scheme provides for entrustment of preparation of mid-day meals to Self Help Groups (SHGs) and Non-Government Organisations (NGOs).

Audit noticed that there were complaints from 83 implementing agencies¹¹ about the insufficient cooking cost being provided to them. It was also noticed that in certain schools the implementing agencies were not willing to cook for lesser number of students as the margins they make would be low. The implementing agencies also agitated for payment of salaries in addition to cooking cost. These adversely impacted continuity of the programme, quantity and quality (calorific value) of mid-day meals served to children as the implementing agencies were providing only one egg or 'nil' a week as against two eggs per week prescribed (2005) by the State Government. This was also noticed by Audit in certain test checked schools in Anantapur, Khammam, Kurnool and Nellore Districts.

3.1.14 Selection of NGOs and implementation process

Audit noticed deficiencies like inadequate quantity of meals supplied, incorrect reporting of mid-day meals taken, non-serving of hot cooked food, non-accountal of rice, excess claim of cooking cost, etc. in the implementation of the scheme by NGO

In Hyderabad District and Visakhapatnam Urban, the cooking of MDM was entrusted (December 2002 and September 2003) to an NGO viz. Naandi Foundation. As per the MOU entered between the DEO concerned and the NGO, the NGO was to supply cooked meals from their centralised kitchen to the school premises as per the indent placed by the DEO. The NGO was provided with foodgrains by the Civil Supplies Corporation and the cooking cost was allowed at the following rates:

From: February 2003	Rs 1.25 + 0.25 ps (transportation) per child per day =Rs 1.50
From: October 2003	Rs 1.25 + 0.35 ps (transportation) per child per day =Rs 1.60
From: October 2006	Rs 2.00 + 0.10 ps (transportation) per child per day =Rs 2.10

¹¹ Anantapur (20), Khammam (21), Kurnool (19), Nalgonda (2) and Warangal (21)

Since the implementing agency (NGO) is not rendering the service free of cost but being paid substantial amounts, the work should have been awarded after giving due publicity and inviting applications from willing NGOs. The NGO was paid (up to March 2008 and October 2007 respectively) Rs 20.97 crore (Hyderabad) and Rs 3.44 crore (Visakhapatnam).

3.1.14.1 Deficiencies in implementation of the Scheme by the NGO

The deficiencies noticed in implementation of the scheme by the NGO are discussed below:

Item	Observation																																								
NGO, Hyderabad																																									
Excess payment of advance	<p>As per the MOU entered (December 2002) with NGO for supply of cooked food, an interest free advance of Rs 2.48 crore was given to the NGO at Hyderabad. This amount was arrived at by taking the number of students enrolled as 2.20 lakh. As per the indents of mid-day meals placed (September 2003), 1,21,459 (out of 1,46,046) children only were willing to take MDM. Hence, there was excess payment of advance to the extent of Rs 1.11 crore¹². Further, it was noticed that the advance was being recovered in 72 monthly instalments as against 36 mentioned in the MOU.</p> <p>A permanent advance of Rs 38 lakh was given to the NGO as one month operational expenses without stipulating the mode of recovery.</p>																																								
Inflated figures of mid-day meals supplied	<p>Audit carried out a comparison of the figures of number of meals actually taken as mentioned in the fortnightly reports prepared* by the DEO with the figures furnished by the NGO in the bills claimed and paid. It was found that the NGO inflated the number of meals served and had drawn cooking cost accordingly.</p> <p>The DEO failed to notice the shortfall in quantity of rice even though he was obtaining mid-day meals taken reports fortnightly from the Deputy Inspectors of Schools. This could also be attributed to lack of periodical inspections to be organized by him. The DEO is making the payment without any reference to the fortnightly reports which resulted in excess payment of Rs 4.74 crore as shown below:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Meals shown as supplied by NGO</th> <th>Actual MDM intakers as per DEO reports</th> <th>Excess meals shown as supplied</th> <th>Excess payment to NGO</th> </tr> <tr> <td colspan="4" style="text-align: center;">(Numbers in crore)</td> <td style="text-align: center;">(Rs in lakh)</td> </tr> </thead> <tbody> <tr> <td>2003-04</td> <td>2.84</td> <td>2.17</td> <td>0.67</td> <td>103.16</td> </tr> <tr> <td>2004-05</td> <td>2.70</td> <td>1.84</td> <td>0.86</td> <td>138.06</td> </tr> <tr> <td>2005-06</td> <td>2.53</td> <td>1.82</td> <td>0.71</td> <td>113.06</td> </tr> <tr> <td>2006-07</td> <td>2.21</td> <td>1.73</td> <td>0.48</td> <td>94.58</td> </tr> <tr> <td>2007-08</td> <td>1.82</td> <td>1.70</td> <td>0.12</td> <td>25.00</td> </tr> <tr> <td colspan="4"></td> <td style="text-align: right;">474.00</td> </tr> </tbody> </table> <p>* on receipt of feed back from schools/Deputy Inspector of Schools</p>	Year	Meals shown as supplied by NGO	Actual MDM intakers as per DEO reports	Excess meals shown as supplied	Excess payment to NGO	(Numbers in crore)				(Rs in lakh)	2003-04	2.84	2.17	0.67	103.16	2004-05	2.70	1.84	0.86	138.06	2005-06	2.53	1.82	0.71	113.06	2006-07	2.21	1.73	0.48	94.58	2007-08	1.82	1.70	0.12	25.00					474.00
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Non-serving of hot cooked food	<p>It was observed that there were complaints about serving of half cooked meals to children by the NGO resulting in occasional health disorder. The duration between cooking (4 AM to 5 AM) and supply of meals (1 PM) from centralised kitchen to school points through steel/plastic containers (ingredients) ranged up to eight hours. Thus, the objective of serving of hot cooked meals to children had been defeated.</p>																																								

¹² Advance given Rs 2.48 crore (Total enrolment (220000) X no. of working days per month (25) X cooking cost (Rs 1.50 per child) X 3 months) as against the actual entitlement of Rs 1.37 crore (Actual MDM intakers (121459) X no. of working days per month (25) X cooking cost (Rs 1.50 per child) X 3 months), resulting in excess advance payment of Rs 1.11 crore

Non-enhancement of calorific value of the mid-day meals	The revised guidelines (July 2006) provide for enhancement of the calorific values of the MDM from 300 calories and 8-12 grams of protein to 450 calories and 12 grams of protein content per child per day. Accordingly the payment towards cooking cost was enhanced from Rs 1.60 to Rs 2.10 per child per day from October 2006. The DEO, Hyderabad, failed to ensure the incorporation of the element of revised calorific value of 450 calories of mid-day meals to be supplied by the NGO in the MOU which was renewed in December 2006.																																																							
Flawed Utilisation Certificates by NGO	The NGO, Hyderabad, furnished flawed Utilisation Certificates stating that 98 quintals of foodgrains (valued Rs 0.55 lakh) was utilised for supplying cooked meals during summer vacations (May 2006) even though no meals was supplied to schools during that period and the DEO has not adjusted this amount as of April 2008 towards excess issue of rice.																																																							
NGO, Visakhapatnam																																																								
Non-accountal of rice allotted to NGO	In Visakhapatnam District, it was observed that the DEO has not been conducting periodical reconciliation of the stocks of rice with NGO. Audit scrutiny of the stock register maintained by the NGO disclosed that the NGO showed only 89.69 quintals of rice as having been received as against the quantity of 762.25 quintals actually supplied by the Civil Supplies Corporation. The NGO also issued UC for 89.69 quintals only. Thus, 672.53 quintals of subsidized rice was not accounted for by the NGO. Considering the market rate, the excess payment made to the NGO amounted to Rs 6.83 lakh calculated at the market rate of Rs 950 per quintal.																																																							
Excess claim of cooking cost as compared to utilisation of rice	<p>The DEO, Visakhapatnam, did not have any mechanism to verify the meals taken reports obtained from the schools/mandal authorities and passed the MDM claims as furnished by the NGO. It was noticed that during the five year period 2003-08 the NGO claimed cooking cost and was paid for 42,78,866 meals in excess as compared with actual utilisation of rice at 120 grams per child per day which resulted in excess payment of Rs 74 lakh to the NGO as detailed below:</p> <table border="1" data-bbox="424 1146 1506 1626"> <thead> <tr> <th>Year</th> <th>Rice utilized by NGO as per UCs (Qtls.)</th> <th>No. of meals that could be prepared @120 gms per child per day</th> <th>No. of meals stated to have been supplied</th> <th>Excess meals for which bill claimed and drawn (No.)</th> <th>Rate per meal per student (Rs Ps)</th> <th>Excess payment made to NGO (Rs in lakh)</th> </tr> </thead> <tbody> <tr> <td>2004-05</td> <td>4801.510</td> <td>4001258</td> <td>6186727</td> <td>2185469</td> <td>1.60</td> <td>34.97</td> </tr> <tr> <td>2005-06</td> <td>6506.810</td> <td>5422342</td> <td>6237118</td> <td>814777</td> <td>1.60</td> <td>13.04</td> </tr> <tr> <td>2006-07 (June to July-2006)</td> <td>989.870</td> <td>824892</td> <td>989572</td> <td>164680</td> <td>1.60</td> <td>2.63</td> </tr> <tr> <td>2006-07 (August 2006 to April 2007)</td> <td>4105.020</td> <td>3420850</td> <td>4205503</td> <td>784653</td> <td>2.10</td> <td>16.48</td> </tr> <tr> <td>2007-08 (June to October 2007)</td> <td>1963.850</td> <td>1636542</td> <td>1965830</td> <td>329288</td> <td>2.10</td> <td>6.91</td> </tr> <tr> <td>TOTAL</td> <td>18367.060</td> <td>15305884</td> <td>19584750</td> <td>4278866</td> <td></td> <td>74.03</td> </tr> </tbody> </table> <p>It was also noticed that the NGO made excess claim of mid-day meals (56,999) supplied to the schools during 2005-07 than actual attendance of the children (as per the Dy.EO's fortnightly reports).</p>							Year	Rice utilized by NGO as per UCs (Qtls.)	No. of meals that could be prepared @120 gms per child per day	No. of meals stated to have been supplied	Excess meals for which bill claimed and drawn (No.)	Rate per meal per student (Rs Ps)	Excess payment made to NGO (Rs in lakh)	2004-05	4801.510	4001258	6186727	2185469	1.60	34.97	2005-06	6506.810	5422342	6237118	814777	1.60	13.04	2006-07 (June to July-2006)	989.870	824892	989572	164680	1.60	2.63	2006-07 (August 2006 to April 2007)	4105.020	3420850	4205503	784653	2.10	16.48	2007-08 (June to October 2007)	1963.850	1636542	1965830	329288	2.10	6.91	TOTAL	18367.060	15305884	19584750	4278866		74.03
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During the exit conference the DSE assured that the District Collector, Hyderabad and the DEO, Visakhapatnam had been advised to recover the excess advances paid to the NGO and the issue regarding non-accountal of rice would be inquired into.

3.1.14.2 Sub-contracting of MDM activities by NGO

Although the scheme guidelines specifically stipulate that NGO should not entrust the mid-day meals activities to another organization/agency, such stipulation was not incorporated in the MOU by the DEO. Contrary to the scheme guidelines, the NGO (Naandi Foundation, Hyderabad) was allowed (through the MOU) to outsource any of the operations of the project to a third party. The NGO (both at Hyderabad and Visakhapatnam) entrusted the entire programme work of preparation of food and house keeping and transportation of cooked food to schools to sub-contractors.

3.1.15 Impact of the scheme

One of the primary objectives of the scheme is to improve enrolment, attendance and retention at the primary stage to boost the national objective of universalisation of primary education. Neither the State Government nor the DSE had any mechanism to assess and evaluate the overall impact of the scheme on improvement of enrolment, attendance and retention at primary stage. Further, one of the scheme objectives was to encourage poor children belonging to disadvantaged sections to attend school regularly and help them to concentrate on classroom activities. No mechanism was evolved to monitor the achievement of this objective.

Audit analysed the figures of enrolment and retention of school children during the five year period 2003-08. The following were noticed:

3.1.15.1 Enrolment

As could be seen from the following table the enrolment had been declining year after year during 2003-04 to 2007-08:

Table-4

Year	Enrolment of children in			Percentage of decrease in enrolment over preceding year
	Govt. PS/Aided	Govt. UPS	Total	
2003-04	4885608	2248226	7133834	
2004-05	4314818	2208262	6523080	9
2005-06	4083387	2099941	6183328	5
2006-07	4069439	2040890	6110329	1
2007-08	3572645	1856569	5429214	11

Thus, the scheme did not contribute to increase in enrolment of children.

3.1.15.2 Nutritional content of meals served

An objective of the scheme is to provide nutrition to students in primary classes in Government primary schools, Upper primary schools and EGS/AIE centres. To achieve the said objective, the scheme prescribed serving of a cooked meals with a nutritional content (revised from time to time) on each school day to a child as follows:

Enrolment of children in Government Primary Schools/ Aided/Upper Primary Schools showed a declining trend during 2003-08

No mechanism was in place to assess the nutritional value of the cooked food being served to children

Table-5

Nutritional content	Norm as per GOI guidelines (2004)	Revised norms as per GOI revised guidelines (2006)
Calories	300	450
Proteins	8-12 grams	12 grams
Micronutrients supplementation	Not prescribed	<ul style="list-style-type: none"> ▪ Six monthly dose for de-worming and vitamin-A ▪ Weekly Iron and Folic Acid and ▪ Other appropriate supplementation depending on common deficiencies

It is the responsibility of the State Government to ensure that wholesome, cooked mid-day meals of satisfactory quality and nutritional value prescribed was served. The various combinations and quantities of affordable food items within the prescribed amount which would provide the desired level of nutritional value was however, not prescribed either by GOI or the State Government. Thus, there is no assurance that the meals served met the stipulated nutritional requirement.

The cooking cost was increased¹³ (August 2006) towards increase of calorific value of meals from 300 to 450 calories and protein content of 8-12 grams to 12 grams. To achieve this, cereal pulse ratio of 3:1 to 5:1 was prescribed. No mechanism was evolved to test the nutritional content of the meals. There is thus no assurance that the stipulated nutritional requirements are being met.

It was noticed by Audit during the spot inspection of Centralised kitchen of the NGO, Hyderabad that while cooking, the valuable starch in huge quantity was being let out (instead of using as ingredient in other items of food like dal, etc.) thereby losing nutritional value in the cooked food. This showed that there was no monitoring to ensure that scientifically desirable practices were followed while cooking.

In conjunction with operation of mid-day meals programme to improve school attendance, the guidelines provided for periodical health check-ups of children, distribution of tablets for deworming and micro-nutrient supplementation for which funds were to be provided by the State Government. These important operations were not being carried out in the 204 schools test checked.

3.1.15.3 Impact of the scheme on health of children

No mechanism was evolved to monitor the impact of the scheme on health of children

According to Scheme guidelines, the health status of the children is to be monitored by the Parent-Teacher association (PTA)/School Management and Development Committees (SMDC). The Government did not evolve any mechanism for undertaking periodic and random checks.

No system for periodical health check ups was established in the test-checked schools in the nine districts

It was observed in all the 204 test checked schools that no system for periodical health check ups was established to assess the improvement in

¹³ Up to 50 children (from Rs 2 to Rs 2.50); 51-100 children (from Rs 1.75 to Rs 2.25) and 101 and above (from Rs 1.50 to Rs 2)

health/nutritional status of children except conducting occasional check-ups by Primary Health Centres in few schools. Further, no association/committee at school level was engaged in monitoring of health checks and nutritional status.

Thus a well defined mechanism to monitor the benefits of mid-day meals was not in place.

3.1.15.4 Unhygienic meals

No mechanism was prescribed for obtaining the reports on food poisoning cases from the schools by the DEOs. Though a column is prescribed in fortnightly reports, the same was kept blank and reports sent to DSE by DEOs.

During the year 2003, there were food poisoning cases in 19 districts in which 2,270 children suffered from health disorders. Cooking of meals in the open space, usage of poor quality of ingredients and lack of training to implementing agencies were found to be the reasons for the food poisoning. No remedial measures were taken to prevent recurrence of such incidents.

3.1.16 Monitoring and evaluation of the scheme

Monitoring of the implementation of the scheme was poor

The scheme provides for grant of Central assistance for Management, Monitoring and Evaluation (MME) at the rate of 0.9 *per cent* of the total assistance on supply of free foodgrains including transportation and cooking cost for the year 2004 and at the rate of 1.8 *per cent* from 2005-06. The assistance was to be used for (a) school level expenses, (b) management, supervision, training and internal monitoring and (c) external monitoring and evaluation.

3.1.16.1 Absence of monitoring/inspections of implementation of the scheme

The envisaged inspections of quality of cooked food being served to children were not conducted in any of the test-checked districts/schools

The State Government was required to issue guidelines for inspection/monitoring of overall quality of mid-day meals including nutrition, attendance and retention status at school/mandal/district levels. The scheme guidelines stipulate fixation of monthly targets for inspection of meals being served and quality checks in schools by district/mandal level officers belonging to Education Department. Further, inspection targets are to be so fixed and inspection to be coordinated so that as far as possible 25 *per cent* of the schools and EGS/AIE Centres are inspected by the DyEOs in every quarter and all schools are inspected at least once every year in a phased manner. Accordingly, the State Government was required to fix monthly targets of inspections to watch implementation of the programme in the schools in a proper manner.

It was noticed that no targets were fixed by the State Government/DSE for the inspection at various levels to watch the effective implementation of programme. Inspection rosters were not prepared by the DEOs. Guidelines and modalities for inspection of quality of programme implementation were also not framed by the State Government.

In all the 204 test checked schools in the nine districts, it was observed that the envisaged inspections of quality of cooked food being served to children were not being conducted by DyEOs. Thus, there is no assurance that the quality of meals served to children was ensured. It was observed that MEOs occasionally inspected the arrangements but such checks do not serve the purpose effectively as there is no element of surprise in such inspection.

The following deficiencies were also noticed in the nine test checked districts:

Item	Audit observation
Unspent amount of GOI assistance	As against the release of Rs 2.47 crore towards MME during 2006-08, only Rs 1.12 crore (45 per cent) was spent towards MME activities leaving huge amounts of Central assistance unutilised.
Non-functioning of Steering-cum-Monitoring Committees	State, district and block level Steering-cum-Monitoring Committees (SMC) were to meet every six months/every quarter to oversee the management and monitoring of the programme, assess its impact and take corrective steps. It was noticed that no district/block level SMC meetings were being conducted and thereby the overall impact of the implementation of the scheme could not be assessed in those districts.
Non-formation of Monitoring cell	State Government accorded (November 2006) sanction for constitution of a State level cell and 23 district level cells with creation of posts for effective monitoring of mid-day meals Scheme and to evaluate the child-wise educational and health indicators. As of March 2008, the posts of Assistant Director and other supporting staff at district level were yet to be filled in. Consequently, no monitoring cell for evaluation of the scheme was formed in the test checked districts to assess the implementation of the scheme and to evaluate the health indicators.

3.1.16.2 Evaluation of scheme by external agency

In contravention of the guidelines, no external agency was nominated for evaluation of the programme in all the nine test checked districts despite the specific provision being made by GOI under MME for the immediate engagement of an institution for external evaluation. The overall impact of implementation of the scheme was thus not assessed at any level. Contribution of the scheme in enhancement of learning level of the children in primary classes also remained unevaluated due to absence of any report with the nodal department regarding average marks obtained by the children. There was no record to ascertain the efforts, if any, taken by the department to give special focus on children belonging to disadvantaged sections.

3.1.16.3 Impact Evaluation by SCERT

State Council for Educational Research and Training (SCERT) conducted (2006-07) an evaluation study in the districts of Krishna, Nellore and Nalgonda Districts. The report revealed the following deficiencies/shortcomings:

- At various levels, guidelines issued by the government were not adhered due to communication gap and ignorance;
- Children had expressed boredom with routine eating of rice and sambar;
- The scheme has a very little impact on improvement of enrolment and retention;

- The method of implementation in terms of quality of food was very poor. The factors *inter alia* identified were: (i) supply of very poor quality of rice, (ii) lack of kitchen sheds, drinking water and gas and (iii) lack of food inspections by quality control organizations, and purchase of poor quality ingredients and loose refined oil from local shops;
- There was lack of supervision of higher officials of the department. Regular inspection was limited only to the MEO level;
- Food was served approximately and no measuring tool was used;
- Egg was given weekly once in only 25 *per cent* of the schools; and
- Present rate of payment is not sufficient to meet the expenses.

The suggestions made by the SCERT *inter alia* are (a) All the factors effecting the quality of the scheme need to be urgently addressed, (b) Arrangements are to be made to provide cooked food in packets as suggested by the parents, (c) Proper inspection of procedures is inevitable, (d) Variety needs to be added to the *menu* by working with institutions like National Institute of Nutrition (NIN) and Home science College such that the calories and protein content is maintained and (e) Steps should be taken to reach any information to the lowest level. These suggestions were yet to be implemented by the Government as of August 2008.

3.1.17 Management Information System (MIS)

MIS was not in operation/existence in the nine test-checked districts

The scheme provides for development of a Computerised Management Information System for proper monitoring of the programme by the Department of School Education in consultation with the National Informatics Centre. It was noticed that the system was not in operation/existence in any of the nine test checked districts. Thus, adequate attention has not been given by the State Government and DSE to effectively monitor the programme through the MIS.

3.1.18 Conclusions

The implementation of mid-day meals (MDM) scheme in the State failed to provide adequate infrastructure in schools. The Central assistance intended for construction of kitchen sheds remained unutilised. Twenty two *per cent* of the schools had no water facility; 67 *per cent* had no kitchen sheds. None of the schools in the test checked districts were provided with kitchen utensils and 84 *per cent* schools had no Gas connections. Audit noticed deficiencies in utilisation of funds. The enrolment figures were inflated by the State Government while seeking allotment of rice from GOI resulting in excess lifting of rice and huge accumulation of rice stocks with the State Civil Supplies Corporation. No mechanism was in place to assess actual utilisation of foodgrains and there was no periodical verification of rice stocks by the district officers. Utilisation of Fair Average Quality (FAQ) foodgrains in preparing MDM for the children was not monitored. Critical information about the implementation of the scheme was not displayed by the schools in the test checked districts. There were deficiencies in implementation of the scheme (at Hyderabad District and Visakhapatnam Urban) by the NGO including

non-serving of hot cooked food, having no mechanism to monitor calorific value of food supplied and not ensuring proper account for meals served. The important objectives of periodical health check-ups, nutritional supplementation and supply of tablets for deworming were neglected. The vital aspect of Monitoring and Supervision of the Programme was deficient. Evaluation of the scheme as a whole was not done and as such the impact of the scheme remained un-assessed.

3.1.19 Recommendations

The Department of School Education should ensure that;

- all the unspent funds under the scheme are remitted to the Government account by all the DEOs.
- funds provided by GOI for cooking cost should invariably be utilised for cooking purposes only and should not be diverted for other purposes.
- the periodical inspections as envisaged in the guidelines are carried out so that the standard Fair Average Quality (FAQ) is met.
- the rice intended for MDM usage is packed in tamper proof bags with identifiable markings viz., “For MDM purpose only”.
- a measure may be prescribed to serve the cooked food of 120/125 grams to avoid pilferage/misuse of rice/cooked food.
- basic infrastructure facilities such as kitchen-cum-stores, kitchen devices and drinking water should be provided to all schools for facilitating effective implementation of the scheme.
- a reliable system in place to ascertain the nutritional content of the meals served and coordinate with the district Nodal Officers (DEOs) and ensure health check-ups in all the schools to monitor the health status of the children.
- the decline in school enrolment is arrested through proper investigation and undertaking remedial measures.
- the internal controls as well as the inspections and monitoring mechanism at all levels are strengthened and proper maintenance of records at various levels.
- system of external evaluation is in place to assess the impact of the programmes.

The above audit observations were reported to Government in August 2008; reply has not been received. Recommendations were discussed and accepted by the department in the exit conference held in August 2008.

HIGHER EDUCATION DEPARTMENT

3.2 Functioning of Sri Venkateswara University

Highlights

Sri Venkateswara University, established in the year 1954, manages eight faculties encompassing 54 departments, eight campus colleges, one Post Graduate Centre and 313 affiliated colleges besides Directorate of Distance Education. Compliance with financial rules was poor. Certain courses offered by the University did not attract enough candidates leading to low enrolment. The functioning of Academic Staff College in respect of training programmes was far from satisfactory. Hostels were overcrowded. There was no internal audit since inception of the University. Audit noticed deficiencies/shortcomings in maintenance of cash books, accountal of receipts, physical verification of stores and stock, etc. besides excess/ inadmissible payments, non/short collection of fee and undue benefit to contractors.

Finance Officer of the University is being appointed without obtaining panel from the Government in contravention of the provisions of the AP Universities Act.

[Paragraph 3.2.6.3]

Audit noticed deficiencies/shortcomings in maintenance of cash books, handling of Demand Drafts, maintenance of vital registers, bank reconciliation besides non/short collection of tuition fee/examination fee (Rs 47.35 lakh) and inadmissible/excess payments (Rs 1.76 crore). Advances amounting to Rs 7.39 crore given to Principals and various departmental officers also remained unadjusted in the books of the University. Not all bills were being pre-audited by the Director of State Audit Wing.

[Paragraphs 3.2.6.4, 3.2.6.6 to 3.2.6.9 and 3.2.6.11]

Acquisition of professional competence has not been given importance and promotions were effected without conducting departmental examinations. Temporary staff was being deployed on a large scale without obtaining approval of the Government.

[Paragraph 3.2.7]

Certain courses offered by the University did not attract enough candidates leading to low enrolment.

[Paragraph 3.2.8.2]

There was heavy shortfall (up to 69 per cent) in the training programmes conducted by the Academic Staff College with consequent short-utilisation of working days and very few specialised programmes were conducted by the college leaving some of the vital subjects uncovered.

[Paragraphs 3.2.8.3 and 3.2.8.4]

Non-completion of works valued Rs 24.20 crore resulted in depriving the staff and the students the benefit of suitable accommodation. There was also no assurance that works valued Rs 5.64 crore were properly executed as the Quality control checks had not been exercised. Audit noticed

irregular payment of mobilization advances, undue benefit to contractors, etc. involving a total money value of Rs 94.41 lakh.

[Paragraph 3.2.9.1]

There was overcrowding in hostels as the number of occupants was far in excess (up to 84 per cent) of the original capacity.

[Paragraph 3.2.9.4]

Internal Audit was absent in the University and as such there was no assurance to the University management that the rules and procedures were being complied with by various departments. Physical verification of stores was not being carried out in any of the departments. Physical verification of books in the Central Library was not being done.

[Paragraphs 3.2.10.1, 3.2.10.3 and 3.2.10.4]

3.2.1 Introduction

Sri Venkateswara University (University) was established in the year 1954 and is governed by the Andhra Pradesh Universities Act, 1991 (Act No.4 of 1991) which came into force in January 1991.

The jurisdiction of the University is spread over three districts¹⁴ of the State. The University has eight major faculties¹⁵ encompassing 54 departments offering 73 post-graduate courses, six engineering undergraduate courses and five diploma and certificate courses being pursued by 5,631 students and 2,371 research scholars (May 2008). It has seven constituent campus colleges, one University college of Engineering, one Post Graduate Centre (at Kavali), and 313 affiliated colleges under its management. The Directorate of Distance Education (DDE) provides distance education in various courses through 116 Study Centres of which 28 were situated outside Andhra Pradesh State.

The goals of the University are (a) Strengthening the existing courses and starting of new courses relevant to the Society (b) Providing expertise and consultancy to several organisations (c) Improving the University – Industry – Community Interaction (d) Organising cultural and extra curricular activities to promote literary and cultural interests, social skills, sporting skills, national integration and inculcate a sense of discipline and humanism and (e) Promoting Research and create a conducive environment for innovative results. As of May 2008, the University had 476 faculty and 1,925 administrative and other staff.

3.2.2 Organisational set up

The University affairs are guided and conducted by a Vice Chancellor (VC), Executive Council (EC), Academic Senate and a Board of Studies. Deputy Registrar (Finance) is the head of Finance wing. The Director of State Audit is the Statutory Auditor for the University.

¹⁴ Chittoor, Kadapa and Nellore

¹⁵ Arts, Sciences, Commerce, Engineering, Education, Law, Management and Oriental languages

3.2.3 Audit objectives

The objectives of the performance audit were to examine whether the:

- financial management resulted in economic, efficient and effective utilisation of resources;
- administration of the University was effective;
- academic programmes, distance education, research activities undertaken, etc. were effective in achieving the intended objectives of the University;
- management of estates/assets and supporting services was adequate and fulfilled the needs of the University; and
- proper monitoring systems were in place and were effective.

3.2.4 Audit criteria

The following criteria were adopted for the performance audit:

- Andhra Pradesh Universities Act, 1991, Orders of the University Grants Commission (UGC), Ministry of Human Resource Development, Minutes of Executive Council meetings and Financial Committee meetings;
- Orders of the College Development Council (CDC), Instructions contained in GOs issued from time to time, Budget Estimates, AP Financial Code, General Financial Rules and Treasury Rules;
- Resolutions made in the Academic Senate/Executive Council, Board of Studies;
- Lease agreements relating to estate and assets, AP Public Works Departmental Code; and
- Monitoring systems instituted by the University/Government.

3.2.5 Scope and methodology of audit

The performance audit was conducted (February-May 2008) covering the period 2003-04 to 2007-08. Records of all the 35 institutions such as Central Administrative Office, seven campus colleges, one Engineering College, one PG centre (at Kavali), DDE and various departments of the University viz., University Press, Central Library, Hostels, Health Centre and Engineering Wing were test checked.

An entry conference was conducted (February 2008) with the Additional Secretary, Higher Education, Registrar of the University. Audit objectives and the methodology of audit were explained to them. The replies of the University are incorporated in the review. An exit conference was also held with the officers of the University in September 2008.

Audit findings

3.2.6 Financial Management

The University is mainly financed through block grants (Plan and Non-plan) (70 *per cent*) from State Government, grants received from UGC and other Central Government organisations like All India Council for Technical Education (AICTE), Council for Scientific and Industrial Research, Defense Research and Development Organisation, Indian Council for Agricultural Research, Indian Space Research Organisation, etc.

3.2.6.1 Budget and Expenditure

The University generates its own income by way of fees from students, sale of publications, sale of study material, processing fee, etc.

The average annual outlay of the University was Rs 65 crore. During the five year period 2003-04 to 2007-08, the University received Rs 328.84 crore towards block grant and other incomes, against which Rs 327.44 crore were spent. About 60 *per cent* of the budget is being spent for meeting salaries of teaching faculty followed by non-teaching staff salaries (17 *per cent*), pensions (11 *per cent*) and maintenance (10 *per cent*). The year-wise and source-wise details are given in *Appendix 3.3*.

Financial management was deficient as audit noticed shortcomings in maintenance of cash books, system lapses in handling of demand drafts, and non/short collection of tuition fee and examination fee, inadmissible/excess payments, non-maintenance of vital registers, non-reconciliation with banks as discussed below:

3.2.6.2 Preparation of Annual Accounts

Annual Accounts relating to University finances contained deficiencies

The Annual Accounts of the University were prepared up to the year 2006-07 and the audit of annual accounts by the Director of State Audit was completed up to the year 2005-06. It was observed that the annual accounts relating to the University finances contained deficiencies as discussed in the Table-1 below:

Table-1

Item/Subject	Audit Findings
Non-preparation of income and expenditure statement and balance sheet	The University was preparing every year only a receipts and payments account without the income and expenditure account and balance sheet as required. In the absence of income and expenditure account and balance sheet, the annual accounts would not reflect the actual position of the finances of the University such as investments, assets and liabilities, outstanding advances, etc.
Certain receipts not exhibited in the Annual Accounts	The annual accounts should indicate all receipts for a year. Scrutiny revealed that receipts to the extent of Rs 6.40 crore pertaining to self-supporting courses (viz. Bio-technology, Master in Financial Management, Commerce, etc.,) were not exhibited in Annual Accounts for the years covered under review. Due to non-reflection of receipts and the related payments in respect of self-supporting courses, the correctness of the financial position of the University was not ensured.

3.2.6.3 Appointment of Finance Officer

Finance Officer is appointed without obtaining panel from the Government in contravention of the provisions of the Act

Notwithstanding the stipulation in the AP Universities Act that Finance Officer of the University should be from out of a panel of three officers obtained from Education Department of the State Government the University appointed one of the Deputy Registrars as Finance Officer without obtaining the panel from the Government. This practice has been in vogue for the past 23 years.

As all the Universities were in receipt of substantial amounts from the State Government and the finalization of the accounts and rendering the same to the Accountant General for conducting audit was in arrears in all the Universities, PAC recommended (September 1991) in its sixth report of IX Legislative Assembly that a Finance Officer of the rank of Accountant General drawn from Indian Audit and Accounts Services should be appointed by the University as was being done by University of Hyderabad. However, these recommendations had not been implemented as of August 2008 and the University Officer who is not drawn from Treasury and Accounts Department was continuing to hold the post of Finance Officer.

3.2.6.4 Pre-audit of all bills not ensured

Pre-audit of all bills was not ensured before any payment was made and Finance Wing did not have professionally qualified staff

There is a pre-audit department of the Director of State Audit functioning in the University which is entrusted with the responsibility to pre-audit all bills before any payment is made. It was observed that only work bills and specific pay fixations (made under FR 22B) were sent to pre-audit department instead of all the bills. Thus the services of the pre-audit department were not properly utilized bypassing an important link in the control mechanism. This coupled with manning of the Finance branch including the Deputy Registrar (Finance) with persons who were not professionally qualified has contributed to deficient financial management as discussed in the succeeding paragraphs.

3.2.6.5 Utilisation of UGC grants

No separate account was maintained for receipts and expenditure in respect of the UGC Grants, but the same was mixed with other receipts under Capital Section due to which the interest earned on investments made exclusively from the UGC grant was not ascertainable. Further, the interest earned by the University on the grants received from UGC was not treated as additional grant in violation of codal provisions.

3.2.6.6 Maintenance of cash books

Cash Books were either not maintained or were not properly maintained

The University is maintaining 14 bank accounts with two nationalized banks. The maintenance of cash books in respect of these accounts as well as those relating to constituent colleges was deficient as detailed in Table-2:

Table-2

Subject	Audit Findings
Postings on the Receipt side of the Cash book	As per codal provisions, the DDs/Cash should soon after their receipt be posted in the cash book and then sent to bank for credit. Scrutiny revealed that DDs/Cash received by the University were not being posted in the cash book immediately after their receipt; instead the receipts as reflected in the bank statements were taken as receipts and entered in the cash book, which indicated that the credits given by the banks to University accounts were accepted without verification and the University wholly relied on the credits shown in the bank statements by the banks. Further the receipt entries made based on bank statements lacked details as to the DD numbers, leaving little scope for identifying the nature of receipt entered in the cash book.
No cash book maintained for self-supporting courses	Scrutiny revealed that cash books in respect of self supporting courses were not maintained either by the Coordinators or by the Principals of constituent colleges. As a result, there was no assurance that the share of the University and the constituent colleges was being correctly apportioned in the prescribed ratio from time to time and that there was no scope for misappropriation/misuse of funds.
Closings	As per the codal provisions, cash books should be closed regularly and at the end of each financial year. The cash books maintained by the Accounts Branch as well as by the SVU college of Arts (constituent college) were not being closed either monthly or annually. As a result, the balances available under the respective accounts were not ascertainable besides leaving no scope for reconciliation.
Reconciliation	As per codal provisions, the cash book figures should be reconciled with bank statements monthly and at the end of each year. Audit observed that reconciliation of cash book figures with bank statements was not being done in the Finance wing for any of the 14 bank accounts as well as for the bank accounts operated by the constituent colleges. In the absence of reconciliation, the correctness or otherwise of the amounts credited to banks was not ensured. Also in the absence of reconciliation, the grant-wise receipts and expenditure particulars viz., block grant, UGC, etc were not ascertainable.

The University replied that Cash books would be maintained in the prescribed form and reconciliation would be carried out.

3.2.6.7 Handling of Demand Drafts

There was no assurance that all DDs remitted into banks were credited to University Account

Directorate of Distance Education: The Directorate of Distance Education (DDE) has been collecting fees from the students enrolled through the Study Centres in the form of Demand Drafts (DDs). The DDs received from the Study Centres were sent to the banks for realization along with a covering letter indicating the total number of DDs and total amount of the DDs being sent, but the correct realization was not watched by the DDE. The Finance wing which maintained the cash books in respect of DDE was writing the cash books directly on the basis of bank statements without checking the correctness of individual entries in bank statement with reference to remittance made by the DDE. Thus, there was no assurance that all the DDs sent by the University were given credit by the bank as no reconciliation was also being carried out by the University. Audit noticed that during 2006-07 and 2007-08, the amount credited (Rs 9.12 crore) by the bank to the University account was less than the total amount of DDs (Rs 11.57 crore) sent to bank by an amount of Rs 2.45 crore.

Belated remittance of DDs into banks resulted in loss of interest

Academic branch of the University: On a test-check of the records in the affiliated colleges relating to remittance of the DDs towards affiliation fees and inspection fees, it was noticed that during 2006-08, there were delays ranging from two to five months in sending the DDs valued Rs 1.21 crore to bank for collection. Delay in sending the DDs to bank resulted in loss of interest to the University. The University admitted the lapse and stated that delays would be avoided in future.

Excess/inadmissible payments of Rs 1.76 crore were made to University teaching staff

3.2.6.8 Excess/Inadmissible payments

Scrutiny of establishment claims disclosed excess/inadmissible payments amounting to Rs 1.76 crore as detailed below:

Table-3

Subject	Audit Findings
Implementation of APUGC Scales, 1996	While implementing APUGC Scales 1996, 75 members of teaching staff who were already given the benefit of advance increments in APUGC Scales, 1986 for acquiring Ph. D qualification were again allowed advance increments for the second time. The UGC and APSCH ¹⁶ also expressed concern at such lapses. There was excess payment of Rs 1.07 crore to the teaching staff up to March 2008 with a recurring similar excess payment of Rs 1.46 lakh per month.
Encashment of Earned Leave while in service	All the non-vacation teaching staff were irregularly allowed encashment of earned leave (surrender leave) while in service although they were not eligible for such facility. This resulted in inadmissible payment to the extent of Rs 12.08 lakh.
Payment of House Rent Allowance	The teaching staff drawing UGC scales and who were located in 'C' class city were eligible for HRA @ 7.5 per cent of their basic pay. Scrutiny revealed that teaching staff (numbering 263) of the University (located in 'C' class city) were however, paid HRA @ 15 per cent of their basic pay for the period July 1999 to February 2001. This resulted in excess payment of Rs 57.09 lakh. Although Government issued instructions (February 2007) that the excess payments on this account should be recovered, such recovery was not effected by the University as of March 2008.

The University accepted the audit observations and stated that recoveries would be effected from the teaching staff concerned accordingly.

3.2.6.9 Non/short collection of term fee/examination fee by DDE

There was short collection of Rs 47.35 lakh by DDE towards term fee and examination fee

Candidates seeking admission into various courses offered by DDE were required to pay tuition and other fees as prescribed by the due dates mentioned in the prospectus, along with late fee in case of delayed payments. As against the demand of Rs 1.64 crore in respect of various courses, an amount of Rs 1.17 crore only was realized leaving a shortfall of Rs 47.06 lakh during 2005-06 (Rs 4.70 lakh), 2006-07 (Rs 17.26 lakh) and 2007-08 (Rs 25.10 lakh). Scrutiny also revealed that the fees though required to be collected in full at the time of admission itself, was being collected in instalments in contravention of the prescribed procedure.

¹⁶ Andhra Pradesh State Council of Higher Education

Scrutiny also revealed that an amount of Rs 0.29 lakh was short collected by the DDE towards examination fee from 121 students who had applied for M. Phil Exam conducted in April 2008. The University admitted the lapse and assured that the short collection would be made good.

3.2.6.10 Non-collection of Renewal fee

Classes are organised at Study Centres at various locations for students enrolled for distance education programmes. These Study Centres are entitled to remuneration of 30 per cent of the term fees excluding certain elements, but they have an obligation to pay annual renewal fee. None of the Study Centres had paid annual renewal fee since the date of their establishment as per the terms and conditions stipulated in the MOU between the DDE and the Study Centres. As of May 2008, the University was yet to realise a sum of Rs 5.35 lakh from the Study Centres. The University has been releasing the 30 per cent of the amounts collected by the Study Centres routinely without, however, holding back the renewal fee. The University stated that the renewal fee would be recovered from all the Study Centres concerned.

3.2.6.11 Outstanding advances

Advances amounting to Rs 7.39 crore given to University Officers were outstanding; of which Rs 1.83 crore pertained to 1999-2000 and earlier years

AP Financial Code prescribes that the advance given for specific purposes should be adjusted by detailed bills and vouchers as soon as possible and second advance could only be drawn when the first advance is adjusted. Scrutiny revealed that advances of Rs 7.39 crore given to University staff for specific purposes remained unadjusted in the books of the University, as of March 2008. The details are given in the *Appendix 3.4*. Of this, Rs 1.83 crore pertained to the period 1982-83 to 1999-2000. It indicates that periodic review of advances was not conducted to ensure the receipt of goods/pending services. There was no evidence of any punitive action being taken by the University for non-submission of the adjustment bills by the officers. The absence of a system to monitor the settlement of outstanding advances is also indicative of poor internal controls. The University replied that instructions were being issued to adjust the advances by all concerned.

3.2.6.12 Accumulation of amounts collected from students towards Special fee account

There was accumulation of Rs 1.84 crore in the Special Fee Account maintained by three campus colleges

As per Government orders (March 1972), the University constituent colleges may collect special fee from students for use of library or reading room or for any other special convenience provided and the actual levy of special fee should be so arranged as not to leave any large surplus at the end of each financial year. The funds accumulated out of the special fee collected from the students should be utilised for providing student amenities with the approval of the Government/Executive Council. Scrutiny however, revealed that there were accumulations to the extent of Rs 1.84 crore¹⁷ in the special fee accounts of the three (out of the eight) campus colleges as of May 2008. The University had not pursued this issue with the campus colleges till it was pointed out by

¹⁷ Engineering College – Rs 1.40 crore; Arts College – Rs 0.07 crore; CMIS – Rs 0.37 crore

Audit. Thus, the very purpose for which the special fee collected was defeated resulting in the student community being deprived of the intended benefits.

The Principals of colleges concerned assured that the accumulated balances in the special fee account would be remitted to the University account.

3.2.6.13 Non-maintenance/improper maintenance of DFC Register

Rs 2.57 crore being the University's share of tuition fee component remained to be remitted by the Engineering College

For admission into courses offered by the Engineering college, the fees (University account as well as Principal Account) payable at the time of admission (including the tuition fee) is wholly collected by the Convener, EAMCET¹⁸ and remitted to the Principal of the Engineering College. The University's share is required to be remitted to the University's account by the Principal. Scrutiny revealed that in the SVU Engineering College (constituent college) the fees received were not entered in the Daily Fee Collection (DFC) Register in the columns prescribed for each fee-component, due to which the correctness of tuition fee component being the University share was not ensured. Audit observed from the bank statement for the tuition fee account that an amount of Rs 2.57 crore being the tuition fee of the University account remained to be remitted to the University as of May 2008. The colleges concerned stated that the DFC register would be maintained and that the tuition fee component remitted to the University account.

3.2.6.14 Non-remittance of Electricity, water charges and room rent collected from boarders

Hostel authorities failed to remit to the University Rs 1.08 crore being the amount of electricity and other charges collected from boarders

According to the orders issued by the University, the Hostel authorities are responsible for collection of electricity, water charges and room rent from the boarders and remitting the same to the University account. Although the Registrar had directed the Hostel wardens in January 2004, to remit the amounts to University account the amounts were not remitted nor did the University ensure remittances even though the charges were periodically being borne by the University. It was observed that an amount of Rs 1.08 crore being the amount collected (2003-08) from the boarders towards electricity, water charges and room rent had not been remitted by the Hostel authorities to the University account and the amount was invested in fixed deposits. Also, no control mechanism existed with the University to ensure that the charges cited above were being collected in full by the Hostel authorities.

The University replied that instructions had been issued to Hostel Wardens to remit the amounts of electricity, water charges and room rent collected from the students to the University account.

3.2.6.15 Outstanding mess charges

Mess charges amounting to Rs 11.85 lakh remained to be collected from the boarders for the years 2006-07 and 2007-08

The University maintains hostels for its students and the Chief Wardens are responsible for recovery of hostel dues from the University's hostels inmates. All students are required to clear their monthly mess charges/bills regularly at the end of each academic course, and to clear all hostel dues. In respect of

¹⁸ Engineering, Agriculture, Medical Common Entrance Test

boarders in receipt of scholarships, the dues are to be settled on receipt of scholarships and from others, the dues are to be collected from individuals. Scrutiny revealed that as of August 2008, an amount of Rs 11.85 lakh pertaining to the years¹⁹ 2006-07 and 2007-08 towards mess charges still remained to be collected from the boarders. Besides, mess dues (in respect of boarders who are in receipt of scholarships) to the extent of Rs 1.95 lakh pertaining to the period from 2003-04 to 2006-07 was yet to be reimbursed by the Government.

The University replied that the dues of mess charges would be realized from the students concerned.

3.2.6.16 National Service Scheme – Non-observance of guidelines

National Service Scheme (NSS) was started to establish a meaningful linkage between the campus and the community, with the objectives, *inter alia*, to understand the community in which they work, identify the needs and problems of the community and involve them in problem solving process, developing among themselves a sense of social and civic responsibility. NSS receives funds from Central and State Governments in the ratio 7:5 and also from HIV/AIDS and Special Camp programme advances, etc. GOI guidelines on NSS stipulate that the unspent balances at the end of each financial year would lapse. Scrutiny revealed that there were unspent balances to the extent of Rs 23.43 lakh to end of 31 March 2007. It was also noticed that (i) advances of Rs 46.42 lakh given for NSS activities during the years 2005-06 and 2006-07 had not been adjusted as of March 2008 and (ii) NSS funds of Rs 5.27 lakh were diverted (September 2004) towards purchase of a vehicle contrary to the instructions of NSS guidelines. The University replied that the vehicle was purchased with the permission of the NSS Advisory Committee. The reply is not tenable as the NSS Manual prohibits purchase of vehicles from NSS grants. Further, the NSS Advisory Committee is only a part of the University for overseeing the activities of the NSS and does not have the official authority to give such exemptions.

3.2.7 Establishment matters

The deficiencies/shortcomings noticed in the administration of the University are discussed in the following table.

Table-4

Nature of irregularity/ deficiency	Audit Findings
Departmental examinations not conducted before effecting promotions	As per the orders (May 1999), employees who have completed 45 years of age were exempted from passing departmental tests for the purpose of promotion to the next higher post, above the one held by the employee if the employee could not pass the department tests. This concession was to consider the employee for only one promotion after initial appointment to public

Acquisition of professional competence has not been given importance and promotions were being effected without conducting departmental examinations

¹⁹ Dues pertaining to the earlier years were not furnished by the University

	<p>service, taking into consideration the fact that the individual in spite of his or her best efforts to qualify himself or herself, could not pass the same owing to any personal reasons. Scrutiny revealed that promotions to non-teaching staff were being given by the University based on seniority from Senior Assistant to the next four cadres²⁰ without insisting on the condition of passing the accounts test for subordinate officers. As such, there was no assurance that the people manning the posts had required proficiency.</p>
<p>Operation of excess cadre strength</p>	<p>As against one sanctioned post of Deputy Executive Engineer (DEE), two additional posts of DEE were being operated from January 2007 onwards although the State Government instructed not to consider any personal promotions to any category beyond the existing cadre strength already fixed.</p>
<p>Unauthorised deployment of employees on Nominal Muster Rolls (NMRs)</p>	<p>According to the provisions of Section 3(1) of Act²¹ 2 of 1994 the appointment of any person in any public service to any post in any class, category or grade either full time or part time or piece rate basis or any other similar category as a daily wage employee is prohibited. Further section 3(2) states that no temporary appointments shall be made whether full time or part time without prior permission of the competent authority (i.e. Government). Scrutiny revealed that the University has been making appointments of NMRs from 1994 onwards without obtaining approval of the Government. As of March 2008, there were 576 employees who were appointed as NMRs during 1994-2008. During the five year period 2003-08 wages to the extent of Rs 1.25 crore on average per year were being met from block grant section without any approval from the State Government.</p>
<p>Non-filling up of the post of Medical Officer on regular basis</p>	<p>Government (August 2004) ordered to dispense with the services of all retired officers/officials with immediate effect. Scrutiny revealed that the University has been appointing retired Senior Medical Officer to manage the Health Centre on <i>ad hoc</i> basis from time to time in contravention of the Government's instructions. The vacancy was not filled up on regular basis as of August 2008.</p>
<p>Pension Fund</p>	<p>To discharge pension obligations of employees and teaching staff, the University has to create a separate pension fund as stipulated in Section 44 of AP Universities Act. Scrutiny revealed that no such pension fund was created and the pension payments were being made through general investments or surplus. Thus, the University lacked proper planning for meeting pensionary obligations of its retired employees. There is a need for the University to have actuarial computation done to meet future pensionary obligations and constitute a Fund and recoup the fund from time to time to the extent of shortfall.</p>

The University promised to take remedial action on the above matters.

²⁰ Superintendent, Assistant Administrative Officer, Deputy Registrar and Joint Registrar

²¹ The Andhra Pradesh (Regulation of Appointments to Public Services and Rationalisation of Staff Pattern and Pay Structure) Act, 1994

3.2.8 Academic activities

The main objectives of the University are to impart instructions in various branches of learning, undertake research, disseminate knowledge, conduct examinations and grant and confer degrees, diplomas and other academic distinctions. The University offers graduate and post-graduate courses in campus colleges, Directorate of Distance Education and affiliated colleges in different disciplines. The cost of education per student was Rs 0.53 lakh per year. Deficiencies/shortcomings noticed in conduct of academic activities are discussed below:

3.2.8.1 Annual Reports

Annual Reports did not highlight areas of concern

The Executive Council, in compliance with section 22 of Andhra Pradesh Universities Act, 1991, is required to prepare an annual report of the University and send it to the Academic Senate. The Senate considers it in its subsequent annual meeting and submits to the State Government for information along with a copy of their resolution thereon, if any.

The Annual Report of the University is expected to provide essential information on important activities relating to academic and establishment matters. The annual report of the University for the years covered by the review did not contain vital information on the number of students appeared, passed and the success rate of students in respect of Degree and PG courses in campus colleges, Directorate of Distance Education and affiliated colleges. The number of students who passed in final year exams was also not shown for 38 (out of 45) departments in the constituent colleges, engineering college and PG Centre (at Kavali). No uniform pattern was adopted to exhibit the data in all the years. This was mainly attributable to lack of effective coordination between various departments of the University and poor monitoring of various programmes/projects and other activities taken up by the University.

Thus, the Annual Reports did not give comprehensive and complete information which could be of use to the Academic Senate to review the performance of the University. It was observed that the courses did not attract enough candidates leading to low enrolment as discussed in the succeeding paragraphs.

The University replied that comprehensive and complete information would be incorporated in the Annual Reports in future.

3.2.8.2 Low enrolment of students against intake capacity

The enrolment showed a decreasing trend in certain engineering and non-technical courses

The enrolment showed a decreasing trend in certain courses offered by the University in the Engineering College and the Campus colleges as discussed below:

Table-5

Name of the course(s)	No. of seats	Number of students enrolled				
		2003 -04	2004-05	2005-06	2006-07	2007-08
M. Tech (Industrial Engineering)	18	11	12	13	10	3
M. Tech (Production Engineering)	18	12	15	14	13	11
M. Tech (Computer Science & Engineering)	18	Not offered	Not offered	18	17	13
M. Tech (Chemical Engineering)	18	10	12	9	Nil	3
M. Tech (Civil Engineering)	36	21	22	12	2	6

The enrolment in the above engineering courses was generally poor and in particular three streams of M. Tech²² courses. The shortfall in enrolment ranged from 28 per cent (Industrial Engineering) (2005-06) to 100 per cent (Chemical Engineering) (2006-07).

The courses offered elicited poor response in the following non-technical disciplines during 2005-06 to 2007-08.

Table-6

Name of the course(s)	No. of seats	Number of students enrolled		
		2005-06	2006-07	2007-08
Adult Education	21	20	6	1
Law	12	5	3	7
SEAP Studies	20	11	13	6
Tamil	20	6	12	6
Human Rights & Duties	20	20	11	7
Linguistics	15	15	6	-
Population Studies	18	18	6	5
Performing Arts	-	-	-	3
Sanskrit	20	19	16	8

The University continued offering the above courses year after year, although the intake of students was low. The infrastructure by way of buildings and faculty costs money. Low intake of students indicates inadequate capacity utilisation and poor quality of teaching. There was nothing on record to show that the University has conducted any review before deciding to continue with the courses. The University need to take suitable action to improve the intake of students.

There was heavy shortfall (up to 69 per cent) in conduct of training programmes by Academic Staff College with consequent short-utilisation of working days

3.2.8.3 Training programmes by Academic Staff College

The Academic Staff College (ASC) was established to help teachers in the University/affiliated colleges to update their knowledge in their chosen field of expertise. As the ASC was a non-vocational institution, courses were to be conducted by it round the year. For this, at the beginning of each year, the

²² Chemical, Civil and Industrial Engineering

ASC draws up an annual calendar containing a tentative schedule of training programmes to be conducted during the year and obtains necessary approval from UGC for conduct of the training programmes, as per the annual calendar. The UGC provides funds or reimburses expenditure incurred on these training programmes.

As could be seen from the Table-7 below, there was a shortfall of 69 *per cent* in the number of training programmes conducted by the Academic Staff College during the years 2003-04 to 2007-08. This has also resulted in short-utilisation of working days which ranged from 45 to 68 *per cent*:

Table-7

Year	Target of training programmes required to be conducted as approved by UGC	No. of courses ²³ conducted during the year	Shortfall in the number of courses conducted (percentage)	No. of working days utilized for conduct of the training programmes during the year/Total no. of working days during the year	No. of working days which remained unutilized during the year (percentage)
2003-04	15	7	8 (53)	144/282	138 (49)
2004-05	16	9	7 (44)	142/273	131 (48)
2005-06	16	5	11 (69)	86/273	187 (68)
2006-07	17	6	11 (65)	104/277	173 (63)
2007-08	14	8	6 (43)	152/276	124 (45)
TOTAL	78	35			

The University attributed the shortfall in the training programmes to non-availability of sufficient number of candidates. The contention of the University is not tenable as the University itself proposed the training programmes for approval by UGC. This indicated lack of adequate planning while formulating the calendar for the training programmes.

3.2.8.4 Inadequate coverage of specialised programmes by Academic Staff College

Very few specialized programmes were conducted by the Academic Staff College leaving some of the vital subjects uncovered

Scrutiny revealed that some of the important courses/subjects relating to various faculties were not covered and more particularly the faculties, viz., Law, Commerce, Engineering were altogether ignored by the ASC. The 'Science' faculty has also not been covered comprehensively as some of the core subjects like Mathematics, Physics, Botany, Zoology, etc. were not included with adverse implications on the dissemination of upgraded knowledge to the student community at large.

3.2.8.5 Research Projects

During the five year period only two patents were obtained from 146 research projects completed at an outlay of Rs 14.03 crore

The University has a 'Research Development Committee' which facilitates and monitors research programmes of various departments. The University receives research funding from various national and international agencies. The University has 87 *per cent* of the faculty with Ph.D. as the highest qualification, and one *per cent* of the faculty with M. Phil. During the five

²³ Orientation Programmes (General), Value Education, Management, Information Technology, Chemistry, English, Environmental Sciences, Human Rights, Bio-Chemistry, South East Asian & Pacific Studies

year period 2002 to 2007, 146 research projects were completed incurring a total expenditure of Rs 14.03 crore. Further, 112 research projects were in progress in 36 departments with an outlay of Rs 13.85 crore. It was observed that no new projects were either undertaken or ongoing in 20 departments during the said period. Further, in 10 departments (including the ones, namely, Computer Science & Engineering, Chemical Engineering, Mechanical Engineering, Human Rights & Social Development) there was no research activity during the five year period. It was also observed that only two patents were obtained in the University (Department of Physics) from 146 projects completed during the five year period 2002-07. The details are given in the Appendix 3.5.

3.2.9 Estate management and support services

Tirumala Tirupathi Devasthanams (TTD) allotted (November 1955) 924.68 acres of land to the University on lease basis for a period of 99 years commencing 1 November 1955. The University Engineer is the Estate officer. The following observations are made:

Irregular payment of mobilization advances, undue benefit to contractors, etc. involving a total money value of Rs 94.41 lakh were noticed in the execution of works

3.2.9.1 Execution of works by Engineering Wing

During the period 2003-04 to 2006-07 civil construction works including maintenance works at an expenditure of Rs 5.64 crore were executed. Further, during the year 2007-08 advances of Rs 1.27 crore were given to Incharge University Engineer for taking up the works. Scrutiny revealed that none of the major works taken up during 2003-04 to 2006-07 had been completed as of July 2008. Audit noticed several deficiencies involving a total money value of Rs 94.41 lakh in the execution of works as discussed below:

Table-8

Description of the work	Audit Findings
<p>(i) Work: Construction of Multi-Storeyed building at SVU PG Centre, Kadapa²⁴</p> <p>Month/year of Sanction: July 2005 and April 2006</p> <p>Estimated amount: Rs 46.97 crore</p> <p>Estimated contract value: Rs 29.08 crore</p> <p>Contract Value: Rs 30.05 crore</p> <p>Stipulated date of completion (period of completion): March 2007 (10 months)</p> <p>Status of the work: Still in progress (work done and paid: Rs 22.08 crore)</p>	<p>(i) Incorrect operation of two stage bids: Instead of obtaining priced bids along with technical bids, the priced bids were obtained from the technically qualified bidders separately in contravention of the specific instructions (July 2003) of the Government.</p> <p>(ii) Loss of interest: When tenders were called initially (February 2006), the lowest tenderer (L1) quoted a tender premium of 4.2372 <i>per cent</i>, but the offer was not accepted. Tenders were called for again and the lowest party (L1) quoted a premium of 9.9 <i>per cent</i>. As per the laid down rules, the tender premium was not to exceed 5 <i>per cent</i>. The party fulfilled this criterion by reducing tender premium to 4.229 <i>per cent</i>. But the party was given interest free mobilization advance in violation of NIT conditions. Consequently there was a loss of interest of Rs 36.54 lakh computed at 15 <i>per cent</i> per annum as adopted by the University for other contracts.</p>

²⁴ now Yogi Vemana University, Kadapa

	<p>(iii) Recovery of Mobilisation Advance: As per the agreement conditions, the entire mobilization advance (MA) of Rs 3 crore paid in May 2006 should be recovered completely prior to expiry of 85 <i>per cent</i> of the original time of completion (10 months) from the date of first installment (May 2006) of MA paid to the contractor. But the department recovered only Rs 2.12 crore up to March 2007 in interim payments and balance of Rs 0.88 crore was recovered during the period from May-August 2007. This has resulted in undue financial benefit to the contractor.</p>
<p>(ii) Work: Construction of Rajiv Gandhi Memorial Golden Jubilee Complex (Conference Centre) in SVU campus, Tirupathi Month/year of Sanction: May 2006 Estimated amount: Rs 3.30 crore Estimated contract value: Rs 3.12 crore Contract Value: Rs 3.27 crore Stipulated date of completion (period of completion): October 2007 (10 months) Status of the work: Still in progress (work done and paid: Rs 77.69 lakh)</p>	<p>Recovery of Mobilisation Advance and interest (i) As per the agreement, the mobilization advance of Rs 32.71 lakh paid in two equal instalments in December 2006 and January 2007 should be recovered prior to expiry of the 85 <i>per cent</i> of the original time for completion (10 months). An amount of Rs 16.35 lakh was not recovered as of July 2008 even after a lapse of 10 months. (ii) Interest on mobilization advance computed at the rate of 15 <i>per cent</i> on diminishing balances which worked out to Rs 5.84 lakh (up to May 2008) was not recovered from the bills of the contractor, even though net interim cash payments to the extent of Rs 23.11 lakh were made to the contractor.</p>
<p>(iii) Work: Construction of Golden Jubilee Hostel Block for Women in the second premises of SVU campus, Tirupathi Month/year of Sanction: August 2003 Estimated amount: Rs 1.60 crore Estimated contract value: Rs 1.30 crore Contract Value: Rs 1.42 crore Stipulated date of completion(period of completion): January 2007 (12 months) Status of the work: Still in progress (work done and paid: Rs 96.39 lakh)</p>	<p>Avoidable extra expenditure: Due to non-entrustment of the work to the first lowest tenderer in the first call of tenders (September 2004) based on SSR 2003-04 at a tender discount of 5.49 <i>per cent</i> within the stipulated period of three months from the date of finalization of tenders and entrustment (January 2006) of the same work with recast estimate (SSR 2004-05) at a tender premium of 9 <i>per cent</i> to another contractor in the second call of tenders (March 2005) resulted in excess expenditure of Rs 28.23 lakh. Bank guarantee not revalidated: Bank guarantee obtained for Rs 1.95 lakh as FSD was valid only up to 25 April 2008 and the same was not revalidated so far (July 2008).</p>
<p>(iv) Work: Construction of Open Air Auditorium at SVU campus Month/year of Sanction: July 2006 and March 2007 Estimated amount: Rs 60 lakh Estimated contract value: Rs 58.11 lakh Contract Value: Rs 76.74 lakh Stipulated date of completion (period of completion): May 2008 (18 months) Status of the work: Still in progress (work done and paid: Rs 37.99 lakh)</p>	<p>Avoidable extra expenditure: Due to non-entrustment of the work to the first lowest tenderer with less tender percentage of 11.10 <i>per cent</i> and entrustment of the work (October 2006) to second lowest tenderer with tender discount of 3.69 <i>per cent</i> there was avoidable extra expenditure of Rs 4.34 lakh. Consultation fee: The University Engineering Wing expended Rs 1.16 lakh towards consultation fee for preparation of estimates and design without any reference to Civil Wing of the SV Engineering College, SVU campus, Tirupathi. This was despite the full strength of the staff being maintained at Engineering Wing of the University.</p>

Scrutiny also revealed that though the above works (except Serial No. (iv)²⁵ in the Table-8 above) were stopped by the contractors for want of price escalation, balance works were not taken up through other agencies at the risk and cost of the contractors concerned so far (July 2008). Thus, non-completion of works resulted in unproductive outlay of Rs 24.20 crore besides depriving the staff and students the benefit of suitable accommodation.

There was no assurance that works valued Rs 5.64 crore were properly executed as Quality control checks were not ensured by the University

3.2.9.2 Other deficiencies in Engineering Department

The following further deficiencies were noticed in Quality control and other aspects leading to loss of revenue to the University.

Table-9

Item/Subject	Audit Findings
Quality control	The Engineering Department is not equipped with the qualified men and material for checking the quality of the works executed through the contractors. To ensure good quality of works, Government directed (November 2006) all the authorities of the Universities to provide all the information relating to estimates, tender agreements and other relevant information/data available with them or available with other persons in this regard to the Quality Control Wing of the respective area of R&B Department as well as to Advisor to Government, R&B Department, by transferring the amount at 0.5 <i>per cent</i> of the University estimates to the Quality Control Circle of R&B Department. It was however, noticed that the University authorities had not referred any work to quality control wing of R&B Department as of July 2008. There was no assurance that works valued Rs 5.64 crore were properly executed as Quality control checks were not ensured by the University.
Loss of revenue due to non-collection of EMD	To discourage purchase of tender documents by non-serious bidders, Government directed (July 2003) that tender documents should be issued to contractors on payment of EMD at one <i>per cent</i> of Estimated Contract Value (ECV). For prevention of collusion of contractors Government further directed that once a contractor bought a tender schedule he should not be allowed to return the schedule. After buying the tender schedule if a contractor did not tender for the work his EMD should be forfeited (Cash or Bank Guarantee or both). It was however, noticed from the tender and EMD Registers that the Engineering Department had not collected the EMDs in 38 works resulting in loss of revenue of Rs 12.52 lakh.
Contribution to National Academy of Construction (NAC)	For the agreements concluded from April 2000 onwards Government directed (April 2000) to collect 0.25 <i>per cent</i> from the gross bills of the contractors as their contribution towards National Academy of Construction (NAC) by including the condition in the agreements. It was, however, noticed from the bills paid to the contractors in 30 works, that the recovery under NAC at 0.25 <i>per cent</i> was not effected in contravention of the provisions of the agreements resulting in excess payment to the contractors to the extent of Rs 1.81 lakh.
Loss of revenue due to non-collection of Sales Tax	As per Act 19 of 2000 on Sales Tax, sales tax (12 <i>per cent</i> up to April 2005 and 12.5 <i>per cent</i> thereafter) should be collected on the cost of tender forms to be collected from the contractors. It was noticed that, sales tax at the prescribed rates was not collected during the period from April 2004 to March 2008. The loss of revenue to Government on this account amounted to Rs 1.56 lakh. The amount needs to be remitted to Government account.

²⁵ work restarted (part bill paid in June 2008) and is in progress

3.2.9.3 Non-collection of service charges and rents

An amount of Rs 2.44 lakh towards service charges for allotment of auditorium and senate hall was not collected. Rents due from all the STD/PCO booths within the University campus, which amounted to Rs 8.52 lakh pertaining to the period December 2003 to April 2008 was also not collected.

The University admitted the lapse and promised to collect the rent dues from STD/PCO booths.

3.2.9.4 Inadequate hostel accommodation

The number of occupants in the hostels was far in excess (up to 84 per cent) of the original capacity

Hostel accommodation was provided to the campus students of the University. Scrutiny showed that there was overcrowding in hostels as the number of occupants was far in excess (up to 84 per cent) of the original capacity as detailed in the Table-10 below:

Table-10

Hostel	Original capacity	Occupancy (percentage)	
		2006-07	2007-08
Engineering	628	672 (107)	620
Ladies	759	1280 (169)	1400 (184)
Mathematical and Physical sciences	306	459 (150)	446 (146)
Humanities	180	270 (150)	270 (150)
Edn., Extn & Int. studies	196	240 (122)	240 (122)
CMIS	288	475 (165)	480 (167)
BES	423	462 (109)	462 (109)
Arts	306	300	325

Overcrowding of hostels is neither conducive for study nor for hygienic living. The University assured to take steps to ease the congestion in the hostels.

3.2.10 Monitoring systems

3.2.10.1 Absence of Internal Audit

There was no internal audit since inception of the University

Internal Audit examines and evaluates the level of compliance with the departmental rules and procedures and provides reasonable assurance to the management on the adequacy of the existing internal controls. The primary function of Internal Audit is to assist in ensuring the accuracy of the accounts and correct statement of financial transactions of the University.

It was however, observed that no internal audit wing was established (May 2008) by the University to conduct internal audit of the various departments. In the absence of Internal Audit, there was no assurance to the University management that the rules and procedures were being complied with by various departments of the University. The University replied that the system of internal audit would be adopted.

3.2.10.2 Huge pendency of post-audit objections

As per Annual Audit Report of the Director of State Audit for the year 2005-06, 2,295 audit objections involving an amount of Rs 49.68 crore were pending dating back to 1982-83 and up to 2005-06. This indicated non-responsiveness of the University for taking remedial action on the objections raised and less of opportunity for improving financial discipline.

3.2.10.3 Stores and Stock

Physical verification of stores and stock was not done in any of the departments of the University

Scrutiny of stock registers relating to stores revealed the following deficiencies:

- Stock registers were maintained year-wise. Entries in Stock Registers were made in chronological order. There is no ready information of stock item-wise.
- Physical verification was not conducted in any of the departments of the University.
- Fifty-one items in respect of SVU Health Centre and many computers, AC Units, etc. in respect of SVU CCMIS Building were dumped in rooms.
- In SVU CCMIS, 16 computers which were in working condition were not issued to anybody and remained in a room in unpacked condition.

The University replied that physical verification would be carried out and stock registers would be maintained in future and action would be taken to dispose of the unserviceable articles and for use of the computers.

3.2.10.4 Non-conducting of physical verification of library books

Physical verification of library books was not done since 1993-94

During the period 2003-04 to 2006-07 an expenditure of Rs 44.48 lakh was incurred towards purchase of books and publications. As per the codal provisions, the stock verification of library books was to be done every alternate year. Scrutiny disclosed that the physical verification of Central Library had not been conducted since 1993-94. Many books were dumped in the rooms of the Central Library without listing them and without taking action for their disposal. There was no assurance that in the absence of physical verification there was no loss/theft of valuable books.

3.2.10.5 Equipment not returned by the Researchers

Equipment worth Rs 43.85 lakh had not been returned by Researchers even after completion of the projects

The University had been receiving amounts from various funding agencies to finance research activities. One of the conditions of the funding agencies is that the equipment used on research projects should be returned to the department/laboratories concerned after completion of the projects for their utilization on the new research projects. Scrutiny revealed that no entries were made in the stock registers of the respective departments in respect of the equipment procured by the researchers. It was observed that equipment worth Rs 43.85 lakh procured (2003-08) by the Researchers in six cases had not been returned (August 2008) even after completion of research projects to the departments/ laboratories concerned.

3.2.11 Conclusions

Finance Officer of the University is appointed from time to time without obtaining panel from the Government. Professional competence has not been given importance in selection of Superintendent, Assistant Administrative Officer, Deputy Registrar and Joint Registrar and promotions were being effected without conducting departmental examinations. Financial management was deficient. Pre-audit wing of the Directorate of State Audit was under-utilised. The cash books were either not maintained or properly maintained by the Administrative Branch of the University and the constituent colleges. There was no assurance that all demand drafts remitted into banks were credited to University account. Collection of prescribed tuition fees and examination fees was not ensured. Excess/inadmissible payments were made to University teaching staff in implementation of UGC scales. Huge advances given to Principals and various departmental officers of the University were outstanding. The Finance Branch failed to ensure proper utilisation of special fee account by the campus colleges, correct remittances of amounts due to University account by Engineering College and Hostels. Annual Reports did not highlight areas of concern. Certain courses conducted by the University did not attract enough candidates leading to low enrolment. The functioning of the Academic Staff College was far from satisfactory as there was heavy shortfall (up to 69 *per cent*) in conduct of training programmes and very few specialized programmes were conducted by the College. Hostels were overcrowded. There was no assurance that works were properly executed as no Quality control checks were ensured by the Engineering Department. There was no internal audit since inception of the University and as such there was no assurance to the University management that the rules and procedures were being complied with by various departments of the University. Audit noticed several deficiencies/shortcomings in maintenance of cash books, account of receipts, physical verification of stores and stock, etc. besides excess/inadmissible payments, non/short collection of fee and undue benefit to contractors.

3.2.12 Recommendations

- Appointment of a suitably qualified and experienced Finance Officer should be considered.
- It should be ensured that all bills are pre-audited by the Pre-Audit Wing of the Directorate of State Audit.
- The University should ensure proper maintenance of cash books by all the departments/constituent colleges. The receipts and expenditure transactions should be invariably posted in the same cash book. Reconciliation with bank statements should be carried out invariably for all bank accounts.
- Directorate of Distance Education should conduct reconciliation with bank statements to ensure that all the demand drafts sent to bank were credited to University Account by the banks. Delays in remittance of Demand Drafts should be avoided.

- The University should evolve a mechanism to ensure that all fees due to the University are collected and properly accounted for.
- Annual Reports prepared should contain comprehensive and complete information which could be of use to Academic Senate. The University should review and identify new courses that would appeal to prospective students.
- Outstanding advances should be adjusted promptly before the close of the financial year.
- Physical verification of library books and stores and stock should be carried out periodically and action taken to dispose off old/obsolete books/stores items.
- An effective internal control system with an internal audit wing should be established in the University.
- The Engineering Department should ensure Quality control checks in execution of works.

The above observations were referred to the Government in August 2008; reply had not been received. The University accepted the audit observations in the exit conference held in September 2008. Recommendations were also discussed and accepted by the University.

**ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY,
MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT
AND HEALTH, MEDICAL AND FAMILY WELFARE
DEPARTMENTS**

3.3 Management of Wastes

Highlights

Waste represents a threat to the environment and human health if not handled or disposed off properly. To regulate the management and handling of waste Government of India notified (1998/1999/2000) the Biomedical Waste (Management and Handling) (BMW) Rules, Recycled Plastics Manufacture and Usage Rules, Municipal Solid Waste (Management and Handling) Rules. Performance Audit of existing practices for management of wastes revealed that State Government failed to provide funds till 2006-07 and consequently specified time frames stipulated by GOI for management of waste had not been adhered to. Systematic procedure was not followed for segregation of solid waste. Landfills have not been established in any of the Urban Local Bodies (ULB) in the State and the solid waste is dumped in open dump yards with adverse implications on human health and environment. Almost all the test checked Government hospitals violated BMW Rules while handling biomedical waste. Monitoring and enforcement of the Rules by Andhra Pradesh Pollution Control Board (APPCB) was deficient as it confined to mere issue of notices and had not penalised the defaulters though stiff penalties were provided for by the legislature. Thus, the legislative intent has not been translated into effective compliance.

State Government failed to provide funds for implementation of Municipal Solid Waste (Management and Handling) Rules till 2006-07 and consequently specific time frames stipulated by the Government of India for municipal solid waste management (MSW) have not been adhered to by any of the urban local bodies (ULBs) in the State.

[Paragraphs 3.3.6 and 3.3.7.3]

The ULBs failed to ensure segregation into biodegradable and non-biodegradable waste and eventual disposal. Scientific landfills were not established in any of the ULBs in the State. Processing facilities such as pellitisation and power generation had also not come up in the five out of seven test checked ULBs.

[Paragraphs 3.3.7.1 and 3.3.7.4]

In the State, present arrangements handle only 14 per cent of municipal solid waste generated each day with adverse implications on human health and environment.

[Paragraph 3.3.7.3]

Contracts were awarded to parties which did not have financial capacity to set up projects and failed to execute the projects successfully. Government is saddled with the prospects of having to discharge the loans raised by the parties as these loans were raised not on the strength of the parties, but by mortgaging the Government lands.

[Paragraph 3.3.7.5]

The implementation of power projects in four clusters viz., Anantapur, Guntur, Nellore and Visakhapatnam for establishment of integrated waste management facility is still at proposal stage since October 2005.

[Paragraph 3.3.7.5]

A large number of plastic manufacturing units were functioning without obtaining registration from the APPCB. Although guidelines were notified (2003) by Central Pollution Control Board (CPCB), the monitoring and control of mounting e-waste remain to be unaddressed though there has been a tremendous increase in production and consumption of electric and electronic equipments across the State. Slaughterhouses functioning in the test checked ULBs at Guntur and Warangal were discharging the waste into municipal drains without treatment.

[Paragraphs 3.3.8 to 3.3.10]

In violation of Biomedical waste (Management and Handling) Rules, 1402 (out of 6953) Health Care Establishments were functioning without obtaining authorization from APPCB. Joint inspection of the wards of the test checked Government hospitals disclosed several violations by the hospitals. APPCB failed to penalize the errant hospitals.

[Paragraphs 3.3.11.1 and 3.3.11.3]

Monitoring and enforcement of Rules by APPCB (Board) was deficient. The Board did not have a proper inspection programme for hospitals. The Board confined itself to mere issue of notices and failed to prosecute and penalize the defaulters though legislature has provided for stiff penalties against the violators. Evaluation of the activities relating to the management of waste had not been conducted by the APPCB or the Government.

[Paragraphs 3.3.12, 3.3.12.1 and 3.3.13]

3.3.1 Introduction

Waste poses a threat to the environment and human health if not handled or disposed off properly. Surface water contamination takes place when the waste reaches water bodies. Ground water contamination takes place when residues from waste leach into the ground water. Both surface and ground water contamination can impact the health of lower food chain organisms and consequently, the availability of food through the food chain. Emissions from incinerators or other waste burning devices and from landfills can also cause Air contamination. Solid waste which is to be finally disposed includes biomedical waste generated by hospitals and other health care establishments and e-waste. 'Waste Management' shall mean "the collection, transport, recovery and disposal of waste, including the supervision of such operations and after-care of disposal sites". As a participant at the United Nations Conference on the Human Environment at Stockholm in June 1972 Government of India enacted the Environment (Protection) Act, 1986, to protect and improve environment by prevention of hazards to human beings, other living creatures, plants and property. Similarly, to regulate the management and handling of the municipal solid waste, Government of India (GOI) made 'Municipal Solid Waste (Management and Handling) Rules 2000',

‘The Bio-Medical Waste (Management and Handling) Rules, 1998’ (amended in 2003) and ‘Recycled Plastics Manufacture and Usage Rules, 1999’ (amended in June 2003 as ‘Plastics Manufacture, Sale and Usage Rules, 1999’).

3.3.2 Organisational set up

The Urban Local Bodies (ULBs) are entrusted with the task of management of solid waste. APPCB is entrusted with regulatory functions with reference to processing and disposal of solid waste carried out by the ULBs and the hospitals. Functions and responsibilities of each department are given below:

Table-1

Designation / Office	Functions/Responsibility
Principal Secretary to Government in Environment, Forests, Science and Technology (EFS&T) Department	Oversees the implementation of all the Acts and Rules relating to environmental pollution in the State
Principal Secretary, Municipal Administration and Urban Development (MA&UD) Department	Responsible at Government level for enforcement of Rules relating to ‘Municipal Solid Waste’ and ‘Plastics’
Principal Secretary, Health, Medical and Family Welfare (HMF&W) Department	Responsible at Government level for enforcement of BMW Rules
AP Pollution Control Board (APPCB)	An apex body in the State empowered with taking policy decisions on the matters relating to prevention and control of water and air pollution and management of all types of waste. Responsible for enforcement of Environment (Protection) Act, 1986
Commissioner and Director, Municipal Administration (CDMA)	Responsible at department level for enforcement of MSW Rules and Rules relating to Plastics in the State
Director of Medical Education (DME) and Director of Health	Responsible for enforcement of BMW Rules
Commissioners of Urban Local Bodies	Responsible for implementation of MSW Rules and Plastics Rules in the jurisdiction of the particular urban local body
Collector and District Magistrate	Responsible for implementation of Plastics (Manufacture and Usage) Rules
Superintendents, Government General Hospitals	Responsible for implementation of BMW Rules in their hospitals

Thus, it is seen that there are multifarious authorities entrusted with the management of solid waste.

3.3.3 Audit objectives

The objectives of Performance audit review were to assess:

- Whether present arrangements/practices followed effectively address solid waste management practices;
- Whether the processing and disposal of waste was carried out in a systematic and scientific manner;

- Whether the monitoring and enforcement mechanism was effectively functioning so as to achieve the desired objectives of solid waste management system.

3.3.4 Audit criteria

The following criteria was adopted for the Performance Audit:

- Municipal Solid Wastes (Management and Handling) Rules, 2000, the Bio-medical Waste (Management and Handling) Rules, 1998 (amended in 2003) and Recycled Plastics Manufacture and Usage Rules, 1999 (amended in June 2003 as Plastics Manufacture Sale and Usage Rules, 1999);
- Present arrangements and practices including the budgetary resources and availability of infrastructure, etc. for processing and disposal of waste;
- Monitoring and enforcement mechanism prescribed in the Waste management rules.

3.3.5 Scope and methodology of audit

Audit has test checked the records of Commissionerate of Municipal Administration (CDMA), Directorate of Medical Education, APPCB and ULBs, hospitals and Regional Offices of APPCB.

Seven²⁶ out of 124 ULBs and 10 out of 39 hospitals²⁷ located within the jurisdiction of these ULBs were selected. Similarly, five out of 19 Regional Offices of APPCB were also selected so as to cover all the three regions in the State. Although the scope of audit is for the period 2003-08, the transactions relating to the period prior to 2003 (from May 1997) have also been included for the purpose of continuity.

An entry conference was conducted (August 2007) with the officers of all the departments concerned along with the officers of the Government, in which the methodology being adopted was explained. Joint inspection of the selected hospitals was conducted along with the hospital authorities and the findings documented were used as evidence while arriving at the audit conclusions. An exit conference was also held (August 2008) with the CDMA and the officers of APPCB. The results of the Performance Audit review are presented in the succeeding paragraphs taking into account the inputs furnished by the auditees during the exit conference.

Audit findings

3.3.6 Financial arrangement and expenditure

Although the MSW and BMW Rules were introduced in the year 2000, the State Government failed to provide funds for implementation of the Rules for the six-year period 2000-06. It was only in the year 2005-06 i.e., five years

State Government failed to provide funds for implementation of the Rules for the six year period 2000-06

²⁶Greater Hyderabad Municipal Corporation (GHMC), Greater Visakha Municipal Corporation (GVMC), Municipal Corporations of Guntur, Kakinada, Nellore, Warangal and Kurnool

²⁷Gandhi Hospital, Hyderabad; Osmania Hospital, Hyderabad; MGM Hospital, Warangal; GGH, Guntur; GGH, Kurnool; GGH, Kakinada, GGH, Vijayawada; King George Hospital, Visakhapatnam; DSR Government District Hospital, Nellore; Rajiv Gandhi Institute of Medical Sciences, Kadapa

The ULBs utilised Rs 112.20 crore against Rs 150.18 crore released during 2006-08

after notification of the statutory rules funds were released to ULBs under Twelfth Finance Commission (TFC) grant. Government directed (October 2005) the CDMA to utilise the funds allocated also under AP Urban Rural Mission for the poor and AP Urban Services for the poor for establishing integrated solid waste management facilities. The CDMA, who is the coordinating agency for these schemes relating to urban development had however, not allocated funds from those schemes for solid waste management. During the period 2005-08, as against Rs 150.18 crore released under TFC for implementation of MSW Rules, Rs 112.20 crore was spent by the ULBs leaving Rs 37.98 crore unutilized as of March 2008 as indicated below:

Table-2 (Rupees in crore)

Year	Budget provision	Funds released	Expenditure incurred
2005-06	37.40	--	--
2006-07	74.80	112.78	37.40
2007-08	74.80	37.40	74.80
Total	187.00	150.18	112.20

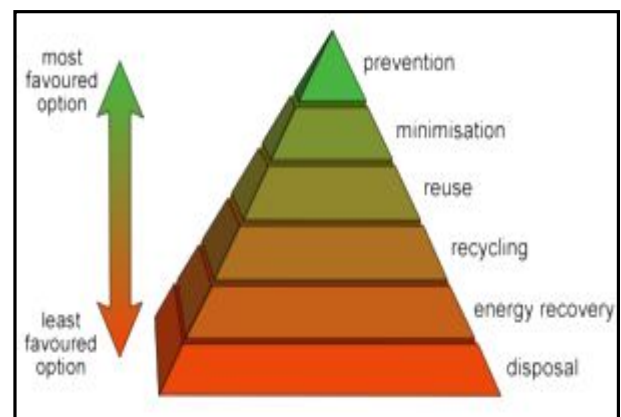
In the six sampled ULBs (i.e., except GHMC for which TFC grant was not released) of Rs 32.47 crore released, funds were utilised to the extent of Rs 23.49 crore (72 per cent) during the corresponding period towards procurement of tricycles, dumper bins, dumper placers, tractors, etc. leaving Rs 8.98 crore unutilised.

Thus, the ULBs failed to utilize the allocated funds in full during the period 2006-08 and this was stated to be due to delays in according administrative approvals by the CDMA.

3.3.7 Solid Waste Management

Solid waste includes waste generated by households and consists of paper, organic waste, metals, etc. commercial and business houses, market yards, construction and demolition waste; bio-medical waste generated by hospitals and other health providers and consists of discarded drugs, waste sharps, microbiology and biotechnology waste, human anatomical waste, animal waste, etc.

Municipal Solid Waste (Management and Handling) Rules prescribed that priority should be given to extract the maximum practical benefits from the waste and prevent and minimize the waste by adopting the strategies of "Three Rs" (reduce, reuse and recycle). The most widely accepted concept is the waste hierarchy depicted here:



3.3.7.1 Arrangements for management of solid waste

The following arrangements for management of solid waste are stipulated:

Table-3

Stage	Parameter	Compliance criteria
Stage 1	Collection	ULB shall adopt any of the methods like house-to-house collection or community bin collection.
Stage 2	Storage	Bins for storage of bio-degradable waste shall be painted in green, those for recyclable waste in white and those for other waste in black.
Stage 3	Transportation	Transportation vehicles shall be so designed that multiple handling of waste prior to final disposal is avoided. The vehicles used for transportation shall be covered so that waste is not visible to public and to avoid exposure to open environment.
Stage 4	Segregation and Processing	In order to encourage the citizens, ULB shall organize phased programme to ensure community participation in waste segregation. ULBs shall adopt suitable technology or combination of such technologies to make use of waste so as to minimise burden on landfill site.
Stage 5	Disposal	Landfill sites used for final disposal shall be restricted to the waste, which is not suitable for recycling or biological processing.

The management of municipal solid waste in the State is presently carried out as described below:

Table-4

Parameter	Present arrangement/Audit finding
Collection	The municipal solid waste generated in each household is transported through tricycles supplied by the ULBs and is dumped in the storage bins located at the designated intermediary points. The manpower for operating the tricycles is engaged by Resident Welfare Associations.
Storage and Transportation	The storage bins are transported to the transfer stations on daily basis from where the waste is transported in bulk in lorries and trucks. Similar arrangements exist for transportation of waste generated at the commercial establishments, market yards, etc. and transportation to final dumping in the dump yard.
Segregation	Segregation is an important area in the management of municipal solid waste. The MSW is to be segregated into biodegradable and non-biodegradable waste. The segregation is primarily meant to keep the three broad categories of solid waste generated separately in three different containers - Green for biodegradable waste, white for re-cycleable waste and other waste in black containers. As per MSW Rules, three separate coloured storage dumper bins are to be set up at intermediary points, one each for biodegradable waste, non-biodegradable waste and for other types of waste. As against this requirement, bins with one colour were set up and all types of waste was being collected in the same bins contrary to the fundamental objective of segregation after collection.

All types of waste was being collected in the Bins (with only one colour) contrary to the guidelines

Scientific landfills were not established in the State. Processing facilities had also not come up in the five out of seven test checked ULBs

<p>Processing and disposal facilities</p>	<p>MSW Rules prescribe that identification of landfill sites for future use and making sites ready for operation be done once in six months. As per rules laid down, improvements to existing landfill sites were to be carried out by 31 December 2003.</p> <p>In the State as a whole, scientific landfills were not established. In the test checked ULBs, processing facilities like vermin compost and pelletisation had also not come up in the ULBs except in two ULBs i.e., GHMC and Guntur Municipal Corporation.</p>
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The following further observations are made on the aspects of Segregation, Storage and Processing and Disposal facilities:

3.3.7.2 Clearance of garbage at Intermediary storage points

Complaints are vital source of information to indicate the areas requiring immediate attention. It is observed from various newspaper reports, as can be seen from one such photograph, the intermediary storage bins were allowed to overflow due to non-clearance of the bins in time and as a result of which the storage points have become breeding grounds for mosquitoes. The public have also expressed their resentment through newspapers over the accumulation of garbage at intermediary storage points emanating foul smell. Thus, the scientific method of collection, transportation and disposal of waste envisaged in the rules has not been achieved.



Intermediary storage point, Mehdipatnam, Hyderabad

There is an urgent need to strengthen the redressal mechanism so that complaints are received directly by the ULBs and are attended to promptly.

3.3.7.3 Processing and disposal facilities

Identification of land on permanent basis was not done in the State for disposal of waste in scientific manner and specific time frames were not adhered to

MSW Rules prescribe that the identification of landfill sites for future use and making sites ready for operation should be done once in six months. As per the rules laid down, improvements to existing landfills sites were to be carried out by 31 December 2003. In the State as a whole, a meagre 1545 Tonnes Per Day (TPD) (14 *per cent*) out of 11500 TPD of municipal solid waste generated is processed. Thus, the remaining quantity of garbage is dumped in the open yards in an unscientific manner leading to human and environmental hazards. Scrutiny also revealed the following:

- Identification of land for dumpsites and landfills had not been done on a permanent basis except in three of the test checked ULBs i.e. Guntur, Hyderabad and Visakhapatnam. In Guntur and Visakhapatnam too, although the land was alienated, the scientific landfill was yet to be developed (July 2008).
- In Kurnool, Nellore, Rajahmundry and Warangal ULBs, land was yet to be identified/acquired due to non-provision of funds.

Non-creation of processing and disposal facilities at the final dumping site in the ULBs led to accumulation of garbage which has the following adverse effects:

- (a) the land does not get cleared up making the operation of subsequent dumping difficult;
- (b) the risk of environmental pollution by way of seepage and potential hazards to the people living around;

For effective disposal of final waste it is also necessary to segregate the waste into: (i) biodegradable waste and (ii) non-biodegradable waste as these require different operations for treatment of the waste. Accordingly, the following was required to be done:

- (i) Biodegradable waste shall be processed by composting, vermin composting, anaerobic digestion or any other appropriate biological processing for stabilisation of waste.
- (ii) Mixed waste containing recoverable resources shall follow the route of recycling, Incineration with or without energy recovery including pelletisation.

Present arrangements in the test checked ULBs do not follow a systematic procedure for segregation and eventual disposal

However, the present arrangements in all the test checked ULBs do not follow such a systematic procedure for segregation and eventual disposal.

At the final location where the waste is dumped, it was noticed that further processing of waste collected was not being undertaken in a systematic manner. For instance, in one of the ULBs i.e. at Hyderabad the wastes were being dumped in an unscientific manner which could be seen from the photograph.



Dumping site at Jawaharnagar, Hyderabad

It was also noticed that rag pickers were segregating the material at the final dump yard. The present unregulated practices expose the rag pickers to health hazards, as they do not follow the scientific clearing of the waste.

Processing of the waste segregated has certain distinct advantages, namely, power generation, compost/vermin compost manure, pellet generation, gas production, etc. However, processing facilities such as incinerators, pelletisation plants, compost and power generation plants have not been established in the test checked ULBs with the exceptions of Guntur and Hyderabad ULBs where one vermin compost plant and one pelletisation plant were operating as of August 2008.

The Regional offices of APPCB replied (July 2008) that though they were issuing notices to the ULBs regularly the ULBs failed to respond. Thus, inadequate attention to create waste disposal facilities led to unhygienic conditions with adverse implications on human health and environment.

3.3.7.4 Awareness Programmes

The ULBs failed to ensure segregation of waste through awareness programmes were stated to be conducted

In order to encourage the citizens, the guidelines stipulate that the ULBs shall organize awareness programmes for segregation of waste and shall promote recycling and reuse of segregated materials. The ULBs shall also ensure community participation in waste segregation. For this purpose, regular meetings at quarterly intervals shall be arranged by the ULBs with the representatives of local resident welfare associations and NGOs. In all the ULBs test checked, though awareness campaigns were stated to be conducted, it was found that the residents were not segregating the wastes before the wastes being handed over to the rag pickers. Thus, ULBs failed to ensure segregation of waste.

3.3.7.5 Use of Waste

GHMC violated agreement conditions and passed on undue financial benefit on several counts to the contractor firm who set up pelletisation plant at Hyderabad

Establishment of processing plants: The Greater Hyderabad Municipal Corporation (erstwhile MCH) concluded (May 1997) an agreement with an Hyderabad based Company (M/s Selco International Limited) to establish Pelletisation plant (Phase I) and Power plant (Phase II) at Gandhamguda site in Rajendranagar Mandal in Hyderabad. For this purpose, 10 acres of land was leased to the Company and a lease agreement was concluded in June 1998 to establish the Plants.

The site (at Gandhamguda) selected was inappropriate as it was close to Airport and hence APPCB could not accord approval for setting up the power plant there.

Scrutiny of the records of the GHMC revealed that GHMC passed on undue financial benefits to the Company on several counts violating the agreement conditions as discussed below:

Table-5

Agreement condition	Violation made by GHMC resulting in undue benefit to Company
The Company was to make its own arrangement for raising the funds.	The Corporation has not ensured the financial viability of the Company before awarding the contract. Government permitted (January 1999) the Company to mortgage the land with the financial institutions IREDA and TDB (both are Central PSUs) to raise finance of Rs 20.38 crore (Rs 14.55 crore for pelletisation plant and Rs 5.83 crore for construction of power plant) for establishment of Power project. This was irregular as it was tantamount to Government standing surety for loans raised by a private party.
The Company shall collect and transport the MSW to an extent of 175 TPD (25 per cent of the requirement) at its cost to their plant and the balance 525 TPD (75 per cent of requirement) has to be supplied by GHMC. (cost of transportation to be borne by GHMC).	Amendments were made (March 1998) in the agreement already concluded by deleting Clause VIII relieving the Company the obligation to pay any penalty for non-lifting of the minimum quantity of garbage. On the other hand a rare onerous obligation was cast on the Corporation by increasing penalty of Rs 20 under Clause XIII to Rs 120 per MT for non-supply of the minimum garbage by the Corporation to the Company.
If the Corporation failed to supply the waste, Rs 20 per MT shall be paid by the Corporation to the Company.	During the period from March 2000- December 2007 the Company had not lifted the garbage of 16.30 lakh MT. Due to deletion of the Clause VIII in the agreement the GHMC had to forgo revenue of Rs 3.26 crore towards penalty payable by the Company.
If the Company failed to use the minimum quantity of garbage i.e. 700 TPD the Company has to pay penalty of Rs 20 per MT for the quantity not used.	

The Company has not been lifting the garbage as envisaged in the agreement. GHMC had to forgo revenue of Rs 3.26 crore due to deletion of penalty clause in the agreement

The Company at Vijayawada also failed to run the power plant on regular basis leading to non-clearance of the garbage

The implementation of power projects in four clusters is still at proposal stage

It is thus evident that the party participated in the bid despite not having the funds to execute the project. GHMC also failed in verifying and establishing their financial capacity. The post tender deviations as mentioned in the Table-5 above vitiated the sanctity of the original bids also resulting in undue financial benefits to the Company.

The Company established (November 2003) its Power plant at Shadnagar, 55 km away from the Gandhamguda site but has not been lifting the garbage as envisaged in the agreement and as a result, the garbage was getting accumulated by leaps and bounds at the dump yards with adverse implications on human health and environment.

Similarly the Vijayawada Municipal Corporation (VMC) permitted M/s. Sri Ram Energy Systems Limited Company (SESL) to mortgage the leased out land of 10 acres for construction of power plant to raise finance of Rs 18.85 crore and Rs 7.24 crore respectively from IREDA and TDB. The Company set up the plant but failed to run the plant on regular basis leading to non-clearance of garbage to the extent stipulated. Except issue of show-cause notices during July 2004 to January 2008 the VMC failed to take effective legal action against the Company.

Failure to assess the financial capabilities of the parties led to unsuccessful execution of the power projects and the Government is saddled with the prospects of having to discharge the loans raised by the private parties as these loans have been raised not on the strength of the parties but on the basis of Government lands. GHMC and VMC have not monitored the raising of loans, their utilisation specifically for the intended projects and the repayment made by the parties to the financial institutions.

Processing facilities in cluster approach: Government decided to set up processing plants initially at four clusters. As the waste generated in one municipality is not sufficient to establish power plant, the CDMA proposed (October 2005) to group the neighboring ULBs by forming clusters to make the processing and final disposal of the waste at landfills a viable activity by establishing a common integrated waste management facility.

The CDMA requested the EPTRI²⁸ to evaluate four clusters of Visakhapatnam (4), Guntur (9), Anantapur (9) and Nellore (9) comprising 31 ULBs and to review the waste to energy (WTE Projects) where the Government decided to set up processing plants. The EPTRI submitted its report/proposals (August-November 2007) but the approval of the Government is still awaited as of July 2008.

Thus the implementation of power projects in four clusters is still in proposal stage resulting in the waste generated by the ULBs not being scientifically utilised.

²⁸ Environment Protection Training & Research Institute

3.3.8 Manufacture and usage of plastics

145 out of 339 plastic manufacturing units were functioning without obtaining registration from APPCB

As per notification issued in the year 2003, no person shall manufacture carry bags or recycled granules or containers, with virgin granules/re-cycled granules irrespective of the size or weight unless the occupier of the unit has registered with APPCB prior to the commencement of production.

The manufacturing units, found to be violating the rules, relating to manufacture, recycling, thickness and marking, shall be fined Rs 25,000 to Rs 50,000 for the first offence and the licence/consent of the unit shall be cancelled for the subsequent offence in addition to confiscating the machinery used for the manufacture. The retailers, vendors and other establishments found to be violating the rules, relating to the use of plastic carry bags of banned category, shall be fined Rs 2,500 to Rs 5,000 for the first offence and the trade licences of the violator shall be cancelled for the subsequent offence, under relevant Municipal Laws and Shops and Establishments Act.

As of May 2008, there were about 339 Plastic Manufacturing units in the State, of which only 253 units had applied for registration from APPCB, and 194 of these were registered and the rest were rejected, as those were not complying with the requirements of the norms. Thus, it is evident that 145 units were functioning without obtaining registration from APPCB.

ULBs in the test checked districts and the APPCB replied that periodic raids were being conducted under the rules and the violating vendors as well as the manufacturing units of certain prohibited categories of plastic carry bags/containers were being penalized. The fact remains that a large number of units were functioning without obtaining registration from APPCB.

3.3.9 Management of e-waste

The monitoring and control of mounting e-waste remained to be addressed

E-Waste refers to those electronic products that are nearing the end of their useful life. The Hazardous Waste (Management and Handling) Rules, 2003, defines e-waste as “Waste Electrical and Electronic equipment including all components, sub-assemblies and their fractions”. E-waste are considered dangerous as they contain certain materials like Lead, Cadmium, Mercury, etc. that are hazardous depending on their condition and density. The hazardous content of these material pose a threat to human health and environment.

For the cause of environment protection from the threat posed by e-waste, Central Pollution Control Board (CPCB), GOI notified (2003) guidelines for management of e-waste. Neither APPCB nor the State Government had taken steps to address the problems on account of rising e-waste mishaps due to mismanagement of e-waste to save the environment even though there has been a tremendous increase in the production and consumption of electric and electronic equipments across the State.

3.3.10 Slaughterhouses

Slaughterhouses functioning at Guntur and Warangal were discharging waste into municipal drains without treatment

Slaughtering of animals generates waste consisting of non-edible offal like lungs, large intestines, various glands, animals' tissues, organs, various body parts, etc. stomach/intestinal contents, dung, sludge from waste water treatment, bones, etc. Guidelines prescribe that all these wastes are to be disposed by adopting methods like rendering/controlled incineration/burial/composting/anaerobic digestion, etc. Guidelines also stipulate that as the liquid waste water from slaughterhouses cause severe pollution and it should not be allowed to mix with the municipal drains system without pre-treatment. Further as per Section 25/26 of Water (Prevention and Control of Pollution) Act 1974, ULBs operating the Abattoirs/Slaughterhouses have to obtain consent for operation (CFO).

It was, however, observed that Abattoirs/Slaughterhouses functioning at Guntur (four) and Warangal (four) were discharging the slaughterhouse waste into municipal drains without treatment. Scrutiny also revealed that these Abattoirs/Slaughterhouses were functioning without obtaining CFO from APPCB. However, APPCB merely issued notices to the ULBs and had not ensured suspension of the operations in the slaughterhouses (March 2008).

Thus, ULBs instead of being role model implementing agencies by complying with the provisions of Rules failed to implement the statutory provisions. APPCB also on their part failed to enforce the regulatory provisions effectively. As a consequence, the pollution created by the animal waste is further adding up to the magnitude of health and environmental hazards.

3.3.11 Bio-medical Waste Management

3.3.11.1 Violation of Bio-medical Waste Rules by hospitals

As per Bio-medical Waste Rules, authorized health institutions/hospitals should handle the wastes without any adverse effect on human health and the environment. They are to ensure that the Bio-medical waste is not mixed up with other waste. The Bio-medical waste is to be segregated at the point of generation into different containers/bags according to the separate colour codes prescribed for different bio-medical waste and maintain a daily record of waste generation, collection, reception, storage, transportation, treatment and disposal. The common bio-medical waste treatment facility operators are submitting monthly/annual reports to APPCB in which category-wise waste generated is reported. The APPCB in turn is submitting a monthly report to Central Pollution Control Board (CPCB).

The State Government did not make separate budget provision for implementation of BMW Rules. The hospitals are meeting the expenditure towards waste management from the regular contingent head of account.

As model law abiding public entities, Government hospitals are expected to comply with the prescribed rules so as to serve as models for private hospitals and other healthcare establishments to emulate.

Audit noticed (during joint inspection) several violations by government hospitals

The joint inspection of the wards of the test checked hospitals by Audit along with the staff-members of the hospitals, however, revealed the following violations by the hospitals (except in MGM Hospital, Warangal):

- No segregation of waste at source was being done in any of the hospitals;
- Waste collecting covers were not being used and the bio-medical waste was being directly thrown into bins;
- Proper colour coding was not being followed in the wards and instead one bin system was followed;
- Puncture Proof containers with one *per cent* hypo chloride solution were not used for disposing off needles/sharps;
- Empty IVF bottles were being returned to the central store of the hospital for replacement without destroying. This is fraught with the risk of illegal recycling with hazardous consequences;
- Needle burners were not kept;
- Shredding/mutilation of syringes and needles was not being carried out and they were directly being thrown into bins;
- The general/domestic waste was being mixed with bio-medical waste;
- Registers indicating the quantity of Bio-medical waste generated were not being maintained;
- BMW Management colour code chart for disposing off waste was not pasted in the wards of some hospitals;
- The Nursing staff were having very poor knowledge regarding handling of Bio-medical waste; and
- The waste generated in the Government hospitals in Guntur, Kadapa and Kakinada were thrown in open area within the hospital premises instead of keeping in a pooling point to facilitate the common waste treatment plant operator to collect and dispose off.

APPCB failed to penalize the errant hospitals

Thus, the hospitals failed to follow precautionary measures while handling the bio-medical waste as stipulated in the Rules and the APPCB also on their part failed to discharge their regulatory functions by penalizing the errant hospitals as discussed in para 3.3.12.

3.3.11.2 Hospitals not tied up with common waste treatment operator

Seventy six private/government HCEs had not tied up with common waste treatment operator in the test checked ROs of APPCB

The bio-medical waste generated in a hospital or health care establishment (HCE), are to be handed over after segregation to the common bio-medical waste treatment facility operator, as approved by APPCB for treatment and final disposal. It was however, observed in three out of the five ROs test checked that, 76 private/government HCEs failed to have a tie up with the operator in Warangal (29), Hyderabad (32) and Kurnool (15) regions. As a consequence, there is no assurance that the handling/disposing of the hazardous biomedical waste is being done scientifically by these medical establishments and there are no adverse implications for the human health and environment.

3.3.11.3 Functioning of hospitals without obtaining authorisation

In violation of BMW Rules, 1402 out of 6953 HCEs were functioning without obtaining authorizations from APPCB

As per BMW Rules, 1998 (amended in 2003), it is the duty of every hospital/HCE to take all steps to ensure that bio-medical waste is handled without any adverse effect on human health and the environment. The hospital/HCE is to obtain authorisation from APPCB for generation, collection, reception, storage, transportation, treatment, disposal and or/any other form of handling of bio-medical waste.

APPCB had not taken penal action as stipulated in the Rules against the defaulting Health Care Establishments

It was, however, observed that out of 6,953 Hospitals/HCEs in the State, only 5,551 had obtained authorization from APPCB for handling biomedical waste and the remaining 1,402 (55 in the test checked ROs) were functioning without obtaining authorization thereby violating BMW Rules. The APPCB, has restricted its action to mere issue of show cause notices and failed to penalise the erring hospitals (March 2008).

The authorizations granted to the Hospital/HCE are to be renewed on their expiry. Despite the notices being issued by the ROs of APPCB, 67 out of 134 Government HCEs²⁹ (including ESI and Railway), 967 out of 1742 private HCEs had not renewed the authorization as of March 2008. Despite this, the APPCB had not taken penal action against the defaulting HCEs though contemplated in the Act and the Rules.

3.3.12 Monitoring and Enforcement of Rules by APPCB

Monitoring and enforcement of Rules by APPCB was deficient. APPCB confined itself to mere issue of notices to the ULBs and failed to prosecute and penalise the defaulters

The MSW Rules specified the compliance criteria for different parameters for management of municipal solid waste, and these were to be achieved throughout the State by December 2003. The compliance criteria relate to various parameters of processing and disposal of waste. Any municipal solid waste generated was to be managed and handled in accordance with the compliance criteria and the procedure laid down in the rules.

State PCBs are responsible for the regulation and monitoring of waste as per the statute. The Environment (Protection) Act, 1986, has widened the scope of activities of APPCB making it as an authority to regulate various activities of hazardous substances or Waste management to ensure pollution free environment. Enormous powers are entrusted to APPCB under the Act. For contravention of the provisions of the Act and the rules, orders and directions, appropriate penalties to be levied by APPCB against the violators are prescribed under Section 15 (1) of the Act. In respect of each failure or contravention, the following penal provisions were laid down:

- Imprisonment for a term which may extend to five years with fine which may extend to one lakh rupees, or both.
- In case the failure or contravention continues, even after conviction, additional fine may be imposed which may extend to five thousand rupees for every day.

²⁹ Guntur: Nil (18), Hyderabad: 15(40), Kakinada:19(29), Kurnool:20(24) and Warangal: 13(23)

- Section 15 (2) of the Act stipulates that if the failure or contravention continues beyond a period of one year after the date of conviction, the offender is punishable with imprisonment for a term, which may extend to seven years.

The details of show cause notices issued by the APPCB to the ULBs during the five year period 2003-04 to 2007-08 with regard to non-compliance of MSW Rules are given below:

Table-6

Name of the Regional office	Year-wise notices issued to ULBs				
	2003-04	2004-05	2005-06	2006-07	2007-08
Hyderabad	--	--	--	--	01
Guntur	10	08	09	25	21
Kakinada	11	12	03	12	09
Warangal	Data not furnished				
Kurnool	--	02	03	03	--

The Table-6 above indicates lackadaisical attitude on the part of the RO, Hyderabad of APPCB in monitoring the implementation of MSW Rules although the ULBs failed to adhere to the norms prescribed for processing and disposal of the solid waste.

Mere prescription of rules does not address the problem unless they are effectively implemented. Detection of non-compliance, levy of penalties and penalizing the repeated offenders act as deterrent to violators.

In spite of having enormous powers and penal provisions the regulating agency, namely, APPCB has so far confined itself to mere issue of notices to the ULBs during the last eight years for their violation of the statutory rules and failed to prosecute and penalize the defaulters under the Act. Given the importance of this function, Legislature has provided for stiff penalties. But, the legislative intent has not been translated into effective compliance.

3.3.12.1 Inspections of hospitals by APPCB

APPCB did not have a proper inspection programme for hospitals till 2006-07

For effective implementation of BMW Rules regular inspections of the hospitals have to be conducted. It was however, observed that the APPCB did not fix any norms and targets for such inspections till 2006-07. For the year 2007-08, a target of five hospitals each per month for Regional Office and Zonal Office was fixed. However, definite plan of action was not evolved so as to cover all hospitals within a specified time frame.

3.3.13 Evaluation

Neither the CDMA nor the APPCB had conducted evaluation so far of the activities relating to waste management.

3.3.14 Conclusions

The present arrangements in the ULBs for solid waste management suffer from a number of deficiencies. State Government failed to provide funds till 2006-07 and consequently specified time frames stipulated by GOI for waste management have not been adhered to. Suitable lands for permanent dump sites were not identified. Landfills had not been established and all the ULBs were dumping the solid waste in open dump yards with adverse implications on human health and environment. The waste generated by ULBs was not being scientifically utilised as the implementation of power projects is still in proposal stage. The present arrangements do not follow a systematic procedure for segregation of solid waste into biodegradable and non-biodegradable waste which require different operations for treatment of the waste. GHMC passed on undue financial benefits to a Company in setting up a power project. A large number of plastic units continue to manufacture plastics without licence. The monitoring and control of mounting e-waste had not been addressed by the Government or APPCB. Almost all the test checked Government hospitals violated Bio-medical waste management rules while handling the biomedical waste. APPCB, the regulatory authority to enforce implementation of these rules has so far restricted its efforts to mere issue of notices and not penalised the defaulting ULBs and Health Care Establishments though legislature has provided for stiff penalties against the violators. Thus, the legislative intent has not been translated into effective compliance.

3.3.15 Recommendations

- Suitable lands for permanent dump sites and landfills should be identified and alienated on priority basis.
- There is an urgent need for setting up of compost/vermin compost plants on a large scale, which can utilise huge quantities of solid waste. Municipal solid waste management rules need to be implemented by giving priority to segregation of different wastes and setting up of processing units and landfills.
- There is a need to strengthen the redressal mechanism by all ULBs so that specific complaints are attended properly and timely.
- As a first step, all the Government hospitals should streamline their functioning of bio-medical waste management in a scientific way so as to act as role models for private hospitals to emulate.
- Hospitals/Municipalities need to train workers handling waste and provide “kit” for handling waste.
- Surprise checks of the hospitals should be organized by APPCB.
- Penalties need to be levied for persistent defaulters.
- It is essential that APPCB gear up its regulatory machinery for effective implementation of solid waste management rules by the ULBs, hospitals and other units concerned. The inspection mechanism needs to function effectively with regard to handling of waste.

Government in Environment, Forests, Science and Technology Department accepted (September 2008) the audit observations and assured rectificatory action wherever necessary. The recommendations made by Audit were also accepted by the Government.

**ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY
DEPARTMENT (FOREST WING)**

3.4 Implementation of the Andhra Pradesh Community Forest Management Project

Highlights

The Andhra Pradesh Community Forest Management (APCFM) Project aided by International Development Association (IDA) is being implemented by Forest department in 14 districts of the State with the objective of reduction of rural poverty through improved forest management with the involvement of communities represented by 5,000 Vana Samrakshana Samithis (VSSs). Performance Audit revealed that the implementation of the Project was marked by delays in approval to Annual Work Plans and slow pace of work necessitating extension of project period by one year up to 31 March 2009. As against total project outlay of Rs 653.97 crore, expenditure incurred during 2002-08 was only Rs 522.16 crore (80 per cent). Progress achieved so far under the vital component of Community Development was only 51 per cent and there is remote possibility of achieving the full results as envisaged before closure of the project by March 2009. Audit noticed deficiencies such as incomplete treatment of forests, ineligible expenditure, diversion of Project funds, etc. Resettlement Action Plan for the project affected families was inadequate. Monitoring was inadequate at all levels.

Expenditure under Community development, the ultimate objective of the Project, constituted only 51 per cent of the allocations even though the Project is scheduled for closure by March 2009.

[Paragraph 3.4.7]

Vehicles were procured and hired for the offices not actually connected with project implementation at a cost of Rs 1.13 crore. Project funds were diverted for incurring an expenditure of Rs 1.10 crore which was to be met from regular budget.

[Paragraph 3.4.7.1]

Incomplete treatment of Forests was noticed in five out of ten divisions. The expenditure of Rs 1.56 crore incurred was ineffective.

[Paragraph 3.4.8.1]

Financial management and maintenance of records by Vana Samrakshana Samithis (VSS) was not satisfactory. Resettlement Action Plan (RAP) for the project affected families was delayed and inadequate.

[Paragraph 3.4.9]

Monitoring of the project activities was inadequate at all levels.

[Paragraph 3.4.10]

3.4.1 Introduction

The AP Community Forest Management Project (APCFMP) aided by International Development Agency (IDA) is being implemented by Forest Department in 14 districts³⁰ of the State. The project launched on 1 November 2002 at an outlay of Rs 653.97 crore and scheduled to be closed on 31 March 2008 was extended up to 31 March 2009. The project has the objective of reduction of rural poverty through improved forest management with the involvement of communities represented by 5,000 Vana Samrakshana Samithis (VSS). It consists of three components – (i) Establishing an enabling environment for forest management, (ii) Forest management and (iii) Community development.

3.4.2 Organisational set up

The project is implemented within the existing structure and line of control in the Forest Department. The Project Monitoring Unit (PMU) established in the Office of the Principal Chief Conservator of Forests (PCCF) is responsible for overall project planning, monitoring and reporting as well as financial management and control. All project activities are integrated with normal departmental working plans and budget. Territorial wing of the Forest Department implements all the activities relating to VSS.

3.4.3 Audit objectives

The objectives of the performance audit were to assess whether:

- the three main components of creating the enabling environment, forest management and community development were efficiently carried out in furtherance of the primary objective of reduction of rural poverty through improved forest management with community participation;
- the financial management was in conformity with the parameters of efficiency, economy and effectiveness; and
- proper systems were put in place for monitoring the programme.

3.4.4 Audit criteria

The following criteria were adopted for the Performance Audit:

- Project appraisal document 2002, Development credit agreement between India and International Development Association, Project Implementation Plan in 5 volumes and Orders of Government of Andhra Pradesh and instructions of PCCF issued from time to time;
- General Financial Rules; and
- Monitoring systems prescribed in Project Implementation Plan (PIP).

³⁰ Adilabad, Chittoor, East Godavari, Kadapa, Karimnagar, Khammam, Mahaboobnagar, Medak, Nellore, Nizamabad, Srikakulam, Visakhapatnam, Vizianagaram and Warangal

3.4.5 Scope and methodology of Audit

The performance audit covered the period of project implementation from 2002-03 to 2007-08. Ten³¹ territorial divisions and one³² Research and Development division in which the Project is being implemented since 2002-03 were selected on random basis. The records of the Office of the Principal Chief Conservator of Forests were also test checked.

An entry conference was held in February 2008 with Additional Chief Conservator of Forests (APCFM), Additional Chief Conservator of Forests (Wildlife) and Chief Conservator of Forests (M&P), in which audit objectives and the methodology were explained. Exit conference was held (September 2008) with the officers of the Department. The replies of the department have been taken into account while arriving at the audit conclusions which are presented in the succeeding paragraphs.

Audit findings

3.4.6 Financial outlay and expenditure

Delays in approving the work plans ultimately delayed the project implementation

The approved cost of the project as per the credit agreement was Rs 653.97 crore. Out of this, IDA agreed to finance Rs 550.01 crore (84 *per cent*) and the balance was to be met by the State Government. Funding by IDA is by way of reimbursement of expenditure initially incurred by the State Government through annual budgetary allocations. As of March 2008, an amount of Rs 433.38 crore was reimbursed by IDA.

Budget allocations were made based on Annual Work Plans prepared by the Forest divisions which in turn submitted by the PCCF to Government. The year-wise details of budget provision, releases made, expenditure incurred and reimbursement received for the period from 2002-03 to 2007-08 are as follows:

Table-1

Year	Budget Provision	Releases	Expenditure	Reimbursement by the IDA
	(Rupees in crore)			
2002-03	35.00	17.33	9.43	8.10
2003-04	146.72	128.38	118.94	103.32
2004-05	170.00	126.37	114.48	88.51
2005-06	210.00	130.00	104.65	93.36
2006-07	150.00	110.49	99.97	77.59
2007-08	133.07	78.67	74.69	62.50
Total	844.79	591.24	522.16	433.38

Note: In addition to the above, there was pre-project expenditure of Rs 1.24 crore in the year 2001-02; of which an amount of Rs 1.17 crore was reimbursed by the IDA (March 2008)

³¹ Bhadrachalam (North), Bhadrachalam (South), Chittoor (East), Kaghaznagar, Kamareddy, Khammam, Nirmal, Paderu, Srikakulam, and Warangal (South)

³² State Silviculturist, Regional Forest Research Centre, Rajahmundry

The Table-1 above indicates that as against the total Project outlay of Rs 653.97 crore, only Rs 591.24 crore were released during 2002-08. Audit noticed that the shortfall was mainly due to delays in approving the work plans which ultimately delayed the project implementation. This necessitated extension of the project for another year beyond 2007-08.

The shortfall in spending by the divisions in all the years was attributed by the Divisional Forest Officers to reluctance of communities to execute works, besides delay in release of funds. Audit observed that an amount of Rs 69.08 crore was surrendered during 2002-08 due to non-performance.

3.4.7 Implementation of the Project

The activities taken up under the three components are as follows:

Table-2

S. No	Component	Activities undertaken
1	Creation of enabling environment	Capacity building of Government agencies, communities, and project management.
2	Forest management	Forest treatment, Forest management and planning, social forestry, applied research and Tsunami mitigation.
3	Community development	Tribal Development Plan (TDP), Village Development Plan (VDP), Resettlement Action Plan (RAP) and livelihood enhancement plan.

The activity-wise financial targets and the achievements thereon are given in *Appendix 3.6*. Except for the Forest treatment, Tribal Development Plan (TDP), Village Development Plan (VDP) and Resettlement Action Plan (RAP), no physical targets were fixed for other activities falling under different components and these were implemented as per the need.

Component-wise expenditure during the period from 2002-03 to 2007-08 was as follows:

Table-3

Component	Target as per Project Appraisal Document (PAD)	Achievements (up to March 2008)
	Rupees in crore (percentage)	
Creation of enabling environment	115.53 (18)	113.58 (98)
Forest management	417.55 (64)	347.82 (83)
Community development	120.89 (18)	62.00 (51)
Total	653.97	523.40 (80)*

* including the pre-project expenditure of Rs 1.24 crore in the year 2001-02

Progress under community development was only 51 per cent of allocated amount

The progress made under community development as measured by the expenditure was less since only 51 per cent of allocated amount has been spent though only one year remained for completion of the project. As per the progress made till now, there is remote possibility of achieving the full results as envisaged under the Community development before closure of the project in March 2009. The PCCF did not furnish any reply for the shortfall in expenditure.

3.4.7.1 Creation of enabling environment for Forest Management

Activities taken up under the component include training, workshops, study tours and exposure trips for the capacity building of Government agencies and communities. The component also provided for procurement and hiring of vehicles, procurement of goods and equipment, payment of facilitation charges and civil works as part of Project management activity.

Various items of expenditure under the component were scrutinized and following are the audit findings involving a total money value of Rs 3.20 crore.

Item of expenditure	Audit Findings	Amount (Rupees in lakh)
Expenditure incurred on items of works not included in the scope of the project	The expenditure to be met from regular budget was met from APCFM budget by diverting funds for <ul style="list-style-type: none"> (i) Training and salaries to the newly recruited FROs by AP Forest Academy, Dulapally during 2006-07 (Rs 60.04 lakh); (ii) Payment of rent/rates/taxes towards rented Headquarters office building at Tuljaguda, Hyderabad during 2005-06 (Rs 49.44 lakh); and (iii) Purchase of books (2007-08) and payment of wages to wild life census (2005-06) in Khammam Division and purchase of books (2003-04 and 2005-06) in Srikakulam Division (Rs 1.02 lakh). 	110.50
Procurement of vehicles	During 2003-04, 27 new vehicles (17 cars and 10 jeeps) were procured ³³ by the Forest Department at a cost of Rs 1.21 crore. The vehicles were meant for use by field staff for implementation of the APCFM project, which includes four vehicles for use by the office(s) located at Hyderabad. As against the permitted number of four vehicles, 19 vehicles were allotted to the offices located at Hyderabad. The excess allotment of 15 vehicles (procured at cost of Rs 62.80 lakh) to the offices located at PCCF defeated the purpose of procurement of vehicles under the project. The contention of the department that the old vehicles were allotted to the field officers in place of new vehicles was not correct as all the new vehicles were purchased in place of condemned old vehicles.	62.80
Procurement of computers and other peripherals	Out of an amount of Rs 4.81 crore advanced to Andhra Pradesh Technology Services (APTS) Limited for procurement of computers and other peripherals during the years 2003-04 and	84.73

³³ GORT No. 319, EFS&T (For-III) Department dated 13.11.2003

	2004-05, Bills and vouchers for Rs 84.73 lakh were not furnished by the firm till date. The failure of APTS to submit bills/vouchers for the goods supplied during 2003-04 (Rs 14.95 lakh), 2004-05 (Rs 26.51 lakh) and 2007-08 (Rs 43.27 lakh) deprived the State Government of receipt of reimbursement from the IDA for the expenditure incurred.	
Hiring of vehicles	Out of an expenditure of Rs 1.95 crore incurred on hiring of vehicles during the years 2004-05 to 2007-08 (16 vehicles during 2004-05, 30 during 2005-06 and 35 each during the remaining years @ Rs 14,000 per month per vehicle) for the officers working in the office of the Principal Chief Conservator of Forests, an amount of Rs 51.15 lakh was incurred on vehicles hired for the officers not actually involved in project implementation.	51.15
Facilitation charges	<p>(i) Project implementation plan provides for payment of facilitation charges as incentive to Forest Department staff involved in implementation of the project. However, facilitation charges/incentives were also paid to VSS members in Warangal (South) and Chittoor (East) Divisions (2005-07) against project guidelines (Rs 5.71 lakh).</p> <p>(ii) Facilitation charges were paid to the Range officers of Nellore (SF) Division for the period not covered by guidelines. The payments were made from the inception of the project instead of from 1 April 2005 which resulted in excess payment (Rs 0.84 lakh).</p>	6.55
Gramasabhas	Gramasabha meetings are held to review the progress of expenditure. It was however, observed that Gramasabhas were erroneously categorized as trainings in Mancherial Division (2003-04 and 2004-05) though no element of training was involved in Gramasabhas.	3.14
Study tours	In the study tour conducted by Medak Division during 2004-05, the group consisted 30 members out of 50 not directly connected to the project (ZP Chairman/Vice Chairperson, ZPTC/MPTC members, etc.).	1.26

3.4.8 Forest management

Forest management techniques are broadly categorized into those dealing with natural regeneration and those with artificial regeneration. The technique of rejuvenation of natural regeneration involves seedling coppicing of viable root stock and coppicing high stumps and repeatedly clipping the resultant coppice shoots retaining the most promising ones. Coupled with this repeated cutting back of rank growth and thorny bushes to encourage establishment and healthy growth of coppice shoots is also undertaken. Soil and Moisture Conservation (SMC) works and fire management works are other essential subsidiary operations under natural regeneration. Plantation activity is taken up under the technique of artificial regeneration.

3.4.8.1 Incomplete treatment of forest areas

Non-taking up of follow-up operations resulted in incomplete treatment of forests in five out of the ten Divisions test checked

Rejuvenation of natural regeneration of degraded forests is to be carried out in three stages viz., advance works (clearance of undesirable growth, stump cutting, SMC works), creation (coppice singling, clearing unwanted growth, SMC, fire management) and maintenance (further singling, clearing unwanted growth, weeding and soil working, fire management). These operations follow each other at an interval of one-year. However, the initial operation of advance works were not followed by creation works and maintenance in the five (out of 10) divisions test checked as detailed below:

Table-4

Division	Year of operation	Area of operation (in Ha)	Expenditure incurred (Rs in lakh)
Nirmal	2004-05	6000	74.109
	2006-07	75	2.059
Khammam	2004-05	954.54	24.300
Bhadrachalam (North)	2003-04	1990.394	19.330
	2004-05	468.31	4.570
Bhadrachalam (South)	2003-04	468.837	5.013
	2004-05	424.75	4.290
Srikakulam	2003-04	1157.77	23.050
	Total	11539.601	156.721

While SMC works carried out as subsidiary operation have their own impact, the other items of works i.e., clearance of miscellaneous growth, survey and demarcation will not yield any result without follow-up operations of creation and maintenance. Non-taking up of follow up operations to the logical end, resulted in incomplete treatment of forests under Rejuvenation of Natural regeneration, thus jeopardizing the prospects of proper forest development.

3.4.8.2 Non-consolidation of earlier treated areas

Consolidation of earlier treated forest areas was not done to the extent of 61 per cent

The APCFM project provided for consolidation of 70,000 Ha out of 1,10,000 Ha of forest land which was partly treated prior to 2001. Consolidation is done by taking up creation works where only advance works were done in earlier project and by maintenance works where advance and creation works were completed earlier. Microplans of the VSSs contemplated consolidations during the years 2003-04 and 2004-05.

It was observed that an area of 27,480 Ha out of proposed 70,000 Ha (39 per cent) was only consolidated by the department during the current project period resulting in non-consolidation of the balance area of 42,520 Ha (61 per cent). PCCF did not furnish the details of areas where the consolidation remained to be carried out.

3.4.8.3 Purchase of palm rose seeds

Expenditure of Rs 33.38 lakh on purchase and sowing of palm rose seeds was unproductive

Inter-planting of palm rose (an aromatic grass plant harvested annually) was prescribed as an inter crop in the existing semi mechanical plantations from 2005-06 with the objective of ensuring steady flow of income to VSS. 16,515 kg of palm rose seeds were purchased at a cost of Rs 28.45 lakh and sown at a cost of Rs 4.93 lakh in forest areas managed by VSSs in Khammam, Paloncha, Bhadrachalam (North), Kothagudem, Nirmal, Kaghaznagar, Kamareddy and Chittoor (East) (4 out of 7 Ranges) divisions. Scrutiny revealed that the crop was not harvested by the VSSs in any of these divisions resulting in non-accrual of intended benefits to the VSS. While the sample testing certified that the seed was of acceptable quality, the divisions reported that the seed did not yield any results as the crop could not be harvested due to low germination attributable to poor quality of seeds. The expenditure of Rs 33.38 lakh incurred on purchase and sowing was unproductive. The division-wise details are given in *Appendix 3.7*. The DFOs of the divisions (except Chittoor (East) and Kaghaznagar) admitted the fact of poor germination of seed.

3.4.8.4 Non-accountal of returns under decongestion of bamboo clumps

Revenue receipts of Rs 20.62 lakh were not accounted for under decongestion

Decongestion is a cleaning operation involving removal of dry and high cuts from the bamboo clumps to enable further natural regeneration. The operation can yield saleable culms (high cuts) which have market value as pulp material. Decongestion of 4,95,566 bamboo clumps was carried out at a cost of Rs 50.32 lakh in 30 VSSs in Kaghaznagar Division during the years 2003-04 to 2005-06. However, no income generation was shown from these operations. Based on conservative estimate, the money realizable worked out to Rs 20.62 lakh. The details are given in *Appendix 3.8*.

3.4.8.5 Raising of medicinal plants

Raising of medicinal plants at a cost of Rs 10.22 lakh was unfruitful

The medicinal plants are grown on converted scrub forest on the plains or converted degraded teak or non-teak hard wood forests as pure annual crops with the funding from the project for full establishment and harvesting of medicinal crop in 1st year and establishment of crop in the 2nd year. Medicinal plants numbering 3,12,779 (Tippateega, Saraswathi, Podapathri, Addesara etc.) were raised during 2004-05 at a cost of Rs 10.22 lakh in 118 VSSs in four ranges of Srikakulam Division. But no harvest of medicinal plants and their further establishment was noticed during subsequent years. Hence, the expenditure of Rs 10.22 lakh incurred on raising of medicinal plants was rendered unfruitful.

3.4.8.6 Development of integrated Forest Management Information System

Development of Integrated Forest Management Information System (FMIS) by integrating Management Information System (MIS) with Geographical Information System (GIS) for effective planning and monitoring of forestry and VSS activities was one of the project objectives. The consultancy for integration of MIS and GIS was awarded to M/s. Antrix Corporation for

Rs 77.49 lakh during November 2007 but the firm was yet to submit its report. An other consultancy work for collection of data of 8,230 VSSs on GIS mode (awarded to four consultants in June 2007 for Rs 2.07 crore) to facilitate early integration of MIS and GIS packages, has also not materialized as of August 2008. Total amount paid to these consultancies to date in instalments was Rs 44.91 lakh. By the end of March 2008, 2533 VSSs were surveyed (31 *per cent* of the total VSSs), but data was submitted to the department in respect of a mere 640 VSSs (eight *per cent* of total VSSs). The delay in engagement of consultants as also slow pace of work by the consultants, adversely affected the timely development of integrated FMIS required for effective management of forests.

3.4.8.7 Non-adjustment of advances

Funds amounting to Rs 20.19 lakh advanced to agencies/VSSs/forest field staff for carrying out forestry operations during the years 2005-06 and 2006-07 (Rs 20.19 lakh) remained unadjusted as of March 2008 as detailed below:

Table-5

S. No	Advanced to	Amount (Rs in lakh)
1	34 VSSs and 3 FSO/FROs in DFO (T), Srikakulam	15.08
2	7 VSSs and 3 FSO/FROs in DFO (T), Kamareddy	2.07
3	7 VSSs in DFO (T), Khammam	1.96
4	17 VSSs and 2 FSOs in DFO (T), Nirmal	0.72
5	2 VSSs in DFO (T), Warangal (South)	0.36

3.4.9 Community development

Participatory micro planning, support to Women Community Extension workers, village and tribal development activities which include livelihood enhancement plans and rehabilitation and resettlement of project affected families are some of the activities taken up under the component.

Various activities under the component were scrutinized and following are the audit findings:

Item of work	Audit finding	Reference to division
Forest areas allotted to VSSs	Discrepancy was noticed in forest areas allotted to the VSSs for management. The extent of area shown in Microplans differed from that shown in working plans of the division.	All sample territorial divisions
Engagement of Community Extension Workers (CEWs)	Inadequacy in engagement of women Community Extension Workers (CEWs) was noticed. Engagement of women CEWs in seven out of 10 divisions test checked ranged from zero <i>per cent</i> to 20 <i>per cent</i> as against the norm of 50 <i>per cent</i> .	Nirmal (0), Warangal (South) (0), Paderu (3), Chittoor (East) (4), Kamareddy (7), Srikakulam (12), Bhadrachalam (South) (20)

Accountal of revenue accruing to VSSs	Proper accountal of revenue accruing to VSSs is necessary for fair and equitable distribution of revenue among the VSS members. 1,017 VSS in six divisions showed NIL revenue realization. The department failed to ensure proper accountal of revenue accrued.	Srikakulam (241 out of 241), Paderu (304 out of 304), Kamareddy (83 out of 83), Kaghaznagar (86 out of 88), Warangal (South) (109 out of 113) and Nirmal (194 out of 197)
Maintenance of VSS private account	In addition to Government (joint) account, VSSs were also required to maintain a second account, called VSS private account, jointly held by VSS Chairperson and Vice-chairperson. All funds received from sale of forest produce, share of compounding fees, incentive from sale of beedi leaves, and funds internally generated were to be deposited in this account. However, no such second account was maintained by 38 VSSs in three divisions. Non-maintenance of accounts has implication for fair and equitable distribution of revenue realized, among VSS members.	Bhadrachalam (North) (7 VSSs of Dummugudem range); Chittoor (East) (2 VSSs of Srikalahasthi range); Kamareddy (29 VSSs of 4 ranges)
Maintenance of cash book	Improper maintenance of cash books by 21 VSSs in five divisions was noticed. Deficiencies such as non-recording of receipts ³⁴ and non-closing of cash books monthly to show cash balances on hand/at bank, were noticed.	Khammam (4 VSSs); Bhadrachalam (North) (7 VSSs in Dummugudem range); Bhadrachalam (South) (4 VSSs); Kamareddy (2 VSSs) and Chittoor (East) (4 VSSs)
Maintenance of other allied registers	An assets register is prescribed for the purpose of keeping a record of all physical assets created by the Project. Yield Register is prescribed for recording forest produce realized out of management of forests allotted to the VSSs and manner of their disposal. Forest Treatment register is prescribed for recording treatment of forest areas allotted to VSSs. Non-maintenance/improper maintenance of these registers by the VSS was noticed in eight divisions.	Nirmal; Khammam; Bhadrachalam (North); Bhadrachalam (South); Warangal (South); Srikakulam; Chittoor (East) and Kamareddy (Details in <i>Appendix 3.9.</i>)
Resettlement Action Plan (RAP)	Delayed and inadequate implementation of Resettlement Action Plan The resettlement and rehabilitation policy framed (May 2004) by the Government consisted of farm land development activities for those holding lands outside VSS areas and income generating activities for others, with a ceiling of Rs 25,000 per affected family. The response to the package was poor as no VSSs in 28 divisions (especially in North Telangana districts of Adilabad, Khammam, Karimnagar and Warangal) responded to the package. Even in the five ³⁵ divisions, where the plan was implemented, the Resettlement of affected families was not on expected lines.	Five divisions in Visakhapatnam circle (Srikakulam, Visakhapatnam, Vizianagaram, Paderu and Narsipatnam)

³⁴ revenue from harvest of timber and funds from the division – Rs 13.87 lakh

³⁵ Narsipatnam, Paderu, Srikakulam, Visakhapatnam and Vizianagaram

	<p>A sample study in Paderu and Srikakulam Divisions revealed the following:</p> <p>(i) The overall position of implementation in the five divisions was not encouraging with only 30 <i>per cent</i> of allocated expenditure (Rs 10.43 crore out of Rs 29.67 crore) being incurred up to 31 March 2008 on 9,043 Project Affected Families (PAFs) out of 12,421 PAFs identified.</p> <p>(ii) In Srikakulam and Paderu Divisions, the expenditure incurred up to 2007-08 constituted 2.4 <i>per cent</i> and 19.6 <i>per cent</i>.</p> <p>(iii) No amount was spent in Srikakulam Division during 2007-08.</p> <p>(iv) The specified amount of Rs 25,000 per family was also not spent fully on each PAF.</p> <p>Thus the resettlement action plan to be originally implemented in 2003-04 remained to be implemented fully and adequately even as of August 2008. There was failure to attract VSS members resulting in coverage of only five out of 33 divisions identified for project implementation. The absence of success stories in any division, will have dampening affect on new VSS members from other divisions from being attracted to the package offered.</p>	
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3.4.10 Monitoring

Committees at various levels i.e., State, District, Division, ITDA and village levels are required to be constituted to monitor and coordinate progress of work at each level. The following observations are made:

- In Bhadrachalam (North) division, ITDA level and division level meetings to be held every month were not held from 2005-06 onwards. Only one meeting was held at these levels during the three year period 2002-05.
- In Khammam, Bhadrachalam (South) and Kamareddy Divisions, division level meetings were not held. Village level committees were not functional in Khammam and Kamareddy Divisions.
- In Srikakulam, no district/division level/village committees were in place and no meetings were held.
- State level steering committee at PCCF office met only twice during the period 2002-08, against the norm of twice a year.

Thus, monitoring at all levels was not adequate.

3.4.11 Conclusions

The Project was not completed by due date and had to be extended by one year up to 31 March 2009 due to slow pace of execution. The achievement under the component of community development was only 51 *per cent* of the allocated amount. Vehicles procured for project implementation in the field were deployed for utilisation by the PCCF at Headquarters. Vehicles were also hired for the persons not connected with project implementation. There was a substantial shortfall in the consolidation of forest land partly treated under earlier Projects. Incomplete treatment of forest areas was also observed under the current project. The PCCF failed to ensure that records relating to revenues accruing to VSS members were properly maintained with adverse implication for fair and equitable distribution of revenues among VSS members. There was failure to attract VSS members to rehabilitation package under Resettlement Action Plan. The absence of success stories in any division under the plan will have dampening affect on new VSS members from other divisions from being attracted to the package offered.

3.4.12 Recommendations

- The Annual work plan should be realistic and followed to achieve targets to obviate the need to lower the targets at a later date.
- The procurement and hiring of vehicles is to be restricted to the actual implementation of the project.
- Forest treatment should follow all stages of operations to obtain optimum productivity.
- Resettlement Action Plan is to be implemented more effectively so as to cover all the affected families fully.
- Management at VSS level and capacities of VSS people need to be improved.
- Monitoring need to be strengthened at all levels.

The above audit observations were referred to the Government in July 2008; reply had not been received (August 2008). The audit observations were discussed and accepted by the Department in the exit conference held in September 2008.