CHAPTER - III

Civil Departments

Section - A: contains performance review of the schemes:

- Implementation of Externally aided projects
- Information Technology Audit of eSeva – an e-Governance initiative by Government

Section - B: contains other major audit points on transactions in Civil Departments

CHAPTER III

CIVIL DEPARTMENTS

SECTION 'A' – AUDIT REVIEWS

AGRICULTURE AND CO-OPERATION/EDUCATION (TECHNICAL EDUCATION)/ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY/IRRIGATION AND COMMAND AREA DEVELOPMENT/PANCHAYATI RAJ AND RURAL DEVELOPMENT/TRANSPORT, ROADS AND BUILDINGS DEPARTMENT

3.1 Implementation of Externally aided projects

Highlights·

The implementation of two projects AHRDP[1] and STEP[2] was marked by unplanned release of funds, delay in selection of sites, abnormal delay in entrustment of civil works and tardy progress leading to significant cost and time overruns. Inadequate provision of funds towards maintenance of infrastructural facilities led to idling of machinery and equipment worth Rs 3.61 crore upto 8 years. APHM&ECRP[3] was not completed even after two extensions, which necessitated further extension up to the end July 2003. Resultantly, the estimated cost of the project had increased from Rs 800.79 crore to Rs 897.10 crore. World Bank rated the implementation as unsatisfactory and the project belonged to 'problem project' category. The State lost the benefit of external aid of Rs 40.36 crore due to diversions, unauthorised expenditure, etc.

AHRDP

- **The State lost the benefit of World Bank assistance to the extent of Rs 7.38 crore, as actual utilisation of funds was 90 per cent of estimated project cost.**

[Paragraph 3.1.3 A (b)]

- **The unspent balances aggregating to Rs 2.44 crore were not refunded by the implementing authorities (ANGRAU), consultant (APIIC) and suppliers to Government.**

[Paragraph 3.1.3 B (i)]

· The abbreviations used in this review are listed alphabetically in glossary vide *Appendix XXXVI* (page 211)

[1] Agricultural Human Resource Development Project

[2] Second Technician Education Project

[3] AP Hazard Mitigation and Emergency Cyclone Recovery Project

- **Rupees 1.41 crore were diverted by ANGRAU/Line departments for purposes not connected with the project.**

[Paragraph 3.1.3 B (iii)]

- **The girls hostel building at AG College, Mahanandi constructed by ANGRAU in October 1997 was not occupied even as of May 2002 due to defective design and faulty construction rendering the entire expenditure of Rs 76.87 lakh incurred thereon infructuous.**

[Paragraph 3.1.3 B I (i) (a)]

- **Delay and improper selection of sites coupled with the delay in entrustment of civil works led to cost overrun of Rs 66.34 lakh and time overrun of one year to 3 years.**

[Paragraph 3.1.3 B II]

- **Goods, machinery and equipment valuing Rs 2.86 crore were lying idle for periods ranging upto 4 years in ANGRAU and Line departments.**

[Paragraph 3.1.3 B III (i)]

- **Overseas training to staff was not availed due to non-clearance of proposals by Government.**

[Paragraph 3.1.3 B IV (ii)]

STEP

- **The State lost the benefit of World Bank assistance of Rs 15.95 crore due to diversions and ineffective pursuance by the Commissioner of Technical Education.**

[Paragraph 3.1.4 A]

- **Injudicious decision to entrust the civil works to APIIC instead of departmental construction led to extra expenditure of Rs 1.93 crore due to higher centage charges.**

[Paragraph 3.1.4 B (i)]

- **Rupees 1.13 crore unspent were not refunded by the Central Organisation for Modernisation of Workshops (Rs 96 lakh) and State Board of Technical Education and Training (Rs 16.73 lakh).**

[Paragraph 3.1.4 B (iii)]

- **Delayed selection and selection of unsuitable sites coupled with the delay in entrustment of civil works led to cost overrun of Rs 20.25 crore and time overrun of 3 to 6 years.**

[Paragraph 3.1.4 B I (i)]

- **Five out of six staff quarters constructed in August 1999 at a cost of Rs 38.65 lakh at the premises of Government Model Residential Polytechnic for Women at Karimnagar were not**

occupied due to lack of demand from the staff rendering the expenditure thereon unfruitful.

[Paragraph 3.1.4 B I (iii)]

- **Machinery and equipment valuing Rs 0.75 crore were lying idle for 6 months to over 8 years in 15 polytechnics.**

[Paragraph 3.1.4 B II]

APHM&ECRP

- **Delay in finalisation of the bids for procurement of Doppler Weather Radar Systems, led to the cancellation of credit facility of Rs 31.95 crore by World Bank.**

[Paragraph 3.1.5 B (i)]

- **The project sustained an interest loss of Rs 1.38 crore due to inadequacy in the tender documents and agreements for recovery of interest on advances.**

[Paragraph 3.1.5 B (iii)]

- **Incorporation of escalation clause in the contracts for works not eligible resulted in undue benefit of Rs 1.09 crore to contractors.**

[Paragraph 3.1.5 B (iv)]

3.1.1 Introduction

Project formulation, objectives and funding

The State Government implemented three State plan projects namely AHRDP (estimated cost : Rs 99.25 crore) during the period 1995-96 to December 2001, STEP (estimated cost: Rs 140.25 crore) during 1990-91 to October 1999 and APHM&ECRP (estimated cost : Rs 897.10 crore) during the period from June 1997 to July 2003 with financial assistance from the International Development Association (IDA), a body of the World Bank under separate individual credit/loan agreements signed between Government of Andhra Pradesh, Government of India (GOI) and the IDA. The details of three projects were as follows:

Objective	Component	Implementing authority	Implementation period	Implementing agency
Agricultural Human Resource Development Project (AHRDP)				
Improving the quality and relevance of higher agricultural education and in-service training programmes, and strengthening the capacity to develop and manage agricultural human resource	(i) Civil works, (ii) Goods and equipment, (iii) Training & Consultancy, and (iv) Salaries & Running cost	(a) Acharya NG Ranga Agricultural University (ANGRAU) (b) Departments of Agriculture, Animal Husbandry, Fisheries and Horticulture	1995-96 to June 2000 – extended to December 2001	Project Monitoring and Implementation Cell (PM&IC) in the Agriculture and Cooperation department
Second Technician Education Project (STEP)				
Expand the capacity of polytechnic system, improve the quality of the polytechnic programmes, and improve the efficiency of the management and operation of the polytechnic system	Civil works, equipment, furniture, vehicles, staff training, books, salaries and consumables	Project Director under the administrative control of the Commissioner of Technical Education	1990-99 (December 1998) and extended to 31 October 1999	State Project Implementation Unit (SPIU)
AP Hazard Mitigation and Emergency Cyclone Recovery Project (APHM&ECRP)				
To assist the State Government to prepare and implement long term Cyclone and Flood management programmes, enhance the GOI's Cyclone early warning capacity, to restore the lost public infrastructure, to undertake technical studies relating to coastal zone management, storm surge forecast, watershed and delta management, and flood forecasting	Hazard mitigation studies, Vulnerability reduction fund (VRF), Early warning system, Irrigation, State Roads & Buildings, Rural Roads & Bridges, Forestry, Rural Development, Institutional strengthening, Consultancies, Training & Equipment	Secretary, Planning, Director General, Indian Meteorological Department, Engineer-in-Chief, Irrigation and CAD department, Chief Engineer (Roads & Buildings) APHM&ECRP, CE, Panchayati Raj department, Principal Chief Conservator of Forests, Commissioner, Rural Development	June 1997 to July 2000 – extended to July 2002 (up to July 2003 for Hazard mitigation studies and technical assistance)	The AP Disaster Management Unit in the Department of Finance and Planning

3.1.2 Audit coverage

Implementation of the projects was test-checked in implementing units/departments and SPIUs[4]/DMU[5]. The results of the review are discussed in the succeeding paragraphs.

[4] State Project Implementation Unit
[5] Disaster Management Unit

3.1.3 *Agricultural Human Resource Development Project (AHRDP)*

A. Financial outlay and Expenditure

Liability of State Government for repayment of loan was Rs 41.87 crore

(a) The loans and grants received from GOI (up to July 2002) amounted to Rs 41.87 crore (against Rs 53.56 crore due) and Rs 17.93 crore (against Rs 22.96 crore due) respectively. As against a budget provision of Rs 128.19 crore under the project, Rs 101.67 crore were released up to 2001-02. The year-wise details were as follows:

(Rupees in crore)

Year	Releases by GOI		Budget provision	Funds released	Expenditure	Saving (-)/ Excess (+)
	Grant	Loan				
1995-96	-	-	5.31	5.71	3.18	(-)2.53
1996-97	-	-	5.99	8.92	7.08	(-)1.84
1997-98	2.15	5.02	8.03	27.07	14.07	(-)13.00
1998-99	1.49	3.47	35.56	1.83	10.32	(+)8.49
1999-2000	5.10	11.91	36.96	14.44	28.02	(+)13.58
2000-01	5.00	11.67	17.85	34.02	20.78	(-)13.24
2001-02	3.35	7.83	18.49	9.68	13.41	(+)3.73
2002-03	0.84	1.97	-	-	-	
Total	**17.93**	**41.87**	**128.19**	**101.67**	**96.86**[$]	**(-)4.81**

[$] State share : Rs 20.34 crore (21 per cent) IDA credit : Rs 76.52 crore (79 per cent)

Note: Releases/expenditure relating to ANGRAU were Rs 73.76 crore/Rs 72.35 crore and those pertaining to Line departments were Rs 27.91 crore/Rs 24.51 crore respectively.

Reasons for savings (Rs 4.81 crore) were not intimated both by ANGRAU and Line departments.

Actual utilisation was only Rs 89.48 crore (90 per cent of the estimated project cost)

(b) The component-wise estimated cost, expenditure incurred and percentage of achievement over estimated cost were as follows:

(Rupees in crore)

Component	Estimated cost (Final)	Expenditure	Financial achievement (percentage)
Civil Works	29.45	30.12	102
Goods and Equipment	48.15	46.29	96
Training and Consultancy	13.74	12.56	91
Salaries and Running Cost	7.91	7.89	99
Total	**99.25**	**96.86**	

After taking into account diversions (Rs 1.41 crore), vouchers not produced for certification by Accountant General (Rs 1.06 crore) and other reasons (Rs 4.91 crore) aggregating to Rs 7.38 crore, the actual utilisation of funds was only Rs 89.48 crore i.e., 90 per cent of the estimated project cost. Thus, the State lost the World Bank assistance to the extent of Rs 7.38 crore.

The physical achievement of the components of the project were as follows:

Component	Target	Achievement as of August 2002	Physical achievement (percentage)
Civil Works (Number of works*)	30	29	96
Goods and Equipment (Number of packages #)	60	60	100
Training and Consultancy (Number of slots)	6000	6021	100

* hostel/training centre, buildings, fish ponds, etc.
\# Computers, Laboratory equipment, X-Ray machines, Generators, etc.

B. Implementation

The project to be completed by June 2000 was extended by 18 months by the World Bank to December 2001 due to non-completion of civil works, procurement of equipment and delays in overseas training as discussed in paragraphs 3.1.3 B I, 3.1.3 B III (i) and 3.1.3 B IV (ii).

The following points were noticed:

Rs 2.44 crore unspent not refunded by ANGRAU/Line departments/ Executing agencies

i) Non-refund of unspent balances: Of Rs 86.10 crore released[6]/advanced by Government to ANGRAU, and consultant/suppliers, Rs 2.44 crore (ANGRAU: Rs 1.41 crore, APIIC: Rs 0.79 crore, APTS: Rs 0.07 crore, NICS Inc. : Rs 0.03 crore, Asian Books Private Limited, New Delhi : Rs 0.14 crore) being the unutilised amount was not refunded to Government as of August 2002 even though the project was completed by December 2001.

Commissioner prematurely released Rs 2.01 crore to APIIC

ii) Release of funds without immediate requirement: The Secretary to Government in Agriculture and Co-operation department sanctioned and released Rs 2.01 crore (Rs 0.81 crore in December 1995 and Rs 1.20 crore in January 1997) to the Commissioner and Director of Agriculture (Commissioner) for construction of Agricultural Staff Training Institute at Hyderabad. The Commissioner drew the amount and credited to the PD account of APIIC even before the administrative and technical sanctions were accorded in November 1996. The funds were however, utilised by APIIC only after 1997-98 as commencement of work (July 1997) was delayed by 1½ years owing to delay in supply of drawings by consultants, etc. Thus, funds were released to APIIC without immediate requirement.

[6] ANGRAU (Rs 73.76 crore), AP Industrial Infrastructure Corporation (APIIC: Rs 9.30 crore), AP Technological Services Limited (APTS - Rs 2.67 crore), National Informatics Centre Services Inc. (NICS Inc – Rs 0.16 crore), Asian Books Private Limited, New Delhi (Rs 0.21 crore)

ANGRAU and Line departments diverted Rs 1.41 crore

iii) Diversion of funds: The Director, AHRDP diverted Rs 78.73 lakh towards salaries of 19 administrative staff and internal travel cost which was to be met from the University (ANGRAU) budget as per World Bank guidelines. Similarly, Director, Animal Husbandry diverted Rs 47.89 lakh for running and maintenance cost of the training institutes and Commissioner and Director of Agriculture diverted Rs 14.31 lakh towards repairs and renovation of existing office buildings at the Commissionerate from the Capital Account.

Rupees 63.51 lakh being the unutilised amount in PD account lapsed

iv) Lapse of funds: As per Government orders of April 2000, the amounts released on or before 31 March 1999 lying in all Personal Deposit (PD) accounts remaining unutilised for more than a year as on 31 March 2000 would lapse to Government. The funds released by Government for execution of civil works by APIIC were deposited in the PD Account of APIIC from time to time. Out of Rs 4.20 crore deposited up to March 1998, Rs 3.57 crore were withdrawn by APIIC and the balance Rs 63.51 lakh, remaining unutilised for 2 years, had lapsed in March 2000. Thus, the benefit of World Bank assistance could not be availed of to that extent.

I. Civil works executed by ANGRAU

i) Non-utilisation/Delay in utilisation of Girls Hostel[7]: With the objective of improving students' amenities in ANGRAU, eight girls hostels were constructed at a total cost of Rs 4.82 crore during 1997-2001 to provide accommodation for 400 girl students, in eight colleges[8]. One International students hostel was also constructed (September 2001) in the University campus, Rajendranagar, at a cost of Rs 1.45 crore to provide accommodation to 50 foreign students and to attract more students.

Infructuous expenditure of Rs 76.87 lakh due to defective design of hostel building

(a) Though the hostel building in the Agricultural College, Mahanandi was ready (cost : Rs 76.87 lakh) in October 1997, it was not occupied even as of May 2002 as major cracks had developed in the structure and roof was leaking due to defective design and faulty construction rendering the entire outlay infructuous. Departmental enquiry to fix responsibility has not been initiated.

(b) Though the construction of the hostel building in the Agricultural College, Bapatla was completed (cost: Rs 70 lakh) by October 1997, the building was handed over in September 1999, as the roof of a portion of the building was found to be too low due to defective design. The building however, was taken over without any modifications/rectifications.

These defective designs were prepared by an Architect firm engaged by the University on payment of consultancy fee at 1.5 per cent of

[7] Agricultural College - Bapatla, Mahanandi and Rajendranagar

[8] Aswaraopet, Bapatla, Gannavaram, Mahanandi, Naira, Rajendranagar, Saifabad and Tirupati

the value of the work (Rs 1.47 crore). However, no penalty could be imposed against the architect firm in the absence of an enabling clause in the agreement.

Construction of International hostel to accommodate foreign students lacked justification

(c) The Director, AHRDP issued the administrative sanction in November 1999 for construction of International Students Hostel at Rajendranagar. The hostel though completed (cost : Rs 1.45 crore) in September 2001 was inaugurated only in May 2002 and was yet to be occupied (August 2002). Further, as the intake of foreign students during the last five years being only between 1 and 9 each year, construction of a separate hostel to accommodate 50 foreign students at a cost of Rs 1.45 crore lacked justification.

ii) Unauthorised expenditure on construction of auditorium complex: The World Bank sanctioned in August 1999 the construction of a modern auditorium complex at Rajendranagar for conducting workshops and seminars at an outlay of Rs 4 crore (revised to Rs 5.50 crore in September 2001). The auditorium was completed in October 2001 at a total cost of Rs 7.19 crore. The guidelines stipulated that the borrower should inform the World Bank in advance if any change would increase the cost of the contract by more than 15 per cent of the original price. The Director AHRD Project, ANGRAU had, however not obtained such approval as of August 2002 for the excess expenditure of Rs 1.69 crore. Also Rs 30.25 lakh were paid to an architect towards consultancy charges as against Rs 10 lakh sanctioned. Thus Rs 1.89 crore was incurred in violation of the guidelines.

Expenditure of Rs 30.42 lakh on lift irrigation scheme remained unfruitful

iii) Unfruitful expenditure on a lift irrigation scheme: For construction of a lift irrigation scheme at Agricultural College, Naira (Srikakulam District), administrative sanction for Rs 34.70 lakh and technical sanction for Rs 39.20 lakh (including consultancy fees of Rs 5 lakh) were accorded in March and April 2000 respectively. The work was entrusted to APSIDC[9] and an advance of Rs 35 lakh was paid in April 2000.

However, the civil works (Rs 20.30 lakh) and the electrical and mechanical works (Rs 18.90 lakh) commenced in April 2000 and scheduled to be completed by October 2000 were not completed even as of May 2002. In the meanwhile the Project has been closed (December 2001) and an expenditure of Rs 30.42 lakh has been incurred up to March 2002. Though APSIDC approached (October 2001) the University for release of balance funds (Rs 5.75 lakh) for completion of balance works and payment of Consultancy fee, these had not been released so far (August 2002). Consequently, construction of distributory channels, energisation of 2 (out of 3) pumpsets have not been taken up.

[9] AP State Irrigation Development Corporation

Thus due to non-completion of the civil works and non-energisation of pumps because of failure to release adequate funds in time by the University, the objective of supply of 2 cusecs of water for running the farm and supply of drinking water to the College and hostel was not achieved, rendering the expenditure of Rs 30.42 lakh thereon unfruitful.

II. Execution of Civil works by APIIC

Cost overrun of Rs 66.34 lakh in construction of Training centres due to delay in selection of suitable site

Cost and time overruns – In-Service Training Centres: For improving training facilities for in-service personnel and farmers, construction of 3 training centres and one training institute[10] with hostel facilities was taken up (1995-2002) by Agriculture Department through APIIC at a cost of Rs 3.74 crore (revised to Rs 4.96 crore). Delay in acquisition of site, resulted in time overruns of over 3 years[11] (Peddapuram) and one year[12] (Nandyal) with consequent cost overrun of Rs 58.17 lakh and Rs 8.17 lakh respectively. Due to delay in supply of drawings by the architects the commencement of work in the case of Agricultural Training Institute at Malakpet (Hyderabad) was delayed (July 1997/September 1998) and it was completed only in May 2001 resulting in time overrun of over 2½ years.

III. Procurement of goods and equipment

Goods and equipment worth Rs 2.86 crore lying idle in ANGRAU and Line departments up to 4 years

i) Equipment lying idle: Of the goods and equipment costing Rs 46.29 crore procured by ANGRAU (Rs 37.78 crore) and line departments (Rs 8.51 crore) machinery and equipment[13] valuing Rs 2.86 crore were lying idle in ANGRAU (Rs 2.72 crore) and line departments (Rs 0.14 crore) due to absence of the required infrastructure facilities like laboratory buildings, generator rooms, 3-phase power supply, etc. (*Appendix XIX).* Thus the objective of improving the quality of agricultural education by procuring modern scientific/laboratory equipment and computer hardware/software was not fully achieved.

SIFT procured two mechanised boats despite gross under-utilisation of the existing boats

ii) Underutilisation of boats by Fisheries Department: The State Institute of Fisheries Technology (SIFT), at Kakinada, established under the project in July 1998, was using 2 mechanised boats[14] (transferred from AP Fisheries Corporation after its closure) for training of fishermen in handling the mechanized fishing boats. The usage of these boats during the period 1998-2001 was between 14 and 37 per cent. In spite of gross underutilisation of the existing boats, SIFT procured (December 2000) two more mechanised boats

---

[10] Anantapur, Malakpet, Nandyal and Peddapuram
[11] December 1997/February 2001/Rs 35.40 lakh/Rs 93.57 lakh
[12] January 2000/August 2001/Rs 34.48 lakh/Rs 42.65 lakh
[13] Computer hardware, diesel generators, X-ray machines, laboratory and scientific equipment, etc.
[14] MT Pragati and MT Santisagar

at a total cost of Rs 15.83 lakh. Expenditure of Rs 3.33 lakh was incurred on running and maintenance of the new boats during 2000-02. With the superfluous acquisition of boats the average utilization fell to 12 to 16 per cent (*Appendix XX)*.

Thus procurement of two more boats lacked justification, rendering the expenditure of Rs 19.16 lakh on their procurement and maintenance largely unfruitful.

IV. Training of teachers/staff and farmers

Injudicious selection of teachers nominated for overseas training

i) Irregular selection of nominees for overseas training: According to GOI guidelines (January 1988), the nominees for overseas training should be below 52 years of age for short-term training (15 days to 6 months). Further, only the teachers working in the field connected with the subject of training should be nominated.

(a) Four teachers belonging to the College of Veterinary Sciences, at Tirupati (1), Rajendranagar (2), and Agricultural College, Rajendranagar (1), who were over 52 years of age were deputed for 3 months training abroad in two batches at a cost of Rs 26.68 lakh between April and November 2000.

(b) Further, three teachers working in the administration and examination wings of ANGRAU too were sent to USA between January 1999 and September 2000 on 3 months fellowships in Farming systems and Intensive Duck production. On completion of their training, two of them (cost of training: Rs 13.57 lakh) were re-assigned to Administration and Examination wings.

Thus, the expenditure of Rs 40.25 lakh incurred by the University was not only irregular but also failed to serve the interests of the Project, thus rendering it unfruitful.

Project objective hampered due to huge shortfall (94 per cent) in overseas training

ii) Shortfall in training: In the Staff Appraisal Report approved by World Bank (March 1995), emphasis was laid on Human Resource Development, and "Training and Consultancy" was one of the four major components for implementation.

(a) As against 80 personnel from line departments targeted to be trained abroad, only five persons were sent abroad by Animal Husbandry (3) and Fisheries (2) Departments, resulting in huge shortfall of 94 per cent. PM&IC stated (March 2002) that the shortfall was due to non-clearance of proposals for foreign training by State Government and that the provision made for overseas training was utilised for domestic training. In the project completion report of line departments published (November 2001) by PM&IC, it was observed that the overseas training activity could not be undertaken for want of Government approval in sponsoring candidates for the training. In the project completion report published (March 2002) by the World Bank, too, it was pointed out that the project implementation was hampered by delay in approving selection of trainees for overseas training by State Government.

The objective of providing international exposure to staff through training overseas was thus not achieved.

(b) As against 912 in-service personnel of different categories proposed to be given refresher course training during 1998-2001 in Fisheries Department, training was given only to 406 persons, with a shortfall of 50 to 70 per cent. Further, no training was conducted, though prescribed, for farmers. This also contributed to underutilisation of fishing boats procured for training (Paragraph 3.1.3 B III (ii) also refers).

C. Monitoring

The Annual Plan Implementation Committee constituted in February 1995 with Principal Secretary to Government, Agriculture and Cooperation Department, as Chairman, was to meet at least twice a year. But the Committee met only once a year during 1995-2002. During the first two years of implementation of the Project i.e., 1995-97, there was practically no monitoring of the implementation of the project by PM&IC as it started functioning only from March 1996/January 1997. Internal audit also did not exist ever since the inception of the HRD Project.

3.1.4 *Second Technician Education Project (STEP)*

The Project was launched in 1990-91 with the objective of improving the capacity and quality of the Polytechnic programmes; initially scheduled to be completed by December 1998, it was extended up to October 1999 though payments of committed expenditure were allowed up to February 2000.

A. Financial outlay and Expenditure

The year-wise details of Budget allotment/releases and expenditure during 1991-2000 were as follows:

(Rupees in crore)

Year	Releases by GOI			Budget allotted and released	Expenditure incurred	Saving (-)/ Excess (+)
	Loan	Grant	Total			
1991-92	-	-	-	5.58	1.31	(-)4.27
1992-93	1.56	0.67	2.23	8.00	4.82	(-)3.18
1993-94	4.36	1.87	6.23	8.00	6.75	(-)1.25
1994-95	5.52	2.37	7.89	10.50	12.79	(+)2.29
1995-96	7.39	3.16	10.55	10.70	15.21	(+)4.51
1996-97	8.04	3.44	11.48	40.59	15.68	(-)24.91
1997-98	19.47	8.35	27.82	39.67	26.36	(-)13.31
1998-99	14.15	6.06	20.21	39.37	18.93	(-)20.44
1999-2000	9.28	3.98	13.26	22.56	36.75	(+)14.19
2000-01	11.37	4.87	16.24	-	-	
Total	**81.14**	**34.77**	**115.91**	**184.97**	**138.60**	**(-)46.37**

Liability of State Government was Rs 81.14 crore

Reasons for the saving/excess called for were awaited. Out of Rs 138.60 crore expended, GOI loan was Rs 81.14 crore and grant was Rs 34.77 crore aggregating to Rs 115.91 crore against Rs 117.80 crore (85 per cent of Rs 138.60 crore) proposed.

The component-wise estimated project cost, expenditure and financial achievement are as follows:

(Rupees in crore)

Name of the component	Project cost	Expenditure	Percentage of achievement
Civil works	65.00	63.06	97
Equipment	48.83	48.66	100
Furniture	4.90	5.06	103
Vehicles	0.02	0.02	100
Staff training	1.85	1.77	96
Books	2.03	2.03	100
Salaries	14.80	15.23	103
Consumables	2.82	2.77	98
Total	**140.25**	**138.60**	

Actual utilisation was only Rs 122.48 crore - 87 per cent of the estimated project cost

Due to diversions (Rs 9.33 crore) vouchers not produced for certification audit by Accountant General (Rs 0.15 crore) disallowance by World Bank (Rs 6.47 crore), the State lost World Bank assistance to this extent. Considering the unutilised amount of Rs 16.73 lakh also the actual utilisation was only 87 per cent of the estimated project cost.

The physical achievement of the components of the project were as follows:

Name of the component	Target	Achievement	Physical achievement (Percentage)
Civil works (New colleges : 12; Improvement to colleges : 44)	56	56	100
Equipment (Labs and workshops modernised)	896	894	100
Additional students/seats created	5350	5350	100
Polytechnic with multi-point entry credit system	7	7	100
Staff training (faculty)	1750	1956	112
New Diploma courses for women polytechnics	11	11	100
Curricula developed in last 5 years	100	100	100
Faculty-student ratio	1:15	1:14	93

B. Implementation

Extra financial burden of Rs 1.93 crore due to entrustment of Civil works to APIIC

i) Injudicious decision to entrust the Civil works to APIIC: Government allowed 14 per cent of the actual expenditure as centage charges on all works entrusted to APIIC. In the meeting of the State Empowered Committee for strengthening of Technical Education with World Bank assistance, held under the Chairmanship of Chief Secretary to Government on 4 October 1994, the Finance Secretary, observed that centage charges being charged by APIIC, were substantially high as compared to 7.5 per cent charged by R&B Department and directed the Commissioner that other organisations such as Police Housing Corporation, Medical Housing Corporation, etc. be also consulted but preference be given to R&B department. Notwithstanding these instructions, the construction of the Polytechnics was entrusted to APIIC. The injudicious decision (reasons not furnished though called for) of the Commissioner of Technical Education (Commissioner) to entrust the civil works to APIIC had led to an extra financial burden of Rs 1.93 crore on centage charges compared to 7.5 per cent charged by R&B Department.

Lack of pursuance by the Commissioner deprived the State Government of World Bank assistance of Rs 6.47 crore

ii) Failure of Commissioner to obtain reimbursement from World Bank: Payments aggregating to Rs 6.47 crore made towards procurement of goods[15], for supply to polytechnics and services rendered to Technical Education Department were not reimbursed by the World Bank on the ground that purchase orders were placed after the closure of the project, i.e., October 1999. The Commissioner clarified in May 2000 that purchase orders were placed before closure of the project and only payments were made between October 1999 and February 2000. The Commissioner, however did

[15] computer hardware and software, LCD multi-media projectors, xerox-machines, etc.

not pursue the matter depriving the State of World Bank assistance of Rs 6.47 crore.

iii) Non-adjustment of advance: **(a)** Advances of Rs 13.30 crore were paid to COFMOW[16] by the Commissioner, during July 1996 - April 1999 for procurement of computers and instructional equipment, etc. as advised by the Ministry of Human Resource Development, for supply to the polytechnics. Supplies for only Rs 12.34 crore were received during 1996-2000 and Rs 96 lakh were retained by COFMOW as of August 2002.

(b) Of Rs 3.26 crore released to State Board of Technical Education and Training (SBTE&T) towards payment of salaries and development programmes during the period 1991-2000, Rs 3.09 crore were spent. The unspent amount of Rs 16.73 lakh was not refunded by the Board as of August 2002.

iv) Diversion of project funds: **(a)** Rupees 10.60 lakh paid during 1991-2000 towards pension and leave salary contributions in respect of the personnel drafted from the State Government for SPIU under the control of SBTE&T, were irregularly charged to the project funds.

(b) Payment of rentals, in respect of three colleges[17] amounting Rs 40.56 lakh for the years 1997-98 and 1998-99 were charged as expenditure under "Category–IV - Incremental operating costs – Consumables" though the expenditure was required to be met from the regular budget of the State Government.

I. Execution of civil works

Cost escalation in Civil works was Rs 20.25 crore due to delay in entrustment

i) Time and Cost overruns: Government accorded (March 1992) administrative sanction for construction of 12 polytechnic colleges at different places in the State at an estimated cost of Rs 14.02 crore. The works were entrusted to APIIC only in 1994-95 (7[18]) and 1997-98 (5[19]) with delays of over 3 to 6 years due to non-availability of funds[20] and delay in selection of suitable land[21]. The construction was completed by October 1999 at a total cost of Rs 34.27 crore. The delay in entrustment of the works resulted in total cost escalation of Rs 20.25 crore. Reasons for the delay in the entrustment of balance 9 works to APIIC though called for (June 2002) were awaited (August 2002) from the Commissioner in respect of 9 polytechnic colleges.

---

[16] Central Organisation for Modernisation of Workshops – an Indian Railways undertaking
[17] Karimnagar (Rs 30.28 lakh), Bellampally (Adilabad district – Rs 9.08 lakh) and Srikakulam (Rs 1.20 lakh)
[18] Cuddapah, Ethamukkala, Medak, Nandigama, Narasipatnam, Nizamabad, and Palamaneru
[19] Abdullapurmet, Bellampally, Karimnagar, Srikakulam and Suryapet
[20] polytechnic at Karimnagar
[21] polytechnics at Suryapet and Abdullapurmet

ii) Infructuous expenditure on preparation of plans and estimates: Expenditure of Rs 17.64 lakh on preparation of plans and estimates, invitation and processing of tender documents in respect of eight works[22] was infructuous, as the works were subsequently abandoned on administrative grounds by the Commissioner.

Staff quarters constructed in August 1999 not occupied as of March 2002 – unfruitful outlay: Rs 38.65 lakh

iii) Unfruitful outlay on staff quarters due to non-occupation: Of the 6 staff quarters (cost : Rs 46.38 lakh) constructed in the premises of Government Model Residential Polytechnic for Women at Karimnagar in August 1999, only one was allotted in March 2001. The remaining 5 quarters constructed at a cost of Rs 38.65 lakh were not allotted even as of May 2002 due to lack of demand from the staff. Thus the very objective of utilising the services of the faculty at the premises of the residential college was defeated besides rendering the expenditure of Rs 38.65 lakh on construction unfruitful. There was also an avoidable payment of Rs 0.70 lakh as house rent to at least five faculty members.

II. Machinery and equipment lying idle

Machinery and equipment worth Rs 75.37 lakh lying idle in polytechnics

Of the equipment worth Rs 48.67 crore purchased during 1992-2000 and distributed to various Polytechnics for instructional and demonstration purpose, equipment such as X-Ray machines, Processor Controllers and Accurately Machined Gun Metal Moulders etc. worth Rs 75.37 lakh were lying idle as of May 2002 in 15 Polytechnics (*Appendix XIX*). Of this, equipment worth Rs 28.40 lakh were lying idle for periods ranging from 6 months to over 8 years.

III. Filling up vacant faculty posts on contract basis

As per the World Bank guidelines, efforts to recruit teachers should be intensified to avoid poor utilisation of expensive equipment and low quality of teaching through temporary/part-time teachers.

As against the revised targeted key additional faculty posts of 343, only 279 posts were sanctioned (1991-99) by the Commissioner. Out of 259 posts reported to have been filled as of October 1999, 103 posts (40 per cent) were filled on contract basis contrary to the guidelines. Specific reasons for the shortfall in creation and filling of posts, etc. though called for were awaited (August 2002). The objective of improving the instructional quality by utilisation of expensive equipment was thus not achieved which adversely affected the success rate of the students in the diploma courses.

[22] Abdullapurmet, Cuddapah, Ethemukkala, Medak, Nandigama, Palamaneru, Srikakulam and Suryapet

3.1.5 *AP Hazard Mitigation and Emergency Cyclone Recovery Project (APHM&ECRP)*

A. Financial outlay and expenditure

Liability of State Government for repayment of loan was Rs 305.93 crore

The loans and grants received for the Project from GOI during 1997-2002 vis-à-vis the expenditure incurred to end of 31 March 2002 was as follows:

(Rupees in crore)

Year	Releases by GOI		Budget provision	Funds released	Expenditure	Saving (-)/ Excess (+)
	Loan	Grant				
1996-97	--	--	--	--	9.67	(+)9.67
1997-98	0.76	0.33	56.02	49.27	30.79	(-)18.48
1998-99	49.78	21.34	193.76	135.76	127.60	(-)8.16
1999-2000	80.19	34.37	183.40	181.36	149.41	(-)31.95
2000-01	53.27	22.83	286.75	259.10	249.68	(-)9.42
2001-02	121.93	52.26	172.84	141.56	132.00	(-)9.56
Total	**305.93**	**131.13**	**892.77**	**767.05**	**699.15***	**(-)67.90**

* Excluding electricity component

A sum of Rs 17.03 crore being the ineligible expenditure was disallowed in the Audit Certificates issued for the year ended 31 March 2002. Thus, Government lost World Bank assistance of Rs 17.03 crore.

B. Implementation

A scrutiny of the records relating to the implementation of the project revealed the following:

i) Misprocurement of Doppler Weather Radar Systems (DWRS): With a view to enhancing the GOI's Cyclone Warning Capacity at 6 weather stations, establishment of 6 DWRS was contemplated under the project, of which three were to be financed by the World Bank and the balance three were to be met by GOI from its own sources. As the bids received for the work were not evaluated by the India Meteorological Department (IMD) even after six months of their opening, the World Bank treated (May 2001) the process of procurement of DWRS as misprocurement and cancelled the credit facility of US $ 9 million (Rs 31.95 crore).

Thus, failure to procure the DWRS resulted in non-availment of World Bank loan. Further, the casual attitude shown by the IMD impacted the critical component of enhancing the country's early cyclone warning capacity thus defeating the very objective that spurred the government to go in for external aid.

ii) Improper charge on the project: As a part of improvements to Budameru drain in Krishna District, widening of railway bridge enroute at km 7.20 was proposed by the Irrigation and Command Area Development (I&CAD) Department to increase the discharge capacity of the drain from 7500 cusecs to 15000 cusecs. For this purpose the I&CAD Department deposited Rs 1.29 crore with the Railways in March 1994 out of CERP[23] funds. The work was not taken up. The work was proposed under APHM&ECRP. Accordingly Rs 3.32 crore were deposited with the Railways in March 1999. While widening the bridge on the up line was completed by March 2001 at a cost of Rs 2.65 crore, the line on the down portion (expenditure: Rs 1.14 crore) could not be completed due to unsound foundation of the bridge. Various alternatives were reviewed for completion of the Project. The Engineer-in-Chief finally proposed (April 2002) for deletion of the work from the Project on the ground that the work would not be completed even by 31 July 2002 which was the then extended date of completion of the Project. As the further work on the bridge was not taken up by the Railways, the unspent balance of Rs 81.55 lakh remaining with the Railways, was not a proper charge on the project.

iii) Interest-free advances to contractors: The agreement with the contractors for the project works did not provide for charging of interest on the advances paid to them. Since financial assistance from World Bank was obtained with an interest liability of 12 per cent, the grant of interest-free advances to contractors was not in order. The agreements for the World Bank assisted AP Irrigation Project - III works simultaneously executed with the project did in fact contain a clause providing for collection of interest at 12 per cent on the advances paid to contractors.

Grant of interest free mobilisation advances to contractors for works covered by 44 agreements resulted in Government foregoing Rs 1.38 crore[24] by way of interest not collected, which also had the effect of excess charge on the project funds.

iv) Irregular payment towards price escalation for ineligible works: Government issued orders (September 1997/February 1998) permitting payment of price escalation only for works costing over Rs 2 crore, with a completion period exceeding 18 months.

---

[23] Cyclone Emergency Reconstruction Project

[24] R&B - 7 divisions - 27 cases - Rs 11644087; I & CAD - 3 divisions - 13 cases – Rs 1678339; PR Dept - 4 divisions - 4 cases - Rs 491710

It was however, observed that an escalation clause was incorporated in the tender schedules by 4 SEs[25] and contracts for works with completion period of less than 18 months. This resulted in payment of Rs 1.09 crore towards price escalation for 7 works resulting in undue benefit to contractors.

v) Belated contributions to Vulnerability Reduction Fund: According to the guidelines for the project, Vulnerability Reduction Fund (VRF) of Rs 30 crore was to be constituted by the State Government, with an initial capital of Rs 18 crore, by not later than 1 October 1997. The subsequent annual contributions were to be made by 31 March 2000. The income generated from the investment is to be used as matching finance for hazard reduction activities undertaken by communities.

While contributions to the extent of Rs 26.58 crore were deposited in banks, with delays ranging from 62 to 648 days, causing an interest loss of Rs 58 lakh, the balance contribution of Rs 3.42 crore was not deposited into the fund by the government even as of May 2002 resulting in loss of interest of Rs 73 lakh.

C. Monitoring

The DMU of the Project functioned only with 13 posts as against the sanctioned strength of 22, leaving 9[26] posts of supervisory cadre left unfilled. This resulted in poor monitoring of the Project activities.

The above points were referred to the Principal Secretaries to Government in July 2002; reply had not been received (August 2002).

[25] Superintending Engineers of R&B Circles Cuddapah, Kakinada, Karimnagar and Kurnool

[26] Additional Project Implementing Officer - 1, Communication Expert - 1, Disaster Management Expert - 1, Scientist - 1, Superintending Engineer - 1, Deputy Executive Engineers - 2 and Assistant Executive Engineers - 2.

INFORMATION TECHNOLOGY AND COMMUNICATION DEPARTMENT

3.2 Information Technology Audit of eSeva – an e-Governance initiative by Government

Highlights[*]

Though Government launched a unique and conceptually a good project to put e-governance into action to provide a large number of services to citizens on one-stop-shop basis, the project suffered from lack of transparency, inefficient and ineffective implementation largely due to unpreparedness of the participating departments and inadequate coordination. The network was exposed to serious risks of physical access controls and logical controls. The key data and huge volumes of cash pertaining to various departments had been left to the administration of private operator without adequate internal controls. Data integrity, reliability, and safety across the project were also inadequate.

- **The eSeva project, a New Service, was started without formal budget provision and without conducting feasibility study. Financial rules were largely neglected by the Director, eSeva project in implementing the programme. The project was rushed through even when the participating departments were not ready.**

[Paragraphs 3.2.4 (i) and 3.2.6]

- **The bid evaluation adopted in selecting the operator lacked transparency, and only one operator was selected instead of two in violation of the Government orders.**

[Paragraph 3.2.4 (ii) and (iii)]

- **Adequate documentation did not exist for any of the aspects relating to software, hardware, network, error handling, etc. Complete technical documentation including the source code specified in the tender was also not obtained. This had resulted in a situation where the Director was completely dependent on the operator. Adequate business continuity plan also did not exist.**

[Paragraph 3.2.5 (ii) and (iii)]

- **The essential controls in computerised environment such as logical access controls, physical access controls, etc. were found inadequate. The network security of the project was also lacking.**

[Paragraph 3.2.5A (i) and (iii)]

---

[*] The abbreviations used in this review are listed alphabetically in glossary vide *Appendix XXXVI* (page 212)

- **The transactions in eSeva were not reconciled with the data in the respective departments and scrutiny revealed many irregularities, inadequacies and inconsistencies in the data.**

[Paragraph 3.2.5A (iv)]

- **Government assets worth Rs 90 lakh relating to the TWINS pilot project were handed over to the operator free of cost though not provided in the agreement.**

[Paragraph 3.2.7 (iv)]

3.2.1 Introduction

Government implemented (December 1999) a unique pilot project "Twin Cities Network System" (TWINS) (cost: Rs 90 lakh) as part of e-governance to provide speedy services across the counter integrating several departments[27] and Public Sector Undertakings/ Local Bodies[28] in an efficient, reliable and transparent manner, computerised under one-stop shop arrangement to citizens in a limited jurisdiction. Government decided (June 2000) to extend the TWINS project to twin cities of Hyderabad and Secunderabad by opening a chain of 24 integrated citizen service centres and renamed the project as eSeva. The project was to be implemented on Build Own Operate and Transfer (BOOT) basis under Public-Private Partnership model where Government would provide civil infrastructure and private operator would provide IT infrastructure including Hardware, Design and Development of Software. The role of participating departments was limited only to allowing access to eSeva authorities, their database and to permit them to update the same on the basis of day to day financial transactions carried out in the various eSeva centres.

The eSeva project was designed on a 3-tier architecture. The first tier consists of counter terminals and printers located at eSeva centres and the second tier consists of web servers and firewall servers located at Data centre (Khairatabad). The third tier consists of departmental servers located at different departmental offices, the services of which were offered at eSeva centres. All systems were connected in a network with leased lines and ISDN[29] backup.

3.2.2 Salient features

The salient features of eSeva project *inter alia* are to (i) provide real time online transaction; (ii) provide various services like payment of electricity and telephone bills, booking of

---

[27] Registration and Stamps, Transport, Commercial Taxes, Ministry of External Affairs, etc.

[28] Bharat Sanchar Nigam Limited, Transmission Corporation of Andhra Pradesh Limited (APTRANSCO), Hyderabad Metropolitan Water Supply and Sewarage Board (HMWS&SB), Municipal Corporation of Hyderabad (MCH)

[29] Integrated Services Digital Network

bus tickets, obtaining birth certificates, filing tax returns, etc., at any counter and at any centre; (iii) provide IT infrastructure and its maintenance for a period of 5 years by the operator (contractor firm), which is to be transferred at zero value to Government after 5 years; (iv) collect revenue relating to various departments/PSUs, etc. through eSeva and (v) not to levy service charge on the citizen and the transaction charges were to be paid to the operator by Government.

The eSeva initiative is an e-Governance initiative which facilitates citizen interface with the Government and reduces the inconvenience caused to citizens in visiting multiple establishments of the Government for getting various services; resulting in time saving. While the number of daily transactions was around 600 in August 2001; the number increased to 3202 in March 2002. As of August 2002, there were 21[30] eSeva centres in twin cities of Hyderabad and Secunderabad and 23.78 lakh transactions involving Rs 296.57 crore were carried out in these centres.

3.2.3 Scope of Audit

The scope of audit included test-check of the records of the Director, eSeva for the period August 2001 to March 2002 and verification of the general and application controls operating in the IT environment. Data pertaining to the period of three months (January – March 2002) was chosen for substantial checking of data completeness, regularity and consistency, using an audit software tool namely IDEA (Interactive Data Extraction and Analysis) package. The findings of the audit are discussed in succeeding paragraphs.

3.2.4 Programme implementation

Feasibility study not conducted before taking up the scheme

The hardware items in the Project *inter alia* included web application server (SunE 250 512MB RAM 20 GB x 5 hard disk with raid 5 implementation servers), Database server (Compaq ML 530), Firewall server (IBM Netfinitiy 3000), web server (Compaq ML 370), two standby servers, 150 PC systems, printers etc. The application software was developed by M/s. Ram Informatics Limited and the system software/RDBMS (Relational Database Management System) used in the project for developing applications by the operator included Oracle 9iAS on solaris, Oracle 8i on Windows 2000 at Data centre (Khairatabad) and Windows 95 with internet explorer (IE5) at each of the eSeva centres.

[30] Bahadurpura, Banjara hills, Darulshifa, Greenlands, Khairatabad, KPHB, Habsiguda, Malakpet, Maredpally, Mint Compound, Musheerabad x Road, New Nallakunta, Ramnagar, Rethi Bowli, Sanjeeva Reddy Nagar, Santoshnagar, Seetaphalmandi, Sultan Bazar, Tirumalagiri, Vijaynagar colony and Vanasthalipuram

i) Feasibility study of the project not taken up: Audit scrutiny revealed that feasibility study of extending the service both technically and commercially was not conducted before implementing the TWINS expansion (eSeva) project. As a result, the suitability of the solution offered by single operator and the total resources required for the project such as staff, hardware, software, etc could not be accurately assessed by the Government.

Evaluation of bids lacked transparency

ii) Lack of transparency in evaluation of bids: **(a)** Based on the procedure stipulated in the bid document, the evaluation committee[31] short-listed (July 2000) four firms after technical bidding and invited these firms for financial bidding. After opening (October 2000) financial bids of four short-listed firms, the conditions in the Request for Proposal[32] (RFP) were altered (October 2000) and revised financial bids were obtained from these four short listed firms. Further, the technical scores initially assigned were revised by the evaluation Committee (only three out of 10 members[33] were present) assigning highest marks to the firm which got least scores in the initial evaluation. The evaluation committee did not record any reasons for changing the initially assigned technical scores. The process lacked justification and transparency.

(b) Later, the evaluation committee further short-listed two firms viz., CMS Ram Informatics (RIL) and Tata Consultancy Services (TCS) and recommended (October 2000) to conduct negotiations with both the firms. The negotiating committee adopted the lowest price quoted (slab rate: Rs 3.95 per utility transaction) by TCS as benchmark price for further negotiations. Finally after negotiations, RIL which quoted slab rate of Rs 4.75 per utility transaction[34] and which got least technical score in the initial evaluation process was awarded (December 2000) the contract at the benchmark price. Further, the committee allowed (November 2000) upward revision (Rs 6 to Rs 8) of the paper based transaction cost in respect of two services pertaining to reservation of ticket bookings and filing of applications / forms.

Thus adopting the lowest price quoted by TCS as benchmark price, and not asking TCS during the negotiations to further reduce its price while awarding the contract to RIL at benchmark price was irregular.

Against the initial decision to select two private operators, all the centres were entrusted to only one operator

iii) Dependence on single operator: Government initially decided (June 2000) to select two private operators for establishing eSeva centres to generate required competition and to provide choice

[31] consisting of MD/APTS (Chairman), Director, eSeva and other eight members from Transport department, APTRANSCO, Telecommunications, etc.
[32] RFP is in the nature of tender schedule in works contract
[33] signed by only two members
[34] Up to 3.60 lakh transactions : Rs 4.75 per transaction and, above 3.60 lakh transactions : Rs 3.95 per transaction besides different rates for different services

to citizens based on performance of respective centres. Accordingly bids were invited (June 2000) for selecting two operators for the purpose. However, all the centres were entrusted to only one operator without assigning any reasons. The objective of maintaining competitive spirit in quality of service, thereby providing choice to citizens was defeated.

Project administered with adhoc arrangements on day to day basis

iv) Lack of segregation of duties: There was no clearly defined role for each of the nine administrative personnel working in the eSeva Directorate and the project was being administered with adhoc arrangements on day to day basis exposing itself to high risk of lack of accountability. Also the entire private staff appointed by the operator working at Data Centre (Khairatabad) were having access to servers, database, application software, operating system and associated utilities exposing the system to risk of unauthorised access and data manipulation.

SRS document not prepared at all at planning stage

v) Lack of System Requirement Specifications (SRS)*:* The system requirement specifications that ultimately guide system design work were expected to be carefully decided specifying the access controls, regulatory requirements, and operational considerations. It was important that all the participating departments/agencies and user groups be actively involved in the process of developing requirements. However, it was noticed in audit that the SRS was not at all prepared and everything was left to the discretion of operator exposing the project to serious risks of scope creep (process of changes during development and implementation).

3.2.5 Programme performance

i) Time and Cost Overrun: The eSeva centres were scheduled to be fully operational from January 2001. However, due to delay in (i) identification of sites for locating eSeva centres, (ii) updating the data in participating departments/agencies, (iii) developing application software, (iv) procuring IT infrastructure, and (v) non-completion of civil works, the project suffered time overrun and only 17 out of 24 eSeva centres targeted were set up as of March 2002. The IT&C Department sanctioned Rs 258 lakhs in June 2000 for developing civil infrastructure required for 24 eSeva centres, as against which an expenditure of Rs 328 lakhs was incurred for developing civil infrastructure in 17 eSeva centres established as at the end of March 2002 . The department neither rendered detailed account for amounts drawn, nor got the additional expenditure ratified by competent authority.

Complete technical documentation including source code not obtained

ii) Lack of system documentation policy: There being no policy regarding maintenance of essential documents with eSeva, adequate documentation did not exist for any of the aspects relating to software, hardware, network, error handling, etc. with the eSeva.

The Director did not obtain various documents specified in the tender such as the complete technical documentation including source code resulting in complete dependency on the operator. Absence of source code would make it impossible for identification of any unauthorised programme running in the software application package. The Director stated (August 2002) that the source code would be obtained from the operator at the end of contract period. This was against the terms of the agreement, according to which it was to be furnished at initial stages itself.

Inadequate business continuity plan and absence of back up devices for offline transactions

iii) Lack of adequate business continuity and disaster recovery plan: There was no documented business continuity and disaster recovery plans defining the roles, responsibilities, rules and structures for continuing the operations of eSeva in the event of any disaster caused either due to intentional, accidental or natural calamities. There were no fire fighting systems both at data centre and eSeva centres. There was no attempt to classify assets and data on the basis of any risk perception of the department. Audit further observed that:

- As against more than 17 routers used for day-to-day operations, only two back-up routers were available at Khairatabad data centre.
- No alternative site had been identified for data centre activities in case of any disaster.
- In case of offline transactions, no back-up devices were in place at eSeva centres. Adequate alternate arrangements for continuing the transactions in the absence of key personnel for any reason, were also not in place.
- The back-ups of online data taken by the operator had not been tested for recovery so far. The backup of online data was not available with any Government Officer of eSeva though the Government was the owner of the data.
- Alternate means of collecting utility payments when eSeva centres do not function for various reasons were also not in place. It was important in a scenario where eSeva centres are being developed as only collection centres for many payments with the closure of existing manual collection centres.
- Scrutiny also revealed that backup of user level exports was being taken on a daily basis without any facility of hot backups in place exposing the system to serious data safety/ recovery risks. In a project of this scale where more than 20000 transactions are taking place daily, a strong back up strategy with a judicious mix of hot and cold backups was an urgent requirement.

A. Security management

Entire network exposed to risk of misuse by offenders

i) Inadequate physical access controls: Though stipulated in the agreement, the operator did not make sufficient security arrangements in Data centre and the eSeva centres. Physical Access Controls, which are essential to protect the eSeva centres from unauthorised access were inadequate exposing the entire network to the risk of misuse by the offenders. In one incident, there was a theft of systems and expensive devices like Router (total cost : Rs 3 lakh) at one of the centres[35] on 31 July 2001. This incident of theft demonstrates the security inadequacies besides exposing the entire network to the risk of misuse by unauthorized persons.

User account management system not adequate

ii) Inadequate password/user account management: (a) There was no well-defined documented password policy for the eSeva application, Oracle Database and operating system. There was no restriction on unsuccessful login attempts. The date and time of last access and number of unsuccessful attempts after last successful login attempt were not being displayed on the screens of authorised users at the time of login. There was no validation check to reject password creation of very short length. There was no system of maintaining emergency passwords, which had to be kept in a sealed cover with responsible authority for use in unforeseen situations. It was also noted that Passwords were not case sensitive.

(b) There was no documented well-defined procedure for creating user accounts. Though over 150 Data Entry Operators (DEO) access application software on any day, adequate user account management system was not in place.

No online monitoring both at eSeva centres and Data centre – network exposed to risk of access by unauthorised users

iii) Lack of network security: **(a)** It was observed that the Director had not conducted a review of functioning of network management tools to identify weaknesses. The difference in number of transactions as reported by eSeva and two participating organisations viz., APTRANSCO and HMWS&SB (Paragraph 3.2.5A(iv) also refers) indicate that data transmission was incomplete on some days. There had been no online monitoring both at eSeva centres and Data centre to monitor the activities of the operator/manager/programmer. Protocol analysers, essential for ensuring network security were not being used. The central server of Data Centre which is a primary installation for operation of the project, was itself located within one of the eSeva centres (Khairatabad) thereby exposing the network to risk of access by unauthorised users.

Data transmitted in clear text instead of in encrypted form

(b) There was no procedure to classify the data depending upon its sensitivity to protect highly sensitive data. The data was being transmitted in clear text between eSeva centres to data centre instead

[35] eSeva centre at Ramnagar

of in an encrypted[36] form. The risk of splicing the wire and re-routing the data to a private location cannot be ruled out. The Director, eSeva stated (August 2002) that encryption was not adopted as it involved additional load and would reduce system performance. The reply was not acceptable in view of the risks involved and data encryption cannot be overlooked on account of load constraints.

iv) Irregularities in data: Scrutiny of transactions from January to March 2002 revealed deficiencies as listed: (i) The total number of transactions as well as total amount as per reports generated in the system did not tally with the figures in reports generated by Audit using the sample data (ii) There were gaps in transaction numbers in respect of data generated at some of the eSeva centres. This indicated that the transactions were being deleted altogether. Since the programme permitted such deletion, it was a serious threat to the security of data and unauthorised deletion of transactions without trace had wider ramifications and enhanced the risk of frauds. It was replied that since there was no cancellation option in the program developed, whenever the operator posted the transactions with wrong details; those transactions would be deleted at the database level by DBA. Including a service without adequate provisions to take care of operational problems was not a good practice. Further, deleting a transaction even by DBA was a risky practice; (iii) In as many as 9277 transactions involving Rs 68.43 lakh pertaining to electricity charges to APTRANSCO the consumer's name was blank which indicates that the departmental data base was incomplete, and the project was hurried without sorting out issues relating to interface with departments; (iv) The amounts did not tally in as many as 4251 transactions, the difference of Rs 2.32 lakh remained to be reconciled. Similarly 24176 transactions covering more than Rs 18 crore recorded in the eSeva database were not recorded in the APTRANSCO database; indicating serious deficiencies in updating the TRANSCO server from intermediate server; (v) As many as 80 transactions recorded in eSeva database, were not recorded in HMWS&SB database; indicating existence of undetected bugs in programme; (vi) In 11515 transactions covering Rs 81.64 lakh the transaction numbers, which was one of the key fields for updating the HMWS&SB server were not recorded rendering it difficult to trace back the transactions when required; (vii) As per the agreement, the APSRTC would pay a commission of Rs 10 per transaction to eSeva out of which the eSeva was to pay Rs 8 to the operator. Scrutiny revealed that the total number of transactions as reported by eSeva were at variance with APSRTC database on certain dates; the amount exhibited in eSeva reports did not tally with the amounts exhibited in APSRTC

[36] Encryption is a process of converting a plain text message into a secured coded form of text for protecting data in transit over networks from unauthorised interception, manipulation, or alterations of data

Excess amounts paid by eSeva to APSRTC

Receipts issued in eSeva centres not numbered and accounted for

database. The invalidation of tickets exhibited in APSRTC database did not find place in eSeva database and excess amounts were paid by eSeva to APSRTC on certain dates; (viii) The updation of the database in the server of APTRANSCO from intermediary server installed for eSeva transactions was not being done regularly. The data posted into eSeva server was incomplete as essential details like consumer number, name and address, etc. in many cases were not available, leading to complications in collections, in former bill collection centres converted into eSeva centres. Reconciliation of payments made in eSeva centres since inception of the centres was not completed by any of the 17 Electricity Revenue Offices (EROs) as of April 2002. Since the receipts issued in the eSeva centres are not numbered and no account of receipts was maintained at eSeva the possibility of revenue leakages cannot be ruled out. The Director stated (August 2002) that network computers billing software and connectivity would be provided to overcome these problems.

***v) Inadequacies in e-payments module* :** The eSeva envisaged providing online services through internet to citizens. As of date only payment of utility bills of TRANSCO, HMWS&SB and MCH services were provided through internet. The operator had not shared the network diagram, firewall configuration, etc. which ensure existence of proper physical and logical security with the eSeva authorities. The value of degree of reliance on the firewall and the security, probability and extent of the potential for direct and indirect harm from intruders, hackers, etc. had not been properly tested by competent technical experts. In the absence of proper documents and information, at least periodical penetration tests to ensure security of the system should have been conducted. However, no evidence of eSeva authorities getting penetration test conducted was produced to Audit. The eSeva authorities replied that the internet security aspects were reasonably tested by Price WaterHouse Coopers (PWC) before inauguration of eSeva centres. However, the PWC clearly stated that as part of Network Security review they had reviewed the operating systems on which critical applications and data base were running and CISCO Routers, and the list of modules reviewed by them did not cover the e-payments. Thus there was no evidence of PWC conducting any review of internet security aspects. Viewed in this context, it appeared that the Director eSeva was totally dependent on private operator and had no mechanism to check the correctness of claims made by the private operator. A test check of e-payment transactions revealed that the validations incorporated in the programme were inadequate. To cite a few inadequacies (i) The system was accepting less than the bill amount towards electricity charges, while the TRANSCO clearly stated that eSeva was not authorised to collect any amount other than the bill amount from consumers; (ii) The system was accepting electricity charges even without capturing essential details of name of consumer, ERO (Electricity Revenue Office) /section etc. rendering posting of the amount so collected in individual account extremely difficult leave alone reconciliation; (iii) The system was accepting very low amounts (even less than the minimum tariff) due to which many transactions with paltry amounts ranging from Re 1 to Rs 39 were recorded making the operator entitled for transaction charges of Rs 20 per transaction though the minimum charges fixed are Rs 50 as enquired with APTRANSCO in respect of Electricity bills; (iv) The system was accepting property tax payments even without recording the essential details of locality, house number, name of the assessee, ward/circle etc. rendering their accounting extremely difficult. This also resulted in misclassifications and the consequent non-updation of demand of the consumers.

The logs of internet transactions were not maintained on a continuous basis. They were neither archived nor being reviewed before they were overwritten after 7 days. In view of the inadequacies in e-payment the project was exposed to serious risks. It was replied to Audit that the appropriate monitoring arrangements would be introduced from 1 September 2002 onwards.

Recommendation of PWC (consultant) not implemented

vi) No adequate follow-up on the recommendations of PWC: Though the operator was required to provide complete technical details which were considered while developing IT solution to the Director, eSeva as per the agreement, the operator did not share any information. To check the correctness of application packages, the Director outsourced (June 2001) the pre-launch testing to an international firm viz., Price WaterHouse Coopers (PWC). The firm pointed out (August 2001) that certain sensitive services that were not required were found to be running on the system, and the source routing in the router was not disabled besides host of other deficiencies. However, the project was inaugurated and implemented without attending to the deficiencies pointed out by the firm thereby exposing itself to high risks in common security across all platforms (routers, general controls etc.).

B. Control management

No record of changes made since inception of eSeva

i) Lack of change management system: Any Information system of this scale requires a sound change management procedure covering control of the ongoing maintenance of system, standard methodology for recording and performing control changes. An appropriate level of administration should authorise changes to the programs. Although the operating staff initiate change process in order to resolve a processing problem or to enhance the operational performance of the system, the authorisation should still be obtained from eSeva authorities or any other designated officer before releasing for implementation. The operator should ideally submit periodic updates to program or new release levels of software adopted to eSeva authorities to determine whether the changes and updates are appropriate to eSeva project. It was observed that changes to software application packages were being made without any formal authorisation by eSeva authorities. The authority competent to authorise changes in the application package had not been specified so far. No evidence of a review of changes made to the application package by the operator existed. This had exposed the system to frequent changes in the software applications, without the knowledge of department. In an e-Governance project of this type where the programmer who created the application package was also responsible for its operation, a well defined procedure to control the changes is essential to prevent potential frauds, misappropriations, misuse etc. The risks got compounded since, (i) there was no clear cut segregation of duties, (ii) the operator had not shared the source code with the department making review of source code impossible (by running appropriate source code comparison programme), (iii) the log management and documentation were found to be weak etc. The possibilities of operator's employees maliciously inserting extra codes intermittently and removing them for their personal benefit cannot be ruled out and there was no control even to detect such attempts.

ii) Deficient control system: **(a)** The software application package developed by the operator based on TWINS pilot project was fraught with many deficiencies and validation inadequacies such as accepting numbers in name field, accepting absurd dates, junk data in Bank and Branch code, accepting absurd ages; the amount field in MCH services (issue of certificates) was not appropriately programmed as the package was validating any amount for issue of certificates; alerts, messages and pop-ups in many screens were also inadequate, etc. Though some of the inadequacies pointed, were stated (August 2002) to have since been rectified, a comprehensive review of all the data elements were needed to be taken up by the department.

(b) Output controls which provide assurance that the data delivered to users would be presented, formatted and delivered in a consistent and secure manner, were inadequate and no mechanism existed to ensure that the reports generated by the system were complete and accurate. Some of the defects in the reports generated were as follows: (i) The Department-wise/day-wise collection summary report for month (DDR-36) developed was defective as the number of transactions extracted through this report varied with the number of transactions generated through other reports, to cite an example the total number of APSRTC ticket bookings reported through this DDR 36 to end of March 2002 was 724 while the actual number of transactions during the same period as reported by other DDR (DDR-5) was 772. When this was pointed out it was replied that the report was under development. Any report, which does not reflect the correct position should not have been included in the module; (ii) The amount of collection as well as number of transactions reported in e-payment collection register (DDR-43) varied with the department wise collection summary. When the reports were generated using same database, variations in different reports indicated programming inadequacies; (iii) The time and date stamp was not being recorded on the reports generated by the system; (iv) The reports generated did not exhibit the pay mode for all transactions consistently.

Absence of system to control and monitor activities of database administrator

iii) Inadequate control over database administrator: The agreement with the operator provided that operator should appoint Database Administrators (DBA) for maintaining the database. Since the role of DBA was very crucial to the system, there was a need to monitor and control the activities of DBA, particularly when the responsibility of maintaining Government financial data was entrusted to an employee of a private operator. However, the Director, eSeva had no system to control and monitor activities of DBA. It was observed in audit that the project was exposed to high risks related to data integrity, system efficiency and effectiveness since there was (i) no clear cut segregation of duties to divide use of database tools and their custody and maintenance, (ii) no specific procedure for approving activities of DBA, and (iii) no log of activities of DBA were maintained making review of access logs impossible. Even manual logs regarding changes made to database did not exist. The Director, eSeva replied that since the eSeva did not maintain any data, control over DBA was not envisaged. In view of weaknesses in various controls and since reconciliation of transactions was not being done on regular basis, a suitable mechanism to control the activities of DBA would be essential.

No verification of the data updation into the departmental server to ensure the accuracy, completeness, consistency of the data had been conducted either by eSeva authorities or by any of the participating departments/agencies. Even the reconciliation of the transactions recorded in eSeva server with that of the departmental servers had also not been done since inception.

Scrutiny of the data made available to Audit also revealed that some of the transactions conducted through eSeva were deleted by the DBA from the log files. On being pointed out, the Director stated (August 2002) that those transactions were test transactions, posted into database prior to inauguration of e-payments. The reply was not acceptable as these deleted transactions pertained to the post inauguration period.

C. Error management

None of the participating agencies/ departments had reconciled the amounts due and received by them

i) Scrutiny revealed that for some of the transactions, the transaction amount was recorded as zero even when the transaction had been conducted, which indicated that the system failed to record the transaction amounts. Further when the payments were made by cheque or DD or credit card, capturing the particulars of instrument were not recorded in respect of some transactions indicating that the system either failed to record details or accepted the transactions without entering the mandatory fields. The Director stated (August 2002) that the deficiency was due to system configuration problem, which would be prevented. The seriousness got further enhanced in view of the fact that none of the participating agencies/departments had reconciled the amounts due and received by them. It was observed that there was no documented error handling procedure for application software errors, system software errors and errors during operation. As per the procedure in vogue, all errors that occur during operation were rectified without the errors being recorded either manually or electronically, with no record of action taken on errors. This made it impossible to verify whether all the errors had been adequately rectified or not.

While there may be number of reasons for problems remaining outstanding for a longer period, it should not be acceptable for a problem to remain unresolved at all, which exposes the entire eSeva project to serious risks. Neither the eSeva authorities nor the operator had identified and designated personnel for addressing different types of errors the users encounter while operating the system.

ii) ***Non-provision of audit trail****:* The audit trail provides the capacity to trace source documents, to control totals and to identify source documents supporting the control totals. Scrutiny revealed that the data systems audit trail was not provided in eSeva thereby exposing the project to risks having implications with regard to reconstruction of processing when required. Though the Director stated (August 2002) that transaction logs were maintained in place of audit trail, this did not serve the purpose to trace the flow of transactions as also the processing at every stage.

iii) ***Inadequate control over offline transactions****:* The eSeva provides online updation of water works transactions. The transactions in case of APTRANSCO and BSNL were updated into the departmental server through batch processing at the end of the day by the department concerned. When the connectivity goes off, the transactions were entered offline to avoid inconvenience to citizens which would be processed and posted later into intermediate server when the connectivity was restored. There was a possibility that these offline transactions are deleted before these are updated in the servers at data centre. It was however, observed that there was no procedure to ensure that all the offline transactions had been properly updated to backend servers. There was no record with the Director as to the details of date and time of data centre and eSeva centres going off-line and their restoration.

3.2.6 Financial management

Expenditure incurred on 'New Service' without legislative sanction

i) Expenditure without sanction of Legislature: The project was commenced (August 2001) even without a token provision in the budget (2001-02) for the purpose. In spite of that an amount of Rs 3.28 crore was spent on buildings (Rs 2.48 crore) and furniture, etc. (Rs 0.80 crore) to the end of March 2002 on 17 eSeva centres alone with a further undischarged liability of Rs 1.50 lakh. The Director neither rendered the detailed accounts for amounts drawn nor the expenditure was ratified by the competent authority (August 2002). The activity constituted 'New Service' as expenditure of the nature had not been incurred in the past two years and the expenditure was incurred without the approval of Legislature.

Funds kept outside the government account in a large number of bank accounts without Government permission

ii) Disregard of financial rules by Director: The Director was maintaining 20 bank accounts with the two nationalised and four scheduled/commercial banks without the permission of the Government. The Director also opened (December 1999) two separate savings bank accounts with two nationalised banks, this too without Government permission, for crediting the moneys received from the Principal Secretary, IT&C for incurring the expenditure on various items, instead of keeping the funds within government account. In addition to this the transaction charges (user charges) collected from the participating departments were also being kept outside the government account despite the specific instructions issued by Government in March 2001 to remit these moneys in a separate Personal Deposit (PD) account. As of March 2002, Rs 23.16 lakh[37] were collected as user charges from various departments. The Director was irregularly incurring expenditure from out of these departmental receipts for day-to-day implementation of the project utterly disregarding the financial rules. No cash book as envisaged in Rules was being maintained by the Director. The bank reconciliation statements to ensure correctness of account was also not being prepared.

[37] HMWS&SB (Rs 9.38 lakh), APTRANSCO (Rs 3.87 lakh), APSRTC (Rs 0.08 lakh), BSNL (Rs 3.24 lakh) and Regional Passport Office (Rs 6.59 lakh)

3.2.7 Other points of interest

Huge advertising costs incurred by eSeva and participating departments though not contemplated

i) Non-fulfillment of contractual obligations by operator	**(a)** The operator had not fulfilled many of the obligations on his part as per the agreement such as (a) the agreed hardware items[38] were not provided, (b) the queue management system was installed only in 5 out of 18 centres, (c) instead of 18 fax machines, only 10 fax machines were provided, (d) water coolers were provided only in 5 out of 18 centres, (e) as against two attendants per shift, only one attendant for two shifts was provided, (f) as against 3 tonne AC to be provided at each of the eSeva centres, only 3 ACs in all (out of 18 centres) were provided, (g) as against 18 (5 KVA) generators, only 10 generators were provided, (h) as against the training of six weeks to be provided, only two weeks training was provided and refresher courses were never conducted, (i) user manuals in two languages[39] were not provided, and (j) the value of the assets created were not disclosed by the operator. Thus, the operator was allowed unintended benefit. **(b)** As per the agreement, the operator was to organise at his expense wide publicity through all media. However, advertising costs were incurred by eSeva (Rs 10.66 lakh) apart from the expenditure incurred by various participating departments. This resulted in extra financial burden on the exchequer and undue benefit to the private operator to that extent.
ii) Unintended benefit to operator	The RFP based on which bids were received clearly prescribed (July 2000) that the cash collection centres or other service centres of respective participating departments would continue to function even after establishment of eSeva centres. It was further mentioned that the departments would be free to establish some service centres or departmental collection centres and the Director, eSeva would not guarantee the minimum number of transactions at eSeva. These conditions were, however, not incorporated in the agreement with the operator. However, based on the request made by the operator, existing cash collection centres of APTRANSCO and many cash collection centres of HMWS&SB, were closed thereby conferring undue advantage to the operator besides causing inconvenience to citizens.

[38] Systems, LaserJet printers, Dot-matrix printers, etc.
[39] Telugu and English

Extra payment of Rs 0.72 lakh to the operator on MCH services

Government assets worth Rs 90 lakh handed over to the operator free of cost

(iii) MCH services	Scrutiny revealed that the solution offered by operator for issue of birth and death certificates does not provide facility of issue of certificates online. Though online certificates are not issued, the operator was being paid as per rates for providing online services i.e. transaction charges at Rs 8 per certificate in addition to Rs 3 per additional copy unauthorisedly. This resulted in avoidable extra burden of Rs 0.72 lakh in respect of 9000 transactions conducted to the end of March 2002.
iv) Handing over of government assets to operator free of cost	The TWINS pilot project which was developed and maintained at Government's cost (Rs 90 lakh) since its inauguration in December 1999 was handed over to the operator in January 2002 along with the assets for maintenance free of cost, though not provided in the agreement and without any specific order of the Government thereby conferring unintended benefit to the operator.
v) Avoidable expenditure of Rs 72 lakh per annum due to outsourcing of personnel	As per the government orders while sanctioning TWINS expansion project, personnel required for handling transactions at each eSeva centre including DEOs be drawn from various participating departments/PSUs and surplus pool on deputation. However, out of 150 DEOs working in eSeva centres to end of March 2002, as many as 124 DEOs were outsourced (on contract basis) at the rate of Rs 4800 per month per DEO that too through two private agencies one of whom was the operator himself. Thus failure of the department to get required number of staff from the surplus pool resulted in outsourcing of personnel involving an avoidable expenditure of Rs 72 lakh per annum besides exposing the entire system to risk as huge cash was handled by contract personnel.

3.2.8 Lack of supervision

No system of monitoring the transactions entered outside office hours

The Director, eSeva did not have access to the system but had to login only through application package which allows only a limited access to the user. No system of monitoring the activities of application users exists with the Director. Whenever the timings of the eSeva centre are to be extended due to exigencies of work, the timings were extended at Data centres by making necessary changes in the application. However, no record of extensions authorised was being maintained either manually or electronically. In the absence of such records, the authenticity and correctness of the transactions entered outside office hours could not be verified.

Conclusion

Though Government launched a unique and conceptually a good project to put e-governance into action to provide a large number of services to the citizens on one stop shop basis, the programme suffered from lack of transparency, inefficient and ineffective implementation largely due to the unpreparedness of the participating departments/agencies.

Participation and co-ordination of the participating departments/ agencies essential for achieving the goal was inadequate. The critical data and huge volumes of cash pertaining to various departments/agencies had been left to the administration of private operator without adequate internal controls. The network was exposed to serious risks of physical access controls and logical access controls. The single operator did not share any information on technical matters with the Director besides violating the contractual obligations. The monopolistic situation created had exposed the entire project and the participating organisations to serious risks. Data integrity, reliability and safety across the project were inadequate. Government needs to evolve a proper internal control mechanism to plug the security loopholes and strengthen the project.

The audit observations mentioned above were referred to the Government in August 2002. In an interim reply (August 2002), the Principal Secretary to the Government in IT&C department stated that eSeva was innovative and a new concept having no precedents and the progress was made through a constant process of experimenting.

SECTION 'B' – AUDIT PARAGRAPHS

AGRICULTURE AND CO-OPERATION DEPARTMENT

3.3 Wasteful expenditure on construction of onion storage godowns

Hasty and injudicious construction of 68 onion storage godowns by the Commissioner and Director of Marketing without studying the prospects of procurement by the AP State Civil Supplies Corporation, rendered the expenditure of Rs 8.50 crore wasteful.

With a view to ensuring remunerative prices to farmers and make commodities available to consumers at affordable prices, Government decided[40] in March 1999 to procure 40000 MTs of onions and arrange storage space. The AP State Civil Supplies Corporation (Corporation) was entrusted (July 1999) with the procurement of 25000 MT of onions and the Commissioner and Director of Marketing was entrusted with the construction of godowns with a total capacity of 17000 MT.

The Commissioner accorded administrative sanction in March 1999 for construction of 68 godowns in 13 Agricultural Market Committees[41] (AMCs) with a storage capacity of 17000 MT at a total cost of Rs 8.50 crore (Rs 12.50 lakh each) to be met from the available savings of AMCs. The construction was completed at a total cost of Rs 8.50 crore by July 1999 and the godowns were handed over to the AMCs in August 1999 with instructions to make them available to district units of the Corporation on rental basis.

The Corporation procured only 11923 MT of onions in 1999 and there was no procurement thereafter. Of the 11923 MT of onions 4600 MT were stored in hired private godowns[42] and the 68 godowns constructed by AMCs were not put to use and remained vacant since their construction (July 2002).

Thus, the injudicious decision of the Commissioner to go in for construction of the godowns on such a large scale to tide over a

---

[40] at a high level meeting held on 23 March 1999 in Food, Civil Supplies and Consumer Affairs, and Agriculture and Co-operation departments

[41] Adilabad, Adoni, Chittoor, Hyderabad, Kodad, Kurnool, Medak, Nandyal, Narasaraopet, Nizamabad, Piduguralla, Punganur and Warangal

[42] Mahboobnagar (2200 MT) and Nalgonda (2400 MT)

temporary crisis coupled with lack of coordination between the Corporation and the Marketing department, rendered expenditure of Rs 8.50 crore wasteful.

The matter was referred to the Secretary to Government in June 2002 and followed up with a reminder in July 2002. However, reply had not been received (September 2002).

EDUCATION DEPARTMENT

3.4 Excess release of grants to Municipal Corporation of Rajahmundry

The District Educational Officer, East Godavari, released grant-in-aid to Municipal Corporation, Rajahmundry in excess of the requirement and without deducting the educational cess which resulted in inadmissible aid of Rs 3.12 crore.

As per Government orders (1975) grants to municipalities both for elementary and secondary education were to be paid after setting off the educational cess collectable by the municipalities, during the year.

The District Educational Officer (DEO), East Godavari, however, released grants of Rs 27.63 crore to Rajahmundry Municipal Corporation during 1996-2002 to meet the expenditure on salaries of 533 teaching staff in 63 schools without deducting the educational cess collectable by the Corporation. During the period, the Corporation had collected Rs 2.17 crore towards educational cess.

Further, the Corporation had spent only Rs 26.68 crore on salaries of teaching staff as against Rs 27.63 crore released by the DEO. The excess release of grants amounted to Rs 95 lakh.

The failure of the DEO to comply with the Government orders resulted in inadmissible aid of Rs 3.12 crore to the Corporation, for and up to the year 2001-02.

The DEO stated (March 2002) that the educational cess was not adjusted as the Corporation did not intimate the amount of educational cess collectable by it while furnishing its annual requirements. The reply was not tenable as it was the duty of DEO to ascertain these details before releasing the grants.

The matter was referred to the Secretary to Government in May 2002 and followed up with a reminder in July 2002. However, reply had not been received (September 2002).

3.5 Unauthorised release of grant-in-aid to schools

The DEOs, Krishna and Mahboobnagar, irregularly released grant-in-aid of Rs 2.21 crore to two private schools though recognition to the schools had not been renewed.

According to the provisions of the AP Education Act, 1982, an educational institution which has not been recognised or recognition of which has been withdrawn, is not entitled to any grant-in-aid from Government. Contrary to these provisions, the District Educational Officers (DEOs), Krishna and Mahboobnagar, released grants-in-aid aggregating to Rs 2.21 crore as of May 2002 to two private schools[43] recognition for which was not renewed.

(a) CBKSM High School, Machilipatnam (Krishna District), had been granted temporary recognition up to the academic year 1988-89. The recognition was not renewed thereafter as the management did not comply with instructions regarding improvement in enrolment and attendance. The request of the school for grant of recognition for the years 1989-90 onwards, was returned by the DEO for re-submission after fulfilling the conditions regarding improved enrolment and attendance. This was however, not submitted by the school authority. The DEO, however, continued to release grants-in-aid to the school. Such irregular release amounted to Rs 1.03 crore as of March 2002. The school however, became defunct with effect from 1 May 2002.

(b) Sri Ravindra High School, Gadwal (Mahboobnagar District), was accorded provisional recognition for the academic year 1997-98 and its request for renewal thereof from 1998-99 was rejected by the Regional Joint Director, Hyderabad (RJD) due to non-fulfilment of certain conditions[44]. Though the school authority did not submit the revised proposals as of January 2002, the DEO continued to release grants-in-aid, to the school which amounted to Rs 1.18 crore[45] for the period June 1998 – May 2002.

On being pointed out, Government endorsed (July 2002) the reply of the Commissioner and Director of School Education, confirming the unauthorised release of grant-in-aid to the above two schools and stated that necessary instructions had since been issued. But no recovery of the grant from the schools has been ordered and responsibility for wrongful releases has been fixed.

---

[43] CBKSM High School, Machilipatnam (Krishna district) and Sri Ravindra High School, Gadwal (Mahboobnagar district)

[44] location of playground being at a distance of 0.5 km from the school building, non-furnishing the details of actual area of the play ground, and non-renewal of a fixed deposit receipt for Rs 35000

[45] 1998-99 : Rs 27.42 lakh, 1999-2000 : Rs 26.90 lakh, 2000-01 : Rs 35.29 lakh and 2001-02 : Rs 28.34 lakh

3.6 Avoidable extra payment for supply of power

Due to low power factor and consumption of power in excess of the contracted maximum demand, the AP Government Text Book Press, Hyderabad, had to make an avoidable extra payment of Rs 58.99 lakh to APTRANSCO for the period February 2000 - May 2002.

According to the terms and conditions for supply of high tension (HT) power by AP State Electricity Board (Board), now Transmission Corporation of Andhra Pradesh (APTRANSCO), if the power factor at the consumer's installation fell below 0.90 during any month surcharge at 1 to 3 per cent[46] was payable for each fall of 0.01. Further, in case the consumption during a month exceeded the contracted maximum demand (CMD), the excess power consumed was chargeable at double the normal rate.

The Director, AP Government Text Book Press, Hyderabad contracted (1965) for supply of power of 400 KVA reduced to 250 KVA in 1971 due to administrative reasons.

But the power factor fell below the prescribed minimum level of 0.90 and ranged from 0.38 to 0.65 during February 2000 – May 2002 even of 250 KVA, APTRANSCO levied surcharge/ additional charge of Rs 49.50 lakh and another Rs 9.49 lakh for consumption in excess of the CMD to the extent of 159 KVA. As per the Director, the machines installed in the press were very old and hence were consuming more power. No reply was however, forthcoming from him regarding the remedial action taken, if any, to improve the situation.

Thus, due to failure of the Director to take up the matter with the Board in time for the increase of the CMD and for installation of suitable capacitors to regulate the power factor, the Government Press had to bear the extra burden of Rs 58.99 lakh.

The matter was referred to the Secretary to Government in June 2002 and followed up with a reminder in July 2002. However, reply had not been received (September 2002).

[46] One per cent for each fall of 0.01 from 0.90; 1.5 per cent from 0.85; 2 per cent from 0.80 and 3 per cent from 0.75

FINANCE AND PLANNING DEPARTMENT

3.7 Overpayments/excess payments of pension

Overpayments/excess payments of pension/family pension aggregating to Rs 60.95 lakh were noticed during check of 8 treasuries, 155 sub-treasuries and 7 pension payment offices.

Inspection of eight[47] treasuries, 155 sub treasuries and seven[48] Pension Payment Offices (PPOs) during 2001-02 revealed the following overpayments/excess payments of pension/family pension to the retired employees of State Government. Despite being pointed out in Audit Reports 1999-2000 and 2000-01, overpayments/excess payments continued to occur.

i) The AP Revised Pension Rules, 1980, provide for payment of enhanced family pension (EFP), equivalent to 50 per cent of last pay drawn, in the event of death of a government servant while in service, for a period of seven years or till the date on which the government servant would have attained the age of 65 years, whichever being earlier. To restrict the payment of EFP to the relevant period, the Treasury Officers/Sub-Treasury Officers/ Pension Payment Officers are required to maintain a time limit register. It was seen that in 7 district treasuries and 71 sub-treasuries in 22 districts maintenance of incomplete register and non-maintenance of the register led to overpayments of Rs 23.88 lakh in 159 cases during January 1991 to February 2002.

ii) Consequent on revision of pay scales of State Government employees during the years 1986, 1993 and 1999 the pension payable was revised by consolidating the pension and relief. It was noticed in one treasury, 61 sub-treasuries in 19 districts and four PPOs that the consolidation was incorrectly computed in 118 cases[49] resulting in excess payment of pension to the extent of Rs 17.06 lakh during July 1986 – February 2002.

iii) Government withdrew (September 2000) sanction of Dearness relief on the pension drawn by pensioners who were employed under the scheme of compassionate appointments. It was noticed in four treasuries, 51 sub-treasuries in 20 districts and two PPOs that in 388 cases of compassionate appointments, the dearness relief was paid on family pension resulting in excess payment of Rs 14.36 lakh.

[47] Kakinada, Machilipatnam, Nalgonda, Nellore, Ongole, Sangareddy, Srikakulam and Warangal
[48] Chandrayangutta, Jambagh, Malakpet, Nampally, Punjagutta, Secunderabad and Tarnaka
[49] 1986 (4 cases), 1993 (27 cases) and 1999 (87 cases)

iv) As per the Pension Rules in force, where a pensioner commutes a part of his pension his pension should be reduced to the extent of commuted portion. It was noticed in 32 sub-treasuries that in 48 cases the commuted portion of pension was either not reduced or short reduced resulting in excess payment of pension of Rs 5.65 lakh during November 1989 – February 2002.

The excess payments aggregating to Rs 60.95 lakh have been reported to Director of Treasuries and Government (October 2002) for taking remedial action.

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

3.8 Unfruitful expenditure on printing of ration cards

Injudicious decision of the Commissioner of Civil Supplies to order (October 1997/November 1998) the printing of 1.75 crore new ration cards and subsequent deferment of their issue rendered the expenditure of Rs 4.84 crore unfruitful.

To replace 1.65 crore old household supply (ration) cards, Government ordered printing of 1.75 crore cards (82 lakh[50] cards and 93 lakh[51] cards in October 1997 and November 1998 respectively) with an advance of Rs 85 lakh.

The Commissioner, Civil Supplies (Commissioner) obtained a loan of Rs 2 crore from the AP Civil Supplies Corporation Limited at 16.83 per cent per annum and released the money to the Commissioner of Printing in January 1999. While the printing was on, the Commissioner advised (December 2000) all the district Collectors and Chief Rationing Officers to allow the existing ration cards to continue by attaching white paper slips thereto for continued drawal of essential commodities by the cardholders till the issue of further instructions. Printing of all the 1.75 crore ration cards was completed by May 1999 at a cost of Rs 4.84 crore. Remaining amount of Rs 1.99 crore was yet to be paid to Commissioner of Printing. The district officers lifted 1.59 crore cards and 16 lakh cards were lying with the Commissioner of Printing as of July 2002.

However, instructions for exchange of the existing ration cards were not issued and newly printed cards remained unutilised with the

[50] pink cards (for those above poverty line): 25 lakh; white cards (for those below poverty line): 57 lakh

[51] pink cards: 30 lakh; white cards: 63 lakh

district officers (1.59 crore) and the Commissioner of Printing (16 lakh) as of July 2002. The Director of Civil Supplies stated (August 2002) that the issue of new ration cards to the eligible families would be taken up after identifying the genuine BPL families. He however, did not specify the reasons for non-exchange of the pink cards for APL families.

Thus, the decision of the Commissioner to prematurely print new ration cards with loan finance of Rs 2 crore and subsequent decision for deferment of the issue of new ration cards resulted in 1.75 crore cards remaining unutilised for 4 years rendering the expenditure of Rs 4.84 crore (plus interest liability of Rs 1.18 crore) on their printing unfruitful.

The matter was referred to the Secretary to Government in July 2002 and followed up with a reminder in August 2002. However, reply had not been received (September 2002).

HEALTH, MEDICAL AND FAMILY WELFARE DEPARTMENT

3.9 Unfruitful expenditure on Multipurpose Health Workers Training Schools

Staff of the 10 Multipurpose Health (MPH) Workers Basic Training Schools were being continued even in the absence of the prescribed training activity since 1995-96, rendering the expenditure of Rs 9.64 crore on their salaries, etc. unfruitful.

For training Multipurpose Health (MPH) Assistants, State Government established 10 basic training schools[52] with an annual intake capacity of 60 trainees each under a Centrally sponsored programme. Five[53] of the schools were in rented buildings. A complement of 150 staff was working in these schools. The duration of the training was one year and admissions to the course were to be made by a State Level Committee (SLC) headed by the Additional Director of Medical and Health.

Scrutiny revealed (November 2001) that no training courses were being conducted in any of the 10 schools since 1995-96, as no candidate has been selected by SLC from 1995-96. Nevertheless, the staff of the 10 schools were continued and Rs 9.43 crore was

[52] Cuddapah, Eluru, Guntur, Hyderabad, Karimnagar, Khammam, Kurnool, Nizamabad, Srikakulam and Visakhapatnam

[53] Cuddapah, Eluru, Karimnagar, Khammam and Nizamabad

spent on their pay and allowances and establishment during 1995-2002.

The Principals of the schools stated (March - April 2002) that the staff were utilised to impart training to in-service candidates. The contention was not tenable since the Regional centres with separate staff were already in existence for in-service training and the MPHW basic training schools were exclusively meant to impart training to fresh candidates.

Thus, the continuation of the schools with staff in the absence of any work rendered the expenditure of Rs 9.64 crore on their pay and allowances and establishment (Rs 9.43 crore) and rentals of the buildings (Rs 21 lakh) unfruitful during the period 1995-2002.

The matter was referred to the Special Chief Secretary to Government in June 2002 and followed up with a reminder in August 2002. However, reply had not been received (September 2002).

INDUSTRIES AND COMMERCE DEPARTMENT

3.10 Extra financial burden due to payment of investment subsidy to mineral water units

Inclusion of 'mineral water' for eligibility of incentives under industrial policy 'Target 2000' and failure to rectify the same while withdrawing the sales tax concession resulted in undue benefit of Rs 1.91 crore with further commitment of Rs 1.57 crore.

The new industrial policy, 'Target - 2000', introduced by Government in May 1996 to accelerate industrial development of the State, provided for certain incentives like investment subsidy, deferment/tax holiday of sales tax, with certain exceptions, for industrial units going into commercial production on or after 15 November 1995. Though 'aerated waters including soft drinks' was not eligible for these incentives, 'mineral water' was not included in the ineligible list though the AP General Sales Tax Act, 1957 lists aerated water, soft drinks and mineral water under a single item. The Government orders therefore, *ab initio* suffered from ambiguity in regard to eligibility or otherwise of 'mineral water' for these incentives.

The Apex Court held in July 1995 that concessions at substantial cost to public exchequer were not to be provided to those units which merely engaged themselves in processing whereunder the goods remain essentially the same even after the process. Based on the aforementioned judicial pronouncement, the Commissioner withdrew the sales tax concessions provided to the mineral water units with effect from 31 March 2000. However, he neither withdrew/cancelled the investment subsidy paid/sanctioned to these units on the same analogy, nor did he refer this matter to Government. The investment subsidy, thus, continued to be sanctioned to such units both at the State and the district levels.

It was noticed that investment subsidy of Rs 1.94 crore was sanctioned to 37 mineral water units by the State Level Committee (SLC) headed by the Commissioner. However, Rs 1.04 crore was released to 22 units during June 1997 - July 1999. At the district level, General Managers of 18 District Industries Centres (DICs) had also sanctioned investment subsidy of Rs 1.54 crore to 105 mineral water units, of which Rs 0.87 crore was released to 50 units in 17 DICs[54] during December 1997 to March 2000. The Commissioner intimated (May 2002) that the subsidy (Rs 0.90 core) to the other 15 units sanctioned by SLC would be released as and when the funds were made available by Government.

Thus, failure of the government to include the 'mineral water' along with the 'aerated waters including soft drinks' in the list of ineligible units for incentives, coupled with the failure of the Commissioner to get the obvious ambiguity rectified even while withdrawing the benefit of sales tax concessions to such units in pursuance of a Supreme Court pronouncement, resulted in unnecessary financial burden of at least Rs 1.91 crore on the State exchequer with a further liability of Rs 1.57 crore. The Department is not contemplating any recovery of subsidy wrongly paid though provided in the scheme.

The matter was referred to the Principal Secretary to Government in June 2002 and followed up with a reminder in August 2002. However, reply had not been received (September 2002).

SOCIAL WELFARE DEPARTMENT

3.11 Unauthorised admission of classes I and II students in Social Welfare hostels

Avoidable burden of Rs 1.22 crore on account of diet charges on enrolment of ineligible students of classes I and II to the Social Welfare hostels. The social objective of not keeping very young children studying in classes I and II in hostels was also defeated.

[54] Except Srikakulam

As per October 1991 orders of the Ministry of Social Welfare, Government of India, the students of classes I and II should not be admitted to Social Welfare (SW) hostels being too young to manage themselves. Commissioner of Social Welfare, however, issued instructions from time to time, to admit students of classes I and II enrolled under the 'Back to School' Programme[55], in SW hostels, evidently to attract them back to school and since they were no longer too young to be admitted to hostel being in the age-group of 8 to 11 years.

It was, however, noticed that out of a total 16845 students of classes I and II admitted in various[56] SW hostels during 1998-2002, 4517 students (Karimnagar: 1815; Medak : 2702) in the age-group of 6 to 7 years, were from streams other than the Back to School Programme. The admission of these children was in violation of the instructions of the GOI. Also this entailed avoidable extra financial burden of Rs 1.22 crore[57] towards diet charges of these hostellers during the period 1998-2002. The social objective that very young children studying in classes I and II should stay with their parents stood defeated.

The matter was referred to the Principal Secretary to Government in June 2002 and followed up with a reminder in August 2002. However, reply had not been received (September 2002).

WOMEN DEVELOPMENT, CHILD AND DISABLED WELFARE DEPARTMENT

3.12 Neglect of Training -cum- Production Centres intended for welfare of disabled

Failure to provide funds to Training-cum-Production-Centres at Anantapur and Warangal, resulted in the centres coming to a standstill and defeated the objective of developing skills among the disabled. Rupees 77.84 lakh spent on salaries of staff and contingencies became infructuous.

a) With a view to imparting job-oriented training in trades[58] and develop skills among the disabled students Government established (1983) a training-cum-production centre (TCPC – Centre) at

[55] Programme wherein the children belonging to SC, who had either never attended schools or had dropped out are prepared for admission into schools depending on their age and capacity to learn, and reach the required academic standards

[56] Karimnagar : 24 hostels (4375 students), Medak : 66 hostels (12470 students)

[57] Rs 230 per student per month in 1998-99 and Rs 270 thereafter for 10 ½ moths each year

[58] cane weaving, carpentry, cycle repair and assembling, silk reeling, book binding, tailoring, typewriting, etc.

Anantapur under the auspices of AP Vikalangula Cooperative Corporation, with an intake capacity of 110 students. A tricycle-manufacturing unit was also established in the Centre in 1985. The Centre had 34 members of staff consisting of teaching (8[59]), non-teaching (11[60]) and manufacturing (15[61]) segments against the sanctioned number of 29[62].

Scrutiny revealed that no training was imparted in the Centre and only 318 tricycles were manufactured against the target of 960 during the period 1997-2002 as sufficient funds were not released for this purpose. Expenditure on pay and allowances of the idle staff (34) and the other establishment expenditure for the period 1997-2001 amounted to Rs 62.52 lakh.

(b) For production of calipers, crutches and wheel chairs a Caliper centre was established (1985) by the Corporation in the premises of MGM Hospital, Warangal with a staff complement of six[63]. The Centre functioned till 1992-93. There was no production during 1993-2002 though a target of 2160 numbers[64] of calipers was fixed as no funds were provided to the Centre for the purchase of raw material, etc. Rupees 15.32 lakh was spent on pay and allowances of the staff during 1993-2002.

Thus, continued deployment of the staff in the Centres despite the absence of any training and manufacturing activity, led to the expenditure of Rs 77.84 lakh on pay and allowances of the staff of the Centres being largely unfruitful.

The matter was referred to Government in July 2002; reply had not been received (September 2002).

GENERAL

3.13 Failure of senior officials to enforce accountability and protect the interests of Government

Accountant General (Audit) (AG) arranges to conduct periodical audit inspections of the government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These

[59] Instructors (8)
[60] Project officer (1), Junior Assistant (2), Record Assistant (1), Attender (2), Warden (1), Cook (1), Sweeper (1), Scavenger (1), Watchman (1)
[61] Production Manager (1), Store keeper (1), Technical Helpers(7), Non-technical helpers (6)
[62] posts not sanctioned – Helper Technical (3), Helper (1), and Junior Assistant (1)
[63] Junior orthotist(1), Fitter(1), Technical Helper (2), Cobbler(1), Carpenter(1)
[64] 240 per year

inspections are followed up with Inspection Reports (IRs). When important irregularities, etc. detected during inspections are not settled on the spot, these IRs are issued to the Heads of offices inspected with a copy to the next higher authorities. Hand Book of Instructions for speedy settlement of audit observations/IRs, etc. issued by Government in Finance and Planning Department provides for prompt response by the executive to the IRs issued by the AG to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. noticed during his inspection. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the Heads of the department by the office of the Accountant General. A half-yearly report of pending IRs is sent to the Secretary of the Department concerned to facilitate monitoring of the audit observations and its disposal.

At the end of June 2002, 21286 IRs issued up to March 2002 were not settled as shown below:

	As at the end of		
	June 2000	**June 2001**	**June 2002**
Number of IRs	23046	22207	21286
Number of Paragraphs	91246	85256	83305

Of the 21286 IRs (83305 paragraphs) which were pending as on 30 June 2002, even first replies had not been received in the case of 2058 IRs (13792 paragraphs) *(Appendix XXI and XXII).*

Inspection Reports issued up to March 2002 pertaining to 1625 offices of Revenue Department and 182 divisions/offices pertaining to Projects Wing of Irrigation and Command Area Development (I&CAD) Department disclosed that 7541 paragraphs relating to 3007 IRs of Revenue Department and 1947 paragraphs relating to 837 IRs of Projects Wing of I&CAD Department remained outstanding at the end of June 2002. Of these, 634 IRs containing 1537 paragraphs and 267 IRs containing 484 paragraphs relating to 'Revenue' and Projects Wing of I&CAD Departments respectively had not been replied to/settled for more than 10 years. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix XXIII*. Even the initial replies, which were required to be received from the Heads of offices within one month from the date of issue, were not received in respect of 19 offices under the control of Revenue department (133 paragraphs) issued between 2000-01 and 2001-02 and in respect of 17 offices under the control of I&CAD (Projects Wing) Department (60 paragraphs) issued during 2001-02.

As a result, the following serious irregularities commented upon in these IRs had not been settled as of June 2002:

	Nature of irregularities	Number of paragraphs	Amount (Rs in lakh)
Revenue Department			
1.	Infructuous/unfruitful expenditure	6	143.81
2.	Excess expenditure	28	322.47
3.	Avoidable extra expenditure	30	479.98
4.	Improper/irregular/inadmissible/unauthorised payments	38	963.66
5.	Diversion of funds	39	2638.48
6.	Non-utilisation of funds	50	2945.03
7.	Loss of revenue to Government due to misappropriations, etc.	21	123.69
8.	Non-realisation/non-recovery of Government dues	196	14385.15
9.	Locking up of Government Funds	22	713.41
	Total	**430**	**22715.68**
Irrigation and Command Area Development (Projects wing) Department			
1.	Extra financial commitment/liability/ avoidable expenditure	18	1360.05
2.	Loss of revenue to Government due to breach of contract	3	11456.68
3.	Land acquisition - avoidable/excess payment	5	113.09
4.	Excess payments/overpayments	15	326.23
5.	Wasteful expenditure/unfruitful outlay	10	5942.72
6.	Diversion of funds	1	54.71
7.	Non-recovery/short recovery towards cost of materials/ sales tax/seigniorage charges/security deposits/penalties	5	422.37
8.	Misclassification of expenditure	1	10.00
	Total	**58**	**19685.85**

A review of the IRs which were pending due to non-receipt of replies, in respect of Revenue and I&CAD (Projects wing) Departments revealed that the Heads of the offices, whose records were inspected by AG, and the Chief Commissioner of Land Administration, Commissioner for Commercial Taxes, Commissioner of Survey, Settlement and Land Records, Commissioner of Prohibition and Excise, Inspector General of Registration and Stamps, Commissioner of Endowments and the Engineer-in-Chief, I & CAD (Projects wing) failed to discharge their responsibilities as they did not arrange to send any reply to a large number of IRs/paragraphs indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs of the AG. The Principal Secretaries/ Secretaries of the two departments, who were informed of the position through half-yearly reports, also failed to ensure that the concerned officers of the departments took prompt and timely action.

This also indicated inaction against the defaulting officers, facilitating continuation of serious financial irregularities and loss to Government even after these were pointed out in audit.

It is recommended that Government should relook into this matter and ensure that procedures exist for (a) action against officials who fail to send replies to IRs/paragraphs as per the prescribed time schedule, (b) recovery of loss/outstanding advances/overpayments in a time-bound manner and (c) revamping the system to ensure proper response to the audit observations in the departments.

3.14 Misappropriations, losses, etc.

The position of cases of misappropriation reported to Audit as at the end of March 2002 on which final action was pending and outstanding as on 30 June 2002 is indicated below:

S. No.	Department	Number of cases pending	Amount (Rupees in lakh)
1.	Agriculture and Co-operation	83	102.94
2.	Animal Husbandry and Fisheries	4	2.63
3.	Education	35	65.47
4.	Environment, Forests, Science and Technology	18	70.34
5.	Finance and Planning (Treasuries and Accounts)	12	195.18
6.	Health, Medical and Family Welfare	54	145.75
7.	Home	15	10.96
8.	Irrigation and Command Area Development (Irrigation Wing)	2	26.59
9.	Irrigation and Command Area Development (Projects Wing)	34	59.82
10.	Labour, Employment, Training and Factories	5	5.14
11.	Legislature	1	7.80
12.	Municipal Administration and Urban Development	1	0.10
13.	Panchayati Raj and Rural Development	21	115.55
14.	Revenue	286	101.39
15.	Social Welfare (including Tribal Welfare)	29	103.98
16.	Transport, Roads and Buildings	5	48.45
	Total	**605**	**1062.09**

Out of the cases reported above, 244 cases involving Rs 26.91 lakh related to ex-Village Officers *(Appendix XXIV)*.

Only 19 out of 609 cases of misappropriation had been settled

According to the recommendations of the Public Accounts Committee (Sixth Legislative Assembly) contained in their Fifth Report (March 1980) and a special report (Seventh Legislative Assembly) of April 1984 on misappropriation, losses, etc. and instructions issued by Government from time to time (1978-85), departmental proceedings as well as the criminal cases relating to misappropriation should be processed expeditiously and completed within a time-bound programme. It was however, noticed that the pace of settlement of the cases continued to be very slow. Out of 609 misappropriation cases pending for settlement at the end of September 2001 in respect of the above departments, only 3 per cent (19 cases) had been settled during 2001-03 (as of June 2002). This was indicative of lack of concern on the part of the Heads of offices to settle the misappropriation cases.

Further, according to the instructions, Vigilance Officer at departmental level and the Secretary of each department at Secretariat level are required to keep track of all cases of misappropriation relating to the respective departments, review them monthly and send a copy of the review with all details to the Special Officer nominated for the purpose in the Finance Department. The Special Officer is required to furnish a report of outstanding cases of misappropriation for a periodical review thereof by the Chief Secretary for deciding about strengthening the investigating agencies in various departments. In the offices of Heads of department, the Chief Accounts Officer/Accounts Officer should conduct periodical inspection of the subordinate offices so as to minimise the scope for misappropriation.

A test-check of the records of the 'Health, Medical and Family Welfare' and 'Panchayati Raj and Rural Development' departments in Secretariat and Commissionerates/Directorates of Health, Medical Education, Family Welfare, AP Vaidya Vidhana Parishad, Insurance Medical Services, Indian Medicines and Homoeopathy, AP Aids Control Project, Panchayati Raj and Rural Employment, Rural Development, Women Empowerment and Self Employment, and Engineer-in-Chief, Panchayati Raj conducted during August 2002 revealed the following important points:

i) No Vigilance Officers had been appointed till April 2002 and June 2002 in Director of AP Aids Control Project and Director of Medical Education respectively and during November 1997 to June 2000 in Commissioner of Indian Medicines and Homoeopathy.

ii) Monthly reviews as envisaged were not being conducted in the Director of Medical Education, Commissioner of Indian Medicines and Homoeopathy, Commissioner of AP Vaidya Vidhana Parishad and Engineer-in-Chief, Panchayati Raj.

iii) Commissioner of AP Vaidya Vidhana Parishad and Engineer-in-Chief, Panchayati Raj were not furnishing data on review of cases of misappropriation to the Special Officer in the Finance Department.

Shortfalls in periodical inspections of subordinate offices

iv) The shortfall in periodical inspection of the subordinate offices was very high during 1997-2002 as shown below:

S. No	Commissionerate/Directorate	Percentage of shortfall
1	Director of Health	19 to 93
2	Director of Medical Education	74 to 100
3	Commissioner of Family Welfare	30 to 37
4	Director of Insurance Medical Services	5 to 75
5	Commissioner and Director of Indian Medicines and Homoeopathy	86 to 100
6	Commissioner of Panchayati Raj and Rural Employment	66 to 95
7	Commissioner of Rural Development	79 to 100
8	Commissioner of Women Empowerment and Self Employment	50 to 100

Note: Commissioner of AP Vaidya Vidhana Parishad stated that the information for the period 1997-2002 was not available

While the Commissionerates/Directorates of Health, Medical Education, Family Welfare, Insurance Medical Services, Indian Medicines and Homoeopathy, Rural Development and Women Empowerment and Self Employment attributed (August – September 2002) the shortfall in inspections to administrative reasons like paucity of funds and shortage of staff, specific reasons were not stated by the Commissioner, Panchayati Raj and Rural Employment. Engineer-in-Chief, Panchayati Raj stated (September 2002) that no post of Chief Accounts Officer/Accounts Officer existed to conduct the periodical inspection of the sub-ordinate offices.

3.15 Write off of losses, revenue, etc.

Rupees 10.02 lakh representing losses due to dismantling of building, waiver of loan, non-protection of bamboo, fire accidents, etc. were written off or recoveries waived by the competent authorities in 11 cases during the year 2001-02. Department-wise details are given in *Appendix XXV*.

3.16 Follow-up on Audit Reports

(a) Non-submission of Explanatory (Action taken) Notes

As per the instructions issued by Finance and Planning (FW:PAC) Department in November 1993, the administrative departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports within three months of presentation of the Audit Reports to the Legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken.

It was, however, noticed that though the Audit Reports for the years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000 and 2000-01 were presented to the State Legislature on 27 March 1997, 29 April 1998, 27 March 1999, 3 April 2000, 31 March 2001 and 30 March 2002 respectively, certain departments had not submitted explanatory notes, as of August 2002, in respect of 1 out of 72 paragraphs/reviews for the year 1995-96, 5 out of 90 paragraphs/ reviews for the year 1996-97, 6 out of 86 paragraphs/reviews for the year 1997-98, 26 out of 64 paragraphs/reviews for the year 1998-99, 49 out of 69 paragraphs/reviews for the year 1999-2000 and 47 out of 63 paragraphs/reviews in 2000-01. The details are given in *Appendix XXVI*.

(b) Action taken by the Government

Home Department

Mention was made in para 3.11 of the Audit Report[65] (Civil) 2000-01 about continuation of 144 staff members (as of June 2001) dealing with procurement, storage and distribution of stationery in the Commissionerate of Printing, Stationery and Stores Purchase, even after decentralisation (November 1997) of procurement of stationery and its entrustment to heads of departments, and consequential infructuous expenditure of Rs 3.91 crore on their pay and allowances.

Further scrutiny (September 2002) of the records of the Commissionerate revealed that orders for redeployment of surplus staff had not been issued even as of August 2002 and 132 staff members[66] were continuing, with a further incidence of infructuous expenditure of Rs 1.29 crore on their pay and allowances for the period July 2001 – August 2002.

3.17 Action not taken on recommendations of the Public Accounts Committee

One thousand one hundred and fifty nine (1159) recommendations of the Public Accounts Committee (PAC), made in their First Report of Third Legislative Assembly (1962-63) to Twelfth Report of Eleventh Legislative Assembly (2000-01), in regard to 22 departments were pending settlement as at the end of August 2002. Of these, the PAC had discussed Action Taken Notes (ATNs) in respect of 313 (27 per cent) recommendations relating to 15 departments. Of the remaining 846 recommendations, the concerned administrative departments were yet to submit ATNs in respect of 493 (58 per cent) recommendations (195 ATNs due from Irrigation and Command Area Development department alone) even though the Finance and Planning Department issued (May 1995) instructions to all administrative departments and the Heads of Departments to submit the ATNs within six months from the date(s) of receipt of recommendations. Department-wise details are given in *Appendix XXVII*.

[65] Presented to legislature on 30 March 2002
[66] 12 out of 144 members were retired/died