

Chapter I

Overview

1.1 About this Report

This Report of the Comptroller and Auditor General (CAG) relates to matters arising from performance audit of selected programmes and Departments of Government of Andhra Pradesh, compliance audit of transactions of its various Departments, Central and State plan schemes and audit of autonomous bodies of the State pertaining to General and Social Sectors.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. Findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management of the organisations and contributing to better governance.

Compliance audit refers to the examination of transactions of audited entities to ascertain whether provisions of the Constitution of India, applicable laws, rules and regulations, various orders and instructions issued by competent authorities are being complied with. On the other hand performance audit, besides including compliance audit, also examines whether objectives of programme/activity/Department are achieved economically, efficiently and effectively.

This Chapter, in addition to explaining planning and coverage of audit, provides a synopsis of important achievements and deficiencies in the implementation of selected schemes, significant audit observations made during audit of transactions and follow-up action on previous Audit Report.

1.2 Profile of General and Social Sector

A summary of the expenditure incurred during last five years by Departments of Government of Andhra Pradesh falling within General and Social Sector is given below.

Table-1.1

(₹ in crore)

Sl. No.	Name of the Department	2010-11	2011-12	2012-13	2013-14	2014-15
A	General Sector					
1	Finance and Planning	28572.35	30529.86	33817.12	36747.57	32113.70
2	General Administration	444.09	705.90	584.68	819.71	831.12
3	Home	3916.43	4412.53	5084.74	5692.96	4655.24
4	Law	612.53	603.63	684.29	752.51	658.55
5	Revenue	1964.19	2412.21	2058.01	3265.35	2424.34
6	State Legislature	51.08	84.69	95.27	112.63	83.62
	Total (A)	35560.67	38748.82	42324.11	47390.73	40766.57

Sl. No.	Name of the Department	2010-11	2011-12	2012-13	2013-14	2014-15
B	Social Sector					
1	Backward Classes Welfare	1996.34	2758.53	3774.72	3538.31	2371.15
2	Consumer Affairs, Food and Civil Supplies	2415.79	2450.69	2792.38	3288.36	2228.93
3	Health, Medical and Family Welfare	4140.35	4980.25	5312.34	5737.45	5392.67
4	Higher Education	2551.16	2669.73	3238.25	3416.79	2857.87
5	Housing	1626.77	1743.33	1829.15	2083.02	1201.46
6	Labour, Employment, Training and Factories	347.29	465.67	474.33	503.93	347.64
7	Minorities Welfare	324.62	370.33	350.88	505.34	400.07
8	Municipal Administration and Urban Development	4054.53	4108.89	4268.07	3038.02	3423.13
9	Panchayat Raj ^s	3533.15	2987.51	3393.22	4670.09	6429.85
10	Rural Development ^s	3921.78	4855.68	5175.01	4157.06	9496.05
11	School Education	9906.66	12250.18	13263.24	15094.39	14226.13
12	Social Welfare	1776.64	1941.74	2224.99	2450.96	2468.46
13	Tribal Welfare	961.50	1143.23	1336.44	1288.01	1096.42
14	Women, Children, Disabled and Senior Citizens	981.29	1513.03	2029.56	2031.82	1752.93
15	Youth Advancement, Tourism and Culture	188.18	214.38	258.89	302.23	254.38
	Total (B)	38726.05	44453.17	49721.47	52105.78	53947.14
	Grand Total (A+B)	74286.72	83201.99	92045.58	99496.51	94713.71

Source: Appropriation Accounts of Government of Andhra Pradesh for relevant years

^s*under one Secretariat Department 'Panchayat Raj and Rural Development'*

1.3 Office of Principal Accountant General (G&SSA)

Under directions of the CAG, Office of the Principal Accountant General (General & Social Sector Audit), Andhra Pradesh & Telangana conducts audit of 20 Departments and local bodies/PSUs/autonomous bodies there under in the State of Andhra Pradesh.



Offices of the Accountants' General, Andhra Pradesh & Telangana

1.4 Authority for audit

Authority for audit by the CAG is derived from Articles 149 and 151 of Constitution of India and Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG conducts audit of expenditure of General and Social Sector Departments of Government of Andhra Pradesh under Section 13¹ of the DPC Act. CAG is the sole auditor in respect of autonomous bodies/local bodies which are audited under Sections 19(2)² and 20(1)³ of the DPC Act. In addition, CAG also conducts audit, under Section 14⁴ of the DPC Act, of other autonomous bodies which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in Auditing Standards and Regulations on Audit and Accounts, 2007 issued by the CAG.

1.5 Planning and conduct of audit

The audit process commences with assessment of risk of Department/organisation/autonomous body/scheme, etc., based on expenditure incurred, criticality/complexity of activities, priority accorded for the activity by Government, level of delegated financial powers, assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, frequency and extent of audit are decided and an annual audit plan is formulated to conduct audit.

After completion of audit of each unit, Inspection Report (IR) containing audit findings is issued to head of the unit with a request to furnish replies within one month of receipt of IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at highest level in Government, are processed for inclusion in Audit Reports which are submitted to the Governor of the State under Article 151 of the Constitution of India for causing them to be laid on the Table of State Legislature.

1.6 Response of Departments to Audit findings

Heads of offices and next higher authorities are required to respond to observations contained in IRs and take appropriate corrective action. Audit observations communicated in IRs are also discussed in meetings at district levels by officers of the AG's office with officers of the concerned Departments.

As of 30 September 2015, 3053 IRs containing 22,138 paragraphs (including 282 IRs and 2,567 paragraphs relating to the Heads of Departments, autonomous bodies, etc., of composite State of Andhra Pradesh) pertaining to the years up to 2014-15 were pending

¹ Audit of (i) all transactions from Consolidated Fund of State, (ii) all transactions relating to Contingency Fund and Public Account and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts kept in any Department of a State

² Audit of accounts of Corporations (not being Companies) established by or under law made by State Legislature in accordance with provisions of the respective legislations

³ Audit of accounts of any body or authority on request of Governor, on such terms and conditions as may be agreed upon between CAG and Government

⁴ Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from Consolidated Fund of State and (ii) all receipts and expenditure of any body or authority where grants or loans to such body or authority from Consolidated Fund of State in a financial year is not less than ₹one crore

settlement as detailed in Table-1.2. Of these, first replies have not been received in respect of 269 IRs (4,463 paragraphs) which includes 19 IRs and 276 paragraphs of composite State of Andhra Pradesh. Department-wise details are given in **Appendix-1.1**.

Table-1.2

Year	Number of IRs/Paragraphs as of 30 September 2015		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
2010-11 and earlier years	2490	13207	116	1667
2011-12	218	2400	0	0
2012-13	119	2607	2	114
2013-14	57	955	6	133
2014-15	169	2969	145	2549
Total	3053	22138	269	4463

Lack of action on audit IRs and paragraphs is fraught with risk of perpetuating serious financial irregularities pointed out in these reports, dilution of internal controls in process of governance, inefficient and ineffective delivery of public goods/services, fraud, corruption and loss to public exchequer.

As per instructions issued by Finance and Planning Department in November 1993, administrative Departments are required to submit Explanatory Notes on paragraphs and performance reports included in Audit Reports within three months of their presentation to Legislature, without waiting for any notice or call from Public Accounts Committee, duly indicating action taken or proposed to be taken. However, as of 15 December 2015, 17 Departments have not submitted Explanatory Notes in respect of 41 paragraphs/performance audit reports that featured in Audit Reports for the years 2006-07 to 2013-14. Details are given in **Appendix-1.2**.

As per the Finance Department's Handbook of Instructions and their U.O. dated 3 November 1993, all Departments are required to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India, within six weeks of their receipt. During 2015-16, ten draft paragraphs and two draft performance audit reviews were forwarded to the Special Chief Secretaries/Principal Secretaries/Secretaries of the Departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. It was brought to their personal attention that in view of likely inclusion of these paragraphs in the Audit Report of the Comptroller and Auditor General of India, which would be placed before the State Legislature, it would be desirable to include their comments/responses to the audit findings. Despite this, seven Departments⁵ did not furnish replies to draft paragraphs as on the date of finalisation of this Report. This was also brought (January 2016) to the notice of the Chief Secretary to the Government. The responses of the Departments, where received, have been appropriately incorporated in the Report.

⁵ (i) Backward Classes Welfare (ii) Consumer Affairs, Food and Civil Supplies (iii) Higher Education (iv) Minority Welfare (v) Municipal Administration and Urban Development (vi) Social Welfare and (vii) Tribal Welfare Departments

1.7 Significant Audit observations

This Report contains findings of Audit from a test-check of accounts and transactions of 10 Departments of State Government during 2014-15. Audit focus during the year has been primarily on evaluating implementation of specific Government programmes and initiatives in Departments covering mainly Backward Classes Welfare, ‘Information Technology, Electronics and Communications’, Minorities Welfare, School Education, Social Welfare, Tribal Welfare, ‘Women, Children, Disabled and Senior Citizens’ Departments, under General and Social Sectors so as to aid Government in taking necessary corrective action to improve service delivery levels to citizens with special focus on children. Towards this end, two performance audit reports of School Education Department and 10 draft compliance audit paragraphs have been issued to the Government.

The two performance audits included in this Report are (i) ‘National Programme of Mid Day Meal in Schools’ and (ii) ‘Implementation of Basic Literacy Programme under Saakshar Bharat Mission’.

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

1.7.1 National Programme of Mid Day Meal in Schools

‘National Programme of Mid Day Meal in Schools’ (MDM scheme) is a Centrally Sponsored programme. The scheme was implemented to address two of the most pressing problems for the majority of children in India, namely, hunger and education by (i) improving the nutritional status of children in primary and upper primary classes; (ii) encouraging poor children, belonging to disadvantaged sections to attend school more regularly and help them concentrate on classroom activities; and (iii) providing nutritional support to children in drought-affected areas during summer vacation.

Performance audit of implementation of MDM scheme in the State was conducted covering the period 2010-15 to assess whether the scheme was implemented in a planned manner, the implementation was effectively monitored, and achieved its stated objectives. Significant findings of this performance audit are summarised below.

Planning and Coverage

- *Annual Plans (AWP&B) have not been formulated on a bottom up based approach to planning. In the absence of a bottom up approach to planning, the basic objective of arriving at a credible assessment of actual ground level requirement could not be achieved.*
- *Providing nutritional support to children in drought affected areas during summer vacation is one of the scheme objectives. During 2011-15, Government declared 123 (2013-14) to 460 (2011-12) mandals as drought affected mandals. Scrutiny revealed that proposals for providing MDM to students of these mandals during summer vacation were not included in the Annual Plans. Test-check revealed that mid-day meal was not provided to children during summer vacation in any of the test checked schools in the drought affected mandals.*

- *State Government obtained financial assistance for construction of kitchen-cum-stores for 31,213 schools as against the actual requirement in 29,276 schools (excess: 1,937 schools) in the State under Phase-I itself. Government obtained sanction for another 13,103 schools under Phase-II. This clearly indicated deficiencies in reliability of data which in turn adversely impacts on the credibility of the planning process.*

(Paragraph 2.1.3)

Utilisation of funds

- *Government was not able to fully utilise the funds allocated for MDM scheme in any of the last five years i.e., 2010-15. Unutilised funds in this regard ranged from ₹239.83 crore (2012-13) to ₹402.32 crore (2013-14). Unutilised funds under various components of the scheme ranged from 13 to 73 per cent.*

(Paragraph 2.1.4)

Management of foodgrains

- *There was net excess projection of average number of students who availed MDM (1,42,462) in Annual Plans of CDSE (46,56,046) against average number of students availed MDM (45,13,584) as per Annual Plans of DEOs. This resulted in excess allotment of 3,825 MT of rice (cost: ₹2.18 crore) during 2010-15 in the four test checked districts alone.*

(Paragraph 2.1.5.1)

- *There were substantial balances of rice with the lifting agency (APSCSCL) ranging from 42,440 MT (2010-11) to 96,078 MT (2014-15). School Education Department paid ₹57.15 crore during 2010-14 towards cost of foodgrains (₹50.51 crore) to FCI and transportation charges (₹6.64 crore) to APSCSCL, although these quantities of rice were not actually received by the Department.*

This indicates absence of control mechanism at various levels to assess actual requirement, to ensure release of foodgrains as per the allotment, lack of reconciliation and reporting of balances available, resulting in accumulation of large quantities of rice with the lifting agency.

(Paragraph 2.1.5.2)

- *As per Guidelines, every school is to maintain buffer stock of foodgrains required for a month to avoid disruption due to unforeseen exigencies. However, buffer stock was not maintained in 96 (out of 120) test checked schools and in 41 instances closing stock was reflected as a negative figure. Inadequate buffer stock at schools despite availability of sufficient stock with the lifting agency indicate poor management of foodgrains supply system.*

(Paragraph 2.1.5.5)

Infrastructure facilities

Provision of infrastructure required for preparation/serving of mid-day meal such as kitchen-cum-store, kitchen utensils, gas connection, etc., was inadequate. Against 44,316 kitchen-cum-stores sanctioned by GoI under Phase-I (31,213) and Phase-II (13,103), as of August 2015, construction of only 7,129 (23 per cent) and 2,182 (17 per

cent) kitchen-cum-stores was completed under Phase-I and Phase-II respectively. There was no budgetary provision for procurement/replacement of kitchen utensils during the period 2010-15 despite availability of GoI funds (₹ 32.32 crore). Out of 120 sampled schools, most of the schools did not have kitchen-cum-store (65), kitchen utensils (47), drinking water (43) and gas connection (83).

(Paragraph 2.1.6)

Impact of the scheme on educational indicators

The gap in transition of students from Primary level to Upper Primary level as evident from Gross Enrolment Ratio (GER) data; and increasing dropout rate from Primary to Upper Primary and from Upper Primary to Secondary level is alarming and indicated a downward retention trend of students in schools.

(Paragraph 2.1.9)

Monitoring and Evaluation

Performance of Steering cum Monitoring Committees needed strengthening, so as to enhance effectiveness of monitoring of scheme implementation.

(Paragraph 2.1.10)

1.7.2 Implementation of Basic Literacy Programme under Saakshar Bharat Mission

Government of India (GoI) launched (September 2009) ‘Saakshar Bharat’, a Centrally Sponsored Scheme, during the XI Plan period, aimed at promoting and strengthening adult education in the country, especially of women, by extending educational options to those adults in the age group of 15 years and above.

Performance audit of implementation of Basic Literacy programme (BLP) under Saakshar Bharat Mission in the State was taken up to assess whether survey was carried out by the State Government to identify the non-literates and mapping was done Gram Panchayat (GP)-wise, approaches given by the GoI for implementation of the scheme were followed and learners acquired sufficient skills specified by the GoI to progress to the next level.

Planning and implementation

- In the absence of logical controls, duplicate entries were noticed in the survey data uploaded. Persons having educational qualifications of matriculation or above up to post graduation were shown as required basic literacy.

(Paragraph 2.2.3.1)

- Micro plans which are very essential for effective implementation of the programme as per the guidelines were not prepared in any of the test checked GPs.

(Paragraph 2.2.3.3)

- Vocational Skill Development Programme (VSDP) was not implemented in 1,048 GPs out of total 4,239 GPs in the four test checked districts. In Chittoor, Guntur and Visakhapatnam districts, out of ₹ two crore released (May 2011) an amount of ₹ 0.81 crore remained unutilised as of May 2014 defeating the objective.

(Paragraph 2.2.4.3)

Enrolment and completion

- *Out of 84.90 lakh non-literates identified in the survey, GoI targeted to cover 53.56 lakh non-literates in the State by 2016-17. Against this target, 57.04 lakh non-literates (i.e., beyond target) were enrolled in the State during 2010-15, out of which 42.79 lakh (75 per cent) non-literates completed the BLP. In Guntur, Prakasam and Visakhapatnam districts, the number of beneficiaries who completed BLP was less than 70 per cent of enrolment.*
- *Out of 24 test checked GPs, female dropout rate was more than 40 per cent during 3rd phase (six GPs) and 4th phase (four GPs). Maximum female dropout rate of above 80 per cent was noticed in Chodavaram and Gandhavaram GPs of Chodavaram mandal in Visakhapatnam district in all the four phases.*

(Paragraph 2.2.4.4)

Financial Management

- *Out of ₹75.85 lakh advanced to ZLSSs towards transportation charges of TLM, survey, vehicle hire charges and tour advances, an amount of ₹51.43 lakh remained unadjusted as of August 2015.*
- *Out of ₹1.59 crore and ₹0.27 crore released as advance (2010-15) for conducting of NIOS examinations, imparting training to MCOs, VCOs and VTs etc, in test checked districts of Chittoor and Visakhapatnam, considerable amount of ₹1.57 crore (99 per cent) and ₹0.11 crore (42 per cent) remained unadjusted as of August 2015.*

(Paragraph 2.2.5.1)

- *Consolidated UCs were submitted by the SLMA without collecting UCs from the districts concerned. Internet-based 'Fund and Accounts Management System' (FAMS) which was adopted to manage and monitor fund flow, was not working after State bifurcation.*

(Paragraphs 2.2.5.2 and 2.2.5.3)

Supervisory manpower

- *Four out of 14 sanctioned posts of Deputy Director, 12 out of 22 sanctioned posts of Project officers (PO) and 82 out of sanctioned posts of 122 Supervisors were vacant in the State as of November 2015.*

(Paragraph 2.2.6.1)

1.7.3 Compliance Audit Observations

1.7.3.1 Child Care Institutions for Juveniles in conflict with law and Children in need of care and protection

Compliance audit on the functioning of the child care institutions have brought out a number of shortcomings. There were delays in the disposal of cases by the Juvenile Justice Boards. There were shortfalls in holding of meetings by the respective Child

Welfare Committees. There were inadequacies in infrastructural arrangements and provisions relating to dormitories, classrooms, toilets, etc., coupled with shortfalls in manpower availability with almost 50 per cent vacant posts noticed at the time of audit.

Vital components to the rehabilitation of the juveniles to facilitate their re-entry into mainstream society like the After Care home were conspicuously missing. Lastly with practically no mechanism in place for monitoring and effective inspections, there was much that left to be desired in the functioning of these institutions in the State.

(Paragraph 3.1)

1.7.3.2 Implementation of Mee-Seva in Andhra Pradesh

Mee-Seva is a good governance initiative of the Government of the composite State of Andhra Pradesh. The main objectives of Mee-Seva project are (a) to provide Government services in a convenient and efficient manner through various service centres and (b) to enable the Departments and agencies to provide cost effective and quality services and real-time Management Information System reports.

Audit scrutiny revealed that delay in providing services under Category-B (issue of Income Certificate, Caste Certificate, etc.) defeated the purpose of providing services in a timely manner. Non-operationalisation/implementation of Disaster Recovery Centre exposed the system to risk of hampering business continuity. Grievance monitoring and capacity building activities are far from satisfactory and need to be strengthened for their effective functioning.

(Paragraph 3.2)

1.7.3.3 Follow-up on Performance Audit of Scholarship schemes for SC, ST, BC and Minority students

Performance audit of scholarship schemes covering the period 2008-12 featured in the Report of the Comptroller and Auditor General (CAG) of India for the year ended March 2012 (Chapter 3 of Report No 4 of 2013). Eight recommendations were issued to Government by the CAG to ensure that the deficiencies and irregularities flagged in the Report are addressed and necessary corrective action is taken by the Government so that the lapses/shortcomings do not recur. Government accepted (February 2013) all the eight recommendations and assured that appropriate corrective action would be initiated for strengthening the system.

The extent of implementation of the accepted audit observations by the Government was 13 per cent for recommendations implemented, 37 per cent for those partially implemented and 50 per cent for those not implemented (July 2015). While the Government had made some progress, steps are required to be taken to expedite matters.

(Paragraph 3.3)

1.7.3.4 Time barred commodities under 'Amma Hastham' scheme

'Amma Hastham' scheme failed to fully meet the requirement of BPL families due to non-assessment of demand for newly included commodities. APSCSCL had to dispose 217.44 MT of time barred stock through open auction into the market at a loss. Besides, carry bags, customised specifically for the scheme and valuing ₹11.74 lakh were not utilised in two districts which resulted in wasteful expenditure.

(Paragraph 3.4)

1.7.3.5 Planning deficiency

Construction of a housing project in a remote area without public amenities, and the corresponding failure to provide for the envisaged infrastructure resulted in the low demand and marketability of the houses which ultimately resulted in 56 out of 87 houses constructed remaining unsold.

(Paragraph 3.5)

1.7.3.6 Idle Asset

Tirupati Urban Development Authority constructed a guesthouse in the land allotted to it for public purpose. As a result, the building constructed at a cost of ₹1.27 crore has been lying idle even after three years of its construction.

(Paragraph 3.6)

1.7.3.7 Loss on alienation of land

Alienation of land at a nominal price of ₹two lakh in violation of its policy resulted in loss of ₹85.12 lakh to Government.

(Paragraph 3.7)