

CHAPTER III

COMPLIANCE AUDIT

3.1 Fraud and detection of fraud

SCHOOL EDUCATION DEPARTMENT

3.1.1 Fraudulent medical reimbursement claims

Audit detected payment of fraudulent medical reimbursement claims amounting to ₹ 2.29 crore in 162 cases of School Education Department in nine districts.

In the Government orders issued from time to time and the latest in March 2005, powers were delegated to all the district level officers of all the departments in the State to sanction medical reimbursement claims upto a value of ₹ 25,000 subject to scrutiny by the District Medical Board/District Hospital Superintendent/Superintendent of Teaching Hospitals. Where the claim exceeded ₹ 25,000 it was to be referred by the district officers concerned to the Director of Medical Education (DME) for scrutiny.

During the course of test-check of vouchers¹ relating to reimbursement of medical claims by audit, 162 cases of officials belonging to the School Education Department covering nine² districts during the period April 2009 – March 2010 were referred to the hospitals for confirmation of the bonafides of the claims. The cases in which the claims exceeded ₹ 25,000 were referred to the DME for confirmation with regard to scrutiny having been conducted. Following are the audit findings:

- (i) All the 162 cases which were referred to the hospitals were found to be fake/fabricated/forged as confirmed by the hospital authorities.
- (ii) In 34 out of 149 cases³ referred to DME, it was confirmed by the DME that the letters purported to have been issued by his office had actually not been issued by him and were forged.

The DDO-wise fraudulent claims admitted involving an aggregate amount of ₹ 2.29 crore (162 cases) are given in [Appendix-3.1](#).

As per the codal provisions⁴, detailed checks are to be exercised by the DDOs/Controlling Officers while passing the medical claims of employees. The category (i) type of claims could have been detected by the DME through sample check of claims from time to time with the Hospital

¹ in Central Audit

² Adilabad, Khammam, Mahbubnagar, Medak, Nalgonda, Nizamabad, Ranga Reddy, Vizianagaram and Warangal

³ Thirteen cases were less than ₹ 25,000 and hence not referred to DME

⁴ AP Integrated Medical Attendance Rules, 1972

authorities. The category (ii) types of claims could have been detected by the DDOs themselves. This indicates that due care has not been exercised by them while passing the claims.

Thus, failure of the DDOs/DME to exercise the required checks resulted in payment of fraudulent claims amounting to ₹ 2.29 crore.

The Commissioner and Director of School Education stated (December 2010) that the District Education Officers concerned were instructed to place the said teachers under suspension and also to recover the said fraudulent payment from the teachers/employees. He also stated that the Government had been requested to take up the issue with Vigilance and Enforcement Department for issue of necessary instructions in the matter. Government's reply had not been received (November 2010).

It is recommended that signatures of the claimants should invariably be obtained on all the documents submitted by them. There is also a need to introduce the practice of having specimen signatures of the persons authorised by the hospitals to sign the bills.

SCHOOL EDUCATION, TRIBAL WELFARE AND FINANCE DEPARTMENTS

3.1.2 Fraudulent leave travel concession (LTC) claims

Audit detected payment of fraudulent LTC claims amounting to ₹ 84.91 lakh in 994 cases of School Education and Tribal Welfare Departments in Adilabad District.
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Scrutiny (January 2010) of LTC vouchers⁵ for the period September 2008 to December 2009 pertaining to School Education and Tribal Welfare Departments in Adilabad District revealed payment of fraudulent LTC claims amounting to ₹ 84.91 lakh in 994 cases.

The types of frauds involved in these claims are:

- Fabrication of the computerised railway tickets by producing manipulated Xerox copies thereof, interpolation of figures and particulars of journey
- Submission of claims with cancelled tickets
- Submission of fake printed tickets

Audit observed the following:

- (i) In 611 out of 994 cases, there was repetition of Passenger Name Record (PNR – a unique ten digit number printed on the railway reservation ticket) in the tickets produced by the claimants.

⁵in Central Audit

- (ii) In 348 cases, the claims were submitted with same ticket numbers.
- (iii) In 28 cases, the claims were submitted with cancelled tickets.
- (iv) In seven cases, the claims were submitted with fake printed tickets.

The DDO-wise/departments-wise fraudulent claims admitted are given in [Appendix-3.2](#).

Further, Para 12(e) of Annexure-VII to Rule 92(1) of AP Travelling Allowance Rules stipulates that a record of all assistance granted under these rules should be made in Service Register of the employee including the dates of journeys and the family members together with the particulars of amount reimbursed as travelling allowance. Audit scrutiny (May 2010) of service registers in respect of 138 (out of 994) cases (14 *per cent*) which were produced to audit by the DEO⁶, however revealed that the Service Registers did not contain the following entries:

- (a) Declaration of family members
- (b) Permission from competent authority for availing LTC
- (c) Declaration of home town/place of visit
- (d) Evidence of availing any kind of leave and corresponding debit in the leave account
- (e) Amount of LTC claimed and date of payment

The DEO while admitting the above lapses confirmed (May 2010) that the claims were preferred by the individuals without actually performing journeys to the declared place of visit.

As per the codal provisions⁷, detailed checks⁸ are to be exercised by the Drawing and Disbursing Officers (DDOs)/Controlling Officers while passing LTC claims of employees. Further, Treasury Rules enjoin Treasury Officers to perform prescribed checks and to exercise due care while passing a bill or other vouchers in order to ensure that the financial interests of the Government are protected against fraud, misappropriation and inadmissible claims. Further, the Treasury Officer shall disallow any inadmissible or doubtful item which can be easily eliminated.

Thus, claims in the category (i), (ii) and (iv) could have been easily detected by the DDOs/Treasury Officers. This indicates that due care has not been exercised by them while passing the claims. Had the DDOs/Treasury Officers been vigilant, category (iii) claims could have been detected by sample check of claims from time to time with the Railway authorities.

⁶during the field visit

⁷Para 12(d) of Annexure-VII to Rule 92(1) of AP Travelling Allowance Rules

⁸As per Government instructions of September 1981, September 1982 and August 1986

The DDOs/Treasury Officers however, failed to exercise the required checks above which resulted in payment of fraudulent claims amounting to ₹ 84.91 lakh (School Education: 942 cases/₹ 80.50 lakh; Tribal Welfare: 52 cases/₹ 4.41 lakh).

The Special Chief Secretary to Government, Tribal Welfare Department accepted (May 2010) the audit observations and ordered recovery of the fraudulent LTC claims by attaching the salaries of the concerned employees and also to initiate disciplinary action against the employees and the DDOs concerned. Reply had not been received from the School Education Department (November 2010).

3.2 Audit against propriety and cases of expenditure without adequate justification

BACKWARD CLASSES WELFARE DEPARTMENT

3.2.1 Backward Classes Welfare Hostels

Construction of 70 out of 112 hostel buildings sanctioned during 2003-08 was delayed beyond stipulated time of two years (September 2010) depriving the benefit of improved facilities in hostels to the backward class students for whom the facilities were contemplated, besides cost escalation of ₹ 16.72 crore. Similarly, 31 hostel buildings sanctioned under 'Food for Work' also remained incomplete. Majority of the hostels lack basic amenities.

There are 1,422 Backward Classes (BC) welfare hostels in the State accommodating 1.79 lakh boarders. Of these, 807 are in Government owned buildings and the balance 615 in rented buildings. During the audit (December 2009 - February 2010) of the Commissioner of BC Welfare (Commissioner) and the District BC Welfare Officers (BCWOs) of five⁹ districts, Audit carried out an assessment of the activities of construction of hostel buildings, maintenance of the hostel buildings already constructed and the provision of basic amenities in the hostels. In five districts, 223 hostels¹⁰ (out of 331) (Government buildings: 137; rented buildings: 86) were test checked. Scrutiny revealed the following:

Construction of Hostel buildings

Hostel buildings under the Centrally Sponsored Scheme (CSS)

GOI sanctions construction of buildings under the Centrally Sponsored Scheme of 'Construction of Hostels for Other Backward Classes (OBC) Boys and

⁹Anantapur, Adilabad, Medak, Nizamabad and Prakasam

¹⁰Adilabad: 22; Anantapur: 79; Medak: 39; Nizamabad: 14; and Prakasam: 69

Girls' based on the proposals¹¹ sent by the State Government. Priority is to be given to the places where hostels are currently located in private rented buildings. The expenditure is borne by GOI and the State Government on 50:50 basis. During the six year period 2003-09, GOI sanctioned construction of 143 hostel buildings (estimated cost: ₹ 36.15 crore). As per the GOI guidelines, hostels sanctioned should be completed within two years. Audit accordingly carried out an assessment of completion of hostel buildings which were sanctioned during the period 2003-08. Following are the audit observations:

Non-identification of sites

Prior to sanction by GOI, the Commissioner is required to certify that the sites for construction of buildings are available. The department, while sending proposals for sanction of hostel buildings confirmed the availability of sites. Audit, however, observed that, in 26¹² out of 123 buildings sanctioned during 2004-05 to 2008-09 the works were not commenced as of April 2009 due to non-identification/non-availability of sites. Government replied (November 2010) that, before sending the proposals to GOI the availability of sites was ascertained from District Officers. However, some of the sites had to be changed due to non-feasibility and legal problems delaying the constructions. This showed that the proposals sent to GOI were *ab initio* unsound in respect of the above cases.

Delay in according administrative sanctions

Audit observed that there were delays of four to twelve months in according administrative sanction by the State Government in respect of hostels approved by GOI during 2003-09. Even in the case of 12 (out of 31) hostel buildings sanctioned by GOI in the year 2008-09 the State Government accorded administrative sanction only in March 2010 for want of availability of sites and due to non-provision of funds. The department while regretting the delay assured that such instances would not be repeated.

Release of funds

Availability of requisite funds upfront ensures speedy payments to contractors and smooth progress of execution of works. Audit observed that the construction of hostel buildings was taken up without ensuring availability of sufficient funds. State Government did not release its share of funds fully. As against ₹ 18.07 crore to be released towards matching State share in respect of hostels sanctioned during 2003-09, the State Government released only ₹ 7.15 crore¹³ leaving a gap of ₹ 10.92 crore.

¹¹ which are formulated duly applying the criteria such as concentration of OBC population, inadequate education facilities, availability of sites, etc. also keeping in view the hostels functioning in rented buildings

¹² Adilabad: 1; Anantapur: 1; Chittoor: 1; East Godavari: 2; Guntur: 2; Krishna: 1; Kurnool: 1; Medak: 1; Nalgonda: 2; Nizamabad: 1; Prakasam: 2; Ranga Reddy: 3; SPS Nellore: 1; Srikakulam: 2; Visakhapatnam: 1; and West Godavari: 4 (2004-05: 1; 2005-06: 2; 2007-08: 13 and 2008-09:10)

¹³ 2003-04: ₹ 2.20 crore; 2004-05: ₹ 3.30 crore; 2005-06: ₹ 1.65 crore

In the five test checked districts 16 buildings¹⁴ (out of 223 test checked) were not completed due to non-release of funds in time. This resulted in avoidable payment of rent (₹ 13.16 lakh) on the hired buildings sanctioned upto 2007-08 alone.

Submission of incorrect Utilisation Certificates to GOI

During the year 2005-06, Government received Central assistance of ₹ 4.40 crore. As against this, Government released only ₹ 3.40 crore. Similarly, in 2008-09 also Government received Central assistance of ₹ 5.42 crore. As against this, Government released only ₹ 3.32 crore as a result of which the Central assistance of ₹ 3.10 crore remains to be released to the Commissioner by the Government. However, incorrect utilisation certificates (UCs) were submitted to GOI stating that the entire amount of Central assistance of ₹ 9.82 crore had been fully utilised in the above two years. Non-utilisation of the funds sanctioned by GOI resulted in non-completion of the hostel buildings.

Absence of centralised database

Audit observed that no centralised database was maintained to monitor the status of construction of hostel buildings. This would have not only enabled the department to monitor the progress of construction works, but also prioritise the expenditure as per the requirement. Such monitoring was not possible in the absence of centralised database.

Entrustment of majority of works to a party not having the requisite capacity to execute works

Out of 143 hostel buildings sanctioned during 2003-09, Government entrusted the construction of as many as 94 buildings¹⁵ (estimated cost: ₹ 22.92 crore/ releases: ₹ 19.33 crore) to the Executive Engineer in the Office of the Commissioner of Fisheries (EE, Fisheries), Hyderabad. It was observed that the Fisheries Department did not have adequate infrastructure in the districts where works were to be executed. The District Collector, Karimnagar, brought this fact to the notice of Government as early as April 2005 with regard to the lack of infrastructure in the Office of the EE, Fisheries. Despite this, Government continued to entrust the works to the EE till 2008-09. Audit noticed that 65¹⁶ (69 per cent) out of 94 works entrusted to the EE, Fisheries remained incomplete as of October 2010.

Government replied (November 2010) that the construction work of hostel buildings had been withdrawn from EE, Fisheries, and entrusted to AP Education and Welfare Infrastructure Development Corporation (APEWIDC) for completion of buildings. Government also stated that the case relating to EE, Fisheries was under investigation.

¹⁴Adilabad: 2; Anantapur: 5; Medak: 4; Nizamabad: 2 and Prakasam: 3

¹⁵2003-04: 20; 2004-05: 25; 2005-06: 37; and 2007-08: 12

¹⁶Adilabad: 3; Anantapur: 6; Chittoor: 2; East Godavari: 6; Guntur: 1; Hyderabad: 2; Khammam: 1; Karimnagar: 1; Krishna: 5; Kurnool: 4; Medak: 4; Nalgonda: 2; Nizamabad: 6; Prakasam: 4; Ranga Reddy: 2; SPS Nellore: 2; Srikakulam: 3; Vizianagaram: 1; Visakhapatnam: 5; West Godavari: 2; and YSR: 3

Escalation in cost due to non-completion of hostel buildings in time

As a result of the deficiencies pointed out above, as many as 70¹⁷ out of 112 hostels¹⁸ during the years 2003-04 to 2007-08 (expenditure incurred so far: ₹ 10.84 crore) remained incomplete as of September 2010. Guidelines stipulated completion of the hostel buildings within 24 months of sanction. Audit however, noticed that there were delays ranging upto as high as 56 months as of September 2010, in completing the hostel buildings as detailed in Table-1.

Table-1

Year	Number of buildings sanctioned by GOI	Month of sanction by GOI	Due date for completion of hostel buildings	Number of incomplete hostel buildings	Delay (in months) in respect of incomplete buildings (as of September 2010)
2003-04	20	February 2004	January 2006	8	56 months
2004-05	30	November 2004	October 2006	14	47 months
2005-06	30	September 2005	August 2007	26	37 months
	10	March 2006	February 2008	-	-
2007-08	22	December 2007	November 2009	22	10 months

Note: No hostel buildings were sanctioned by GOI during 2006-07

This deprived the targeted BC students of the benefit of improved facilities in hostels. APEWIDC to whom the construction of incomplete hostel buildings was entrusted (December 2008), sought (November 2009) sanction of additional funds of ₹ 23.48 crore in respect of the 70 pending hostel buildings and the Government's approval was awaited as of September 2010. Thus, due to non-completion of the hostel buildings in time there was cost escalation of ₹ 16.72 crore¹⁹.

Construction of hostels under 'Food for Work (FFW)' Programme

During the year 2002-03, State Government took up construction of buildings for 307 hostels under FFW programme (in addition to the hostels sanctioned under CSS). Audit noticed that, as of September 2010, 31 out of the 307 buildings remained incomplete mainly due to non-provision of funds leading to an avoidable payment of rent of ₹ 30.56 lakh on hired buildings. Audit also noticed the following:

- In the case of hostels to be constructed under FFW scheme, sanction was accorded for the construction of hostels for 100 boarders at an estimate of only ₹ 11 lakh whereas under the CSS scheme in the same year provision of ₹ 22 lakh was made for similar hostel. Audit noticed that, in respect of 10 hostel buildings constructed under FFW in Prakasam District, the EE, Fisheries, instead of going in for revised estimates, restricted the plinth area to 2,351 sft as against 3,869 sft to be constructed thereby reducing the accommodation for the 100 boarders and also compromising on the quality of the hostel buildings under FFW.

¹⁷ 2003-04: 8; 2004-05: 14; 2005-06: 26; and 2007-08: 22

¹⁸ 2003-04: 20; 2004-05: 30; 2005-06: 40; and 2007-08: 22

¹⁹ Additional funds sought ₹ 23.48 crore – (Original estimate ₹ 17.60 crore – Expenditure ₹ 10.84 crore) = Escalation ₹ 16.72 crore

- Four (Anantapur: 3; Ranga Reddy: 1) hostel buildings taken up (2002-03) under FFW were stopped/dismantled due to structural deficiencies after incurring ₹ 44 lakh, leading to wasteful expenditure. The department confirmed the wasteful expenditure. Government stated (November 2010) that the matter was under investigation.

Maintenance of hostel buildings

Government launched ‘Samkshema Bata’²⁰ in March 2008 with a view to take up the repair works and provide additional infrastructure facilities in Government BC hostel buildings.

Audit observed non/short release of funds by the State Government. In 2008-09, Government sanctioned 1,087 repair works in 780 hostels at a cost of ₹ 55.80 crore under ‘Samkshema Bata’. As of March 2010, Government released only ₹ 33.07 crore²¹ (59 *per cent*) for this purpose. As a result, only 765 works had been completed (expenditure: ₹ 17.94 crore) and 322 (30 *per cent*) works were stopped midway for want of funds. Further, an amount of ₹ 16.24 crore was yet to be paid to the executing agencies in respect of the works already completed.

There is also no centralised database of repairs required to be carried out in the hostels and the cost involved. Absence of such a centralised database resulted in lack of monitoring of the repair works from time to time.

Provision of amenities in Hostels

Audit assessed the availability of basic amenities in 223 (out of 331) hostels test checked and observed the following:

- (i) As per norms fixed by Government, one bath room and one toilet shall be provided for every 10 boarders. Audit noticed that out of 223 hostels, 48 hostels (Government buildings: 17, Rented buildings: 31) did not have even single bathroom/toilet. Even out of the remaining 175 hostel buildings, 108 (Government buildings: 58, Rented buildings: 50) did not have even five bath rooms/toilets against ten required.
- (ii) As per GOI guidelines, each hostel building was to accommodate a maximum of 100 boarders. Audit observed that more than 100 boarders were accommodated in 140 out of 223 hostels test checked in the five districts. Of these, in 51 hostels more than 150 boarders were accommodated which not only resulted in uncomfortable living but also deprived a congenial environment for studies. Government replied (November 2010) that the boarders were allowed in the hostels in excess of 100 as per the demand under unavoidable circumstances.

²⁰ a Telugu word which means ‘Path to Welfare’

²¹ ₹ 11.29 crore released during February - March 2010

- (iii) As per the recommendations (March 2006) of the House Committee (2004-2006) on welfare of Backward Classes, protected water is required to be supplied to hostel inmates. It was however, observed that bore well water was being directly given without filters for drinking purpose in all the 223 hostels test checked.
- (iv) Though GOI guidelines prescribed, compound wall was not provided in 97 out of the 223 hostels including the six girls' hostels test checked.

Government while accepting the audit observations, stated (November 2010) that the Director, BC Welfare and the Chief Engineer, APEWIDC, had been asked to take action on these deficiencies and that they have been asked to ensure that such lapses are not repeated in the new constructions taken up by them.

3.3 Persistent and pervasive irregularities

ANIMAL HUSBANDRY DEPARTMENT

3.3.1 Induction of high yield milch animals

Deficiencies *inter alia* absence of fairness and transparency in selection of beneficiaries, non-ensuring supply of quality animals, defective regulation of payments to supplying agencies, etc. were found in the implementation of the scheme.

The scheme 'Induction of high yield milch animals' under implementation²² in the State from 2007-08 envisages supply of two milch animals (Cow/Buffalo/Heifer) to each below poverty line (BPL) beneficiary with a gap of six months at a subsidy of 50 *per cent* of the total unit cost²³ (maximum unit cost: ₹ 35,000) limited to ₹ 15,000. The balance cost of the animal is to be borne by beneficiary by way of a bank loan. The beneficiary should have 0.25 acre land to spare for fodder cultivation.

In the State, 1.03 lakh animals were stated to have been supplied (expenditure: ₹ 141.12 crore²⁴) during 2007-09 under the scheme. Audit scrutiny (May – September 2009) of the records of the Director of Animal Husbandry (Director) and the Joint Directors of Animal Husbandry (JDs) in 11 districts²⁵ revealed the following deficiencies in the implementation of the scheme:

²² Implemented under Prime Minister's Package (PM Package), Rashtriya Krishi Vikas Yojana (RKVY) and the State scheme of Chief Minister's Package

²³ Unit cost includes basic cost, transportation charges and insurance charges for purchase of one animal

²⁴ During 2007-09, PM Package: 36,502 animals (₹ 53.09 crore); CM Package: 64,814 animals (₹ 86.08 crore); RKVY: 1,442 animals (₹ 1.95 crore)

²⁵ Adilabad, East Godavari, Guntur, Karimnagar, Khammam, Medak, Nalgonda, Nizamabad, Srikakulam, Visakhapatnam and Vizianagaram

Publicity and selection of beneficiaries

Audit found that adequate publicity was not given and no funds were released to the JDs towards incurring expenditure on publicity. Audit also noticed that the applications received from the applicants were not acknowledged and no registers were maintained for registering all the applications received. The lists of selected/rejected applicants were also not displayed. Though the beneficiaries were to be selected through Gramsabhas, there was no evidence of conducting the same. Government stated (October 2010) that Gramsabhas were not conducted initially due to lack of experience and beneficiaries were selected through Self Help Groups (SHGs) of District Rural Development Agencies (DRDAs) and through cooperative societies. Thus, the selection of beneficiaries was not open to all the BPL families. Also, in all the 11 districts covered by audit, the JDs/Mandal Development Officers could not produce any evidence of conducting Gramsabhas for both 2007-08 and 2008-09. Due to non-maintenance of records coupled with non-conducting of Gramsabhas, the selection of beneficiaries suffered from lack of fairness and transparency.

Supply of quality animals

The following deficiencies were noticed:

- Though the Guidelines prescribed that the animals should be screened by an expert group of veterinarians²⁶ before selection of animals by the purchase committee²⁷, there were no reports available with JDs or Veterinary Assistant Surgeons (VAS) in support that the animals were screened by the expert committee.
- As per the rate contract agreement, the supplier should vaccinate all the animals and submit the certificate at the time of sale. Vaccination certificates were not found in the records of any of the district authorities (JDs) or with the VAS.

Though Government stated (October 2010) that certification was obtained in respect of vaccinations and screening of animals, the JDs/VAS did not produce any evidence thereof.

The animals should be rejected and replaced if its milk yield (at delivery point) goes down below 25 *per cent* of that at the display point (i.e. 25 *per cent* discount to be given on account of transportation stress). However, Audit noticed in 10 out of the 11 districts (i.e. except Medak District) covered, that the details of milk yield at the delivery point were not recorded. Also, the details of cases rejected/replaced were not recorded by the JDs/VAS. Government while admitting that no rejection list was maintained stated (October 2010) that the low milk yield animals were rejected/replaced. In the absence of record of milk yield at the delivery point, it is not clear how such an exercise was conducted to identify low milk yield animals before their rejection and replacement.

²⁶ Post graduates in veterinary science

²⁷ consisting of Veterinary Assistant Surgeon (VAS), banker and the beneficiary

Regulation of payments

The JDs make payments to the suppliers. Audit observed the following in the release of payments:

- The JDs rely on VAS for release of payments. The payments were not correctly regulated as even the errors²⁸ made by the VAS were not rectified. The JDs did not obtain the invoices in full and relied merely on the report of VAS showing the cost and details of the animals.
- A test-check of the reports furnished by the VAS revealed incorrect details. Out of 62 heifers verified (Vizianagaram (45) and Srikakulam (17)), 24 heifers of age upto two years (cost: ₹ 7,800) were shown as 30 months (Murra heifer-cost: ₹ 14,500) in payment records and the payments were made at higher rates. Government stated (October 2010) that they had planned to purchase Murrah heifers of age 30 months and above only and the age of heifers was mentioned as 24 months due to oversight/typographical mistake done by the district administration. This reply of Government can not be accepted as the rate contract included purchase of heifers upto 24 months age.

Similarly, out of 44 pregnant cows (unit cost: ₹ 19,500) physically verified in Karimnagar (12 cows) and Srikakulam (32 cows), 16 cows were shown as cow with calf (cost upto ₹ 25,200) in payment records and payments were made at higher rates. While admitting the excess payments, Government stated (October 2010) that action was initiated for recovery of the excess payments.

- In a large number of cases, the VAS had calculated the cost of animals in excess of the rates stipulated in the rate contract (RC), which were paid by the JDs without restricting to RC rates. In eight out of eleven districts²⁹, the excess payment to suppliers on account of not restricting the cost of animals (in 4,050 out of 33,911 animals) to RC prices amounted to ₹ 75.86 lakh. Scrutiny also revealed that the JDs in five districts paid an excess amount of ₹ 70.27 lakh³⁰ to the suppliers due to initial wrong computation of the rate of the animal and adoption of higher rates. Government replied (October 2010) that the matter was reviewed and part of the excess amount was recovered. Government also stated that orders were issued (April 2010) for identification of persons responsible and also for initiating disciplinary action through vigilance cell.

Incidentally, it was observed that the beneficiary is not aware of the process of valuation with regard to milk yield and age as revealed from interaction with 31 beneficiaries in six districts³¹.

²⁸ recording a pregnant cow as 'cow with calf', calculation of cost of animals in excess of the ceiling rates, incorrect computation of transportation charges against the Rate contract

²⁹ Adilabad (₹ 26.32 lakh), East Godavari (₹ 0.67 lakh), Guntur (₹ 6.23 lakh), Karimnagar (₹ 2.25 lakh), Medak (₹ 1.00 lakh), Nalgonda (₹ 0.74 lakh), Visakhapatnam (₹ 14.74 lakh) and Vizianagaram (₹ 23.91 lakh)

³⁰ Adilabad (₹ 37.37lakh), East Godavari (₹ 1 lakh), Guntur (₹ 25.50 lakh), Karimnagar (₹ 3.71 lakh) and Medak (₹ 2.69 lakh)

³¹ Adilabad, Karimnagar, Medak, Nalgonda, Srikakulam and Vizianagaram

- As per the RC entered with the suppliers by the Director of Animal Husbandry, transportation charges are to be paid to the suppliers for transporting the animals from the source point to the beneficiary village for the actual distance transported at prescribed rates. The way bill is a very important document to establish the bonafides of transportation as it contains vital information, like vehicle number, date of transportation, etc. As per the RC agreement, submission of way bills by the supplier is mandatory for making payments.

In none of the districts covered by Audit, the JDs obtained the way bills from the suppliers for payment of transportation charges. In six³² out of 11 districts, scrutiny revealed an excess payment of ₹ 21.69 lakh towards transportation charges on account of incorrect exhibition of distance, incorrect calculation of rates, etc. Government accepted (October 2010) the miscalculations in Adilabad and Karimnagar Districts and stated that action was taken to recover the excess payments on case-wise basis. As regards other districts, Government stated that payments were correctly made by calculating the distances based on Google-earth maps, etc. The reply is not acceptable. In the absence of way bills, the bonafides of purchase and transportation of animals, actual source point and destination point and whether the animals were transported by train or truck, etc. were not verifiable. Further, no test-check was done by the JDs to cross-check the particulars of the animals by actual verification in the field with regard to animals supplied to beneficiaries.

As regards the total excess payment of ₹ 1.68 crore pointed out by Audit as above, Government accepted (October 2010) the excess payments to the extent of ₹ 43.43 lakh and stated that an amount of ₹ 38.97 lakh was recovered from the suppliers. In this context, Audit noticed that while replying to the para, the department changed the basic characteristics of animals (pregnant cow as per basic records which costs less is now shown as cow with calf which costs more), which is in contradiction of the information/data already furnished earlier (November 2009) by the Director. The reply of the department is hence not acceptable and the matter calls for investigation.

Thus, the balance excess payments to the suppliers amounting to ₹ 1.25 crore also needs to be recovered from the suppliers. The department should also review all such cases in the remaining districts (not covered by audit) and recover the excess payments, if any, made in those districts also.

Unique identity of animals

The system of tag followed by the department was not foolproof as the tag is detachable from the animal. As a result, there is no assurance that all the animals for which payments were made were actually inducted in the State and were available with the beneficiaries.

³² Adilabad (₹ 3.18 lakh), East Godavari (₹ 4.13 lakh), Karimnagar (₹ 6.16 lakh), Khammam (₹ 7.38 lakh), Nalgonda (₹ 0.69 lakh) and Nizamabad (₹ 0.15 lakh)

Supply of second animal to beneficiaries

In the eleven districts, it was observed that the second animal was supplied only to 4,824 beneficiaries (25 *per cent*) out of 19,601 beneficiaries to whom first animal was supplied in 2007-08. The JDs stated that the banks had not sanctioned loan for the second animal due to irregular repayment of loan by the beneficiaries. The objective of ensuring continued income generation was thus not achieved. Government stated (October 2010) that the issue of supply of second animal is totally based on regular repayment of instalments for the first animal by the beneficiaries and extending loan to the beneficiaries by the banker. It further stated that if the repayment was poor, it would not be possible to provide second animal to the beneficiaries. Non-availment of the benefit of second animal due to non-repayment of loan obtained for the first is indicative of the limited success of the scheme as the objective of ensuring continued income generation was also not achieved.

Poor monitoring by the department

Post disbursement follow-up would have served a vital purpose of checking whether the beneficiaries were able to improve their economic status through the occupation of dairy farming or that they had sold the animals. However, no information was available either with the Director or with the district authorities (JDs) with regard to such action being taken. Most of the VAS did not also maintain any records regarding the milk yield of the inducted milch animals. Further, District level Committees or Mandal level Committees are required to regularly monitor the implementation of the scheme. It was, however, observed that the JDs could not produce any records regarding convening of meetings of the Committees.

The Government replied (October 2010) that the Director of Animal Husbandry was instructed to take corrective steps to implement the scheme in a foolproof manner. Government also stated that the Director has been asked to take expeditious action to identify the personnel responsible for making excess payments to the suppliers and initiate disciplinary action against them.

PLANNING DEPARTMENT

3.3.2 Member of Parliament Local Area Development Scheme

Deficiencies like non-completion of works, execution of inadmissible works, non-transfer of assets to user agencies, non-remittance of unspent balances of completed works, etc. involving ₹ 48.92 crore in implementation of MPLAD Scheme denied the envisaged benefits to the public at large.

Introduction

The “Member of Parliament Local Area Development Scheme (MPLADS)” was designed to enable the Members of Parliament (MPs) to recommend works for creation of durable assets of national priorities viz., drinking water, primary education, public health, sanitation and roads, etc based on the locally

felt needs in their constituencies. The scheme is fully funded by Government of India. The District Collector is the Nodal officer at the district level and the works are executed by District Rural Development Agency (DRDA), District Water Management Agency (DWMA) and Chief Planning Officer of the district.

Observations relating to MPLADS were earlier included in the Reports of the Comptroller and Auditor General of India for the year ended 31 March 2007, 2008 and 2009 covering 17 districts of the State. The present review covers the remaining six districts³³ comprising 20 Members of Parliament³⁴ (Lok Sabha: 11 and Rajya Sabha: 9). Scrutiny (August - October 2009 and October 2010) of the transactions of the scheme was conducted by test-check of the records of four Chief Planning Officers (CPOs) and two Project Directors (PDs), DWMA for the period 2004-05 to 2009-10. During the period 2004-05 to 2009-10, as against the releases of ₹ 180.00 crore, an amount of ₹ 159.87 crore was spent in the six districts. Following are the audit findings:

Audit findings

Previous reviews covering the period from 2001-02 to 2008-09 revealed mainly the following deficiencies in the implementation of the scheme:

- (i) Works recommended by MPs were either not taken up or left incomplete.
- (ii) Funds were not spent in full resulting in denial of full benefits envisaged under the scheme.
- (iii) Scheme funds were spent on inadmissible works/items by the implementing agencies.
- (iv) The MPLADS funds were diverted towards administrative expenses and other schemes.
- (v) The district authorities/implementing agencies kept the MPLADS funds in fixed deposits in private banks contrary to scheme guidelines which defeated the objective of speedy execution of works.
- (vi) MPLADS funds were released in excess of the prescribed limits to trusts in violation of scheme guidelines.
- (vii) The district authorities failed to obtain the unutilised balances lying with the implementing agencies in respect of completed works.
- (viii) The implementing agencies did not furnish Utilisation Certificates to the district authorities regularly.
- (ix) Asset register was not maintained by the district authorities. The district authorities did not maintain any record of assets transferred to user agencies/beneficiaries after their completion.

³³ Anantapur, Hyderabad, Kurnool, SPS Nellore, Srikakulam and YSR

³⁴ **Lok Sabha:** Anantapur District: Anantapur and Hindupur; Hyderabad District: Hyderabad and Secunderabad; Kurnool District: Kurnool and Nandyal; SPS Nellore District: Nellore; Srikakulam District: Srikakulam and Parvathipuram; YSR District: Kadapa and Rajampeta;
Rajya Sabha: Hyderabad District (6 MPs) and YSR (3 MPs- Releases and expenditure details for one MP (Tenure:2004-05) not available)

- (x) The implementing agencies awarded the works on nomination basis instead of calling for tenders.
- (xi) Inspection of works was not conducted by the district authorities and other concerned officers.
- (xii) Unspent balances in respect of retired members of Rajya Sabha were not passed on to the successor MPs of Rajya Sabha as required under the scheme.

The current review indicated that these deficiencies were not fully addressed and the deficiencies continued to exist as noticed from the following:

Shortfall in completion of works was 20 per cent (estimated cost: ₹ 47.94crore)	Incomplete works	<p>As stipulated in Para 3.13 of the scheme guidelines works taken up under the scheme should generally be completed within one year. In the six districts, out of 10,211 works sanctioned during 2004-05 to 2008-09 (estimated cost: ₹ 166.53 crore), only 8,202 works (estimated cost: ₹ 118.59 crore) were completed leaving a balance of 2,009 works (20 per cent) (estimated cost: ₹ 47.94 crore) (of which 186 works were taken up five years ago) not yet completed as detailed in Appendix-3.3. Further, 247 works³⁵ sanctioned during the years 2004-05 to 2008-09 (estimated cost: ₹ 3.78 crore; release: ₹ 1.15 crore) were not even started (October 2010) resulting in non-utilisation of funds already released to the implementing agencies. There was no justification in keeping the moneys unutilised with the implementing agencies when the works could not even be started for several years.</p> <p>The CPOs of Hyderabad, SPS Nellore and PD, DWMA, Kurnool replied (October 2010) that the matter was being pursued with the implementing agencies to complete the works immediately.</p>
There was inordinate delay in sanction of works ranging upto as high as 36 months against the stipulated period of 45 days	Delay in sanction/ commencement of works	<p>As per the scheme guidelines, as far as possible all requisite sanctions for works should be accorded within 45 days from the date of receipt of proposal from the MP concerned. In all the test checked districts (except YSR District), there was inordinate delay in sanction of 2,734 works³⁶ (2004-10) ranging upto as high as 36 months after recommendation of works by the MPs concerned.</p>

³⁵ Hyderabad: 38 works (Estimated Cost: ₹ 1.23 crore/release: ₹ 0.79 crore); Kurnool: 29 works (Estimated Cost: ₹ 0.43 crore/release: ₹ 0.21 crore); SPS Nellore: 16 works (Estimated Cost: ₹ 0.25 crore/release: ₹ 0.13 crore); and YSR: 164 works (Estimated Cost: ₹ 1.87 crore/release: ₹ 0.02 crore);

³⁶ Anantapur: 971; Hyderabad: 165; Kurnool: 511; SPS Nellore: 69; and Srikakulam: 1,018

<p>Inadmissible works numbering 38 (estimated cost: ₹ 42.04 lakh) were sanctioned</p>		<p>The PDs, Anantapur and Kurnool attributed (October 2010) the delays in sanction of works to delayed preparation of estimates by the implementing agencies. The CPO, Hyderabad, being the nodal district authority in respect of the works recommended by Rajya Sabha Members, stated (October 2010) that there were delays in sanction by the other district authorities where the works were located. As the proposed works are required to be completed within the one year period, there is a need to ensure coordination with implementing agencies for expeditious finalisation of estimates to ensure early commencement of works.</p>
	<p>Execution of inadmissible works</p>	<p>In five out of six test checked districts, 38 inadmissible works³⁷ (estimated cost: ₹ 42.04 lakh; release: ₹ 34.79 lakh) viz., repairs of roads, construction of office buildings and leveling of sites which were prohibited under the scheme were sanctioned for execution during 2004-05 to 2009-10 (Appendix-3.4).</p> <p>The district authorities, Anantapur, Kurnool, Srikakulam and YSR, took the plea (October 2009 and October 2010) that the works were executed as they were proposed by the MPs. The district authority, SPS Nellore stated (October 2009) that the works were taken upto avoid encroachment of Government lands. The reply is not tenable. It is the responsibility of the CPOs/PD to ensure that the guidelines are kept in view while issuing the sanctions.</p>
	<p>Non-remittance of unutilised balances and interest</p>	<p>District authorities in three out of six test checked districts failed to obtain the unutilised amount of ₹ 0.63 crore (Hyderabad: ₹ 0.16 crore; Kurnool: ₹ 0.05 crore³⁸ and SPS Nellore: ₹ 0.42 crore) and interest thereon for completed works from the implementing agencies as of September 2010.</p> <p>The CPOs of Hyderabad and SPS Nellore and PD, DWMA, Kurnool replied (October 2010) that the implementing agencies would be asked to refund unspent balances with interest.</p>

³⁷ Ananthapur: 1 work (₹ 2.00 lakh/₹ 1.00 lakh); Kurnool: 1 work (₹ 2.00 lakh/₹ 1.00 lakh); SPS Nellore: 5 works (₹ 9 lakh/₹ 7.75 lakh); Srikakulam: 3 works (₹ 7.05 lakh/ ₹ 5.45 lakh); and YSR: 28 works (₹ 21.99 lakh/₹ 19.59 lakh)

³⁸ Inclusive of interest of ₹ 1.90 lakh