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**Chapter - II**  
**Compliance Audit Paragraphs**

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## Panchayat Raj and Rural Development Department

### 2.1 Information Technology Audit on implementation of e-Panchayat in Andhra Pradesh

#### 2.1.1 Introduction

e-Panchayat is one of the Mission Mode Projects (MMP) under National e-Governance Plan (NeGP), being implemented with a vision to empower and transform rural India and make Government services accessible to the common man in his locality *i.e.*, at Panchayat level. The e-Panchayat project aims to transform the Panchayat Raj Institutions (PRIs) into symbols of modernity, transparency and efficiency.

#### 2.1.2 Objectives of e-Panchayat

The broad objectives of e-Panchayat project as set out by the Ministry of Panchayat Raj (MoPR) are as follows:

- (i) Automation of internal workflow processes of Panchayats;
- (ii) Improving delivery of services to citizens;
- (iii) Capacity building of Panchayat Representatives and Officials;
- (iv) Social Audit;
- (v) Transparency, Accountability, Efficiency and RTI compliance of Panchayats and
- (vi) Improving governance of local self-government.

#### 2.1.3 System Architecture

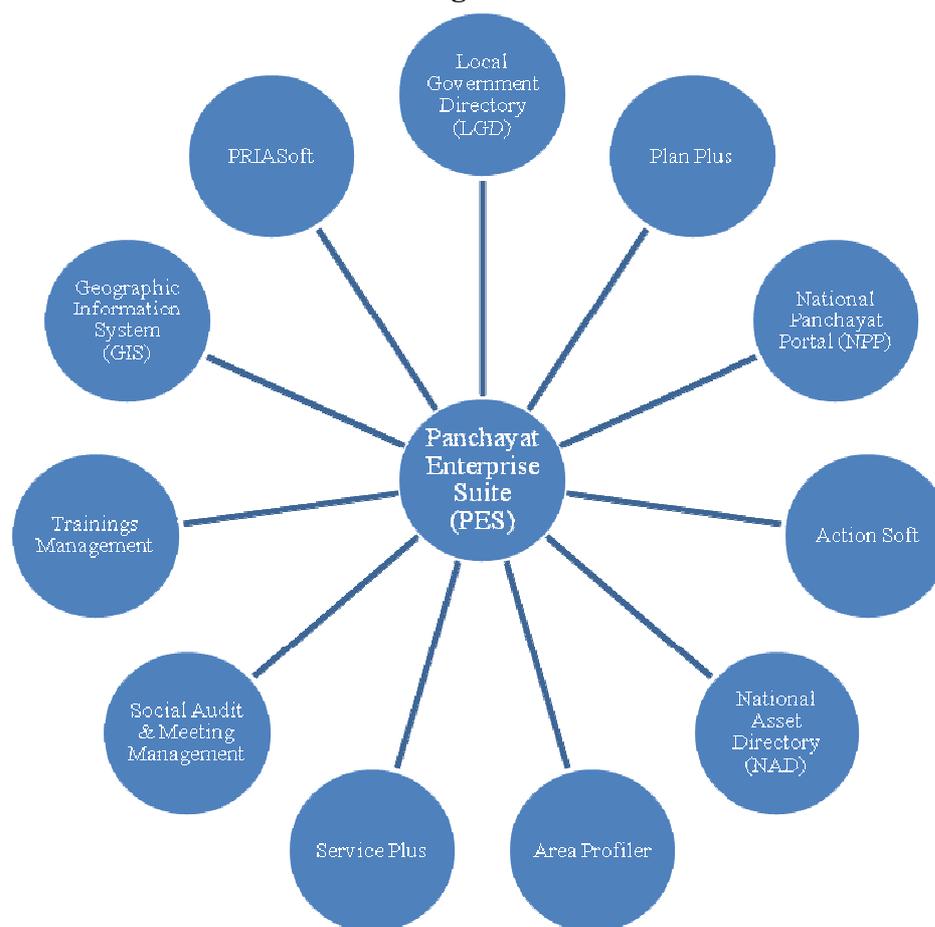
The e-Panchayat Application, which is used by all the States, is developed by National Informatics Centre (NIC), New Delhi. It is a browser-based application with Oracle-PostgreSQL database, developed for Microsoft Windows Operating System. The centralized database and backups for disaster recovery is being maintained by NIC, New Delhi.

##### 2.1.3.1 Salient features of the system

e-Panchayat is a one of its kind nation-wide Information Technology initiative introduced by MoPR that endeavors to ensure people's participation in programme decision making, implementation and delivery. The project aims to automate functioning of the Panchayats in the country. The project addresses all aspects of Panchayats' functioning including Planning, Monitoring, Programme Implementation, Budgeting, Accounting, Social Audit and Delivery of Citizen Services like issue of certificates, licenses etc.

e-Panchayat comprises 11 common core applications which constitute the *Panchayat Enterprise Suite* (PES). Brief details of the applications are given in *Appendix-2.1*.

**Figure-1**



## **2.1.4 Audit Approach**

### **2.1.4.1 Audit Objectives**

The objectives of carrying out IT audit of e-Panchayat are to assess whether:

- (i) automation of internal workflow processes of local self-government institutions was achieved;
- (ii) capacity building was adequate to ensure effective and efficient implementation of the system; delivery of services to citizens and governance of local self-government institutions were improved; and
- (iii) general and application controls, disaster recovery and business continuity plans were in place and functioning effectively.

### **2.1.4.2 Scope and Methodology of Audit**

Audit scope involved examination of the processes related to implementation of e-Panchayat project and its operationalization in Andhra Pradesh after its formation from composite Andhra Pradesh with effect from 2 June 2014. Audit scope included evaluation of general controls of the system at sampled Gram Panchayat clusters<sup>1</sup>.

<sup>1</sup> Two or more GPs are grouped into clusters for implementation of e-Panchayat where data entry/ updating relating to the GPs are being made

Application controls were evaluated through analysis of transaction data using Computer Assisted Audit Techniques (CAATs). Entry conference with the department was conducted on 15 March 2016.

#### **2.1.4.3 Sample size**

The records at the Office of the Commissioner, Panchayat Raj and Rural Development, Government of Andhra Pradesh were examined and data was collected for audit. Further, the extent of implementation of e-Panchayat was verified through a review of the functioning of the system in four districts<sup>2</sup> in the state of Andhra Pradesh. Three districts with the highest number of clusters and one district with the lowest number of clusters were selected. A total of 20 clusters (five clusters per district) were selected as audit sample to represent 7,164 clusters (12,920 GPs) in the State.

#### **2.1.4.4 Audit Criteria**

Audit findings were benchmarked against the following sources of criteria:

- i) Government orders (both Union and State) related to project conceptualization, implementation and operationalization.
- ii) Functional requirements and technical specifications of the system as stipulated in detailed project report.
- iii) Files/records maintained by the State Government for implementation of the project.
- iv) Constitution of different committees and their recommendations for implementation/monitoring of various applications of the system.
- v) Principles of Model Accounting System for Panchayats.
- vi) Guidelines of Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA).

### **2.1.5 Audit findings**

#### **2.1.5.1 Slow implementation and insufficient monitoring of the project**

Government of India (GoI), Ministry of Panchayat Raj, for effective and timely rollout of e-Panchayat project, had sanctioned funds (March 2012)<sup>3</sup> for setting up Programme Management Unit (PMU) at the State and District levels. APTS had recommended a L1 firm<sup>4</sup> for supply of manpower for PMU and it was constituted at the State level during September 2012. Manpower for PMUs at district level was selected by a committee headed by District Collectors which were constituted during August 2012. GoI had launched six new applications on the occasion of National Panchayat Day during April 2012 and instructed to facilitate the adoption of PES applications so as to help transform PRIs into symbols of modernity, transparency and efficiency.

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<sup>2</sup> Chittoor, East Godavari, Guntur and YSR

<sup>3</sup> ₹1.72 crore for combined State of Andhra Pradesh

<sup>4</sup> M/s. Object Technology Solutions India Pvt. Ltd.

The department initiated the process of procuring hardware infrastructure during July 2013 and an agreement was entered into with a firm during January 2014. The hardware was supplied and installed during May 2014 and the project was declared go-live with effect from 16 July 2014.

- Even though the project management units at State and District level were constituted during 2012, there was delay in procurement of hardware and launching the project by more than two years.
- Trained manpower was deployed in the identified cluster GPs for one year. However, the progress in use of PES applications (launched during April 2012) was still not significant which was elaborated in the succeeding paragraphs.
- Department requested (January 2015) the Centre for Innovation in Public System, Hyderabad (CIPS)<sup>5</sup> to submit a detailed proposals for setting up mechanism to monitor effective implementation of the project in the State. Based on the proposals received from CIPS, a memorandum of understanding (January 2015) was entered into with the organisation for monitoring day-to-day activities uploaded in the GPs, sensitizing various functionaries of PRIs about the existing and new applications and to ensure updating data in seven PES applications etc. The agreement was for a period of six months (19 January - 19 July 2015) with a total cost of ₹24 lakh (₹4 lakh per month). The work was taken up by the organization from January 2015 onwards; however, no significant progress on updating of all the applications was noticed.
- The PES comprises about 11 applications dealing with different functions related to computerization of PRIs. It was observed that each application had to be logged in with separate credentials for updating/accessing the data/information. A common interface with a single sign-on facility is more helpful for the PRIs to update data and for management to monitor all the activities being performed at ground level.

### **2.1.5.2 Applications not implemented**

e-Panchayat comprises 11 common core applications which constitute Panchayat Enterprise Suite (PES) as mentioned earlier in *Section 2.1.3.1*.

During the scrutiny of records, it was seen that only eight out of eleven core applications were implemented. Geographical Information System (GIS) application was under development, while the remaining applications, such as Social Audit & Meeting Management (SAMM) and Training Management had not been implemented on the grounds mentioned below:

***Social Audit & Meeting Management (SAMM):*** State Government informed that social audit was not yet implemented manually at Gram Panchayats, hence the application was not being put to use. Due to non-undertaking of social audits on the

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<sup>5</sup> CIPS - an organisation funded by Government of India.

works undertaken by the GPs, the information could not be updated on the portal and hence a fair assessment about the performance by the Central/State Government/line departments could not be obtained.

**Training Management Portal:** It was informed that this application was not being implemented as trainings were being handled by Extension Training Centres (ETCs). Due to non-implementation of the application at the State level, there was no platform for Government officials/elected representatives/citizens to project their needs of training in different panchayat activities.

### 2.1.5.3 Applications partially implemented

It was seen that four applications were not being utilized/updated periodically and therefore, a broad overview of the activities of the GP could not be obtained as discussed below:

**Area Profiler:** It was observed that complete information of the family register, Government employees, committee members, local government elections, local government profile was not entered by the GPs as shown below, thereby defeating the intended purpose of the application.

**Table-2.1**

(all figures in number of GPs)

Year	Total GPs	Family register	Details of Local Government employees	Committee members	Local Government elections	Local Government profile
2014-15	12,920	121 (0.94 per cent)	4,746 (36.73 per cent)	2 (0.02 per cent)	4,540 (35.14 per cent)	3,420 (26.47 per cent)
2015-16	12,920	313 (2.42 per cent)	920 (7.12 per cent)	106 (0.82 per cent)	527 (4.08 per cent)	1,070 (8.28 per cent)

Source: Data analysis

It could be seen from the above table that most of the GPs had not updated the tables on family register, details of local government employees, committee members, local government elections and local government profile.

**Plan Plus:** It was seen that the department was not utilizing the application to generate the perspective/annual draft plans every year. No GP plans were available for the year 2014-15. However, during the years 2015-16 and 2016-17, plans pertaining to 24 and 315 GPs only were available in Plan Plus application, defeating the very purpose of monitoring every GP plan at the central level.

**Action Soft:** This application was also not being put to use regularly as it was linked to Plan Plus application. Data pertaining to the 163 GPs during 2014-15 (1.26 per cent) and 24 GPs during 2015-16 (0.19 per cent) only were updated, resulting in non-monitoring of the works (physical and financial) undertaken at the GP level.

**National Asset Directory (NAD):** Data pertaining to only 6,276 GPs in 2014-15 (48.58 per cent) and 2,766 GPs in 2015-16 (21.41 per cent) were captured/ updated

through this application, defeating the purpose of monitoring all the assets available in the GPs by the department. It was also seen that in 1,013 GPs (2014-15) and 503 GPs (2015-16), only the details pertaining to less than 10 assets were recorded, which showed that the data was not being updated regularly in this application.

#### **2.1.5.4 Citizen services at GP level in non-computerized form**

Service Plus provides a single, unified, metadata-based portal to the citizen and Government alike where any service can be defined, accessed, delivered and monitored. Services like issues of birth/ death certificate, trade license, permit for construction of building etc., can be provided through this application. However, these services were not being provided through this application by the State Government.

Government of India, Ministry of Panchayat Raj<sup>6</sup> had instructed the State Governments to make use of the 11 core common PES applications and discouraged the development of new applications to avoid duplication, costs and incompatibility. However, State Government was providing citizen services through 'Digital Panchayat' (a state's initiative) instead of through Service Plus.

During physical verification of centres, it was seen that birth/ death certificates were being issued in manual form and the required certificates were not being issued electronically. Thus, the aim of the Government to register every birth/death online was defeated as the service was not been provided through the system and the information pertaining to the citizen services provided by Government was also not available in the panchayat portal.

#### **2.1.5.5 Delay in closing of accounts through PRIASoft application**

Panchayat Raj Institutions Accounting Software (PRIASoft) is a centralized accounting software intended for maintenance of accounts by all the three levels of Panchayats viz., District, Block and Village Panchayat on double-entry system on cash-basis system of accounting.

The status of use of the application and closure of year books were as follows:

**Table-2.2**

Year	Accounting Entity	Total number of entities	Number of entities where Year Book was closed	Closure per cent
2014-15	District Panchayat	13	5	38
	Block Panchayat	660	292	44
	Village Panchayat	12,924	8,058	62
2015-16	District Panchayat	13	2	15
	Block Panchayat	660	123	19
	Village Panchayat	12,918	2,543	20

*Source: PRIASoft reports*

<sup>6</sup> Letter dated 06-06-2012

As seen from above, the annual book closure for the year 2014-15 (38 to 62 per cent) was not completed in many of the accounting units (PRIs) of the State resulting in non-generation of annual accounts for the year 2014-15. During the year 2015-16 also, the percentage of closure of accounts ranged between 15 to 20. As large transactions (receipt and expenditure) were involved, non-capturing all the details in the computerized accounting system on time, and not closing of all PRIs accounts for over two financial years indicated lack of seriousness of the Government in this regard.

Further, the main aim of computerizing the accounting application to improve transparency and accountability of the PRIs in managing large volume of funds was defeated due to non-capturing of the transactions done in most of the PRIs. As a result, the flow and usage of funds for better planning could not be monitored by the higher authorities at State/ Central Government level.

#### 2.1.5.6 Procurement of Desktop, Printer & UPS and DEO services at higher cost

An Agreement<sup>7</sup> was entered into for supply and installation of eight Laptops, 7,631 Desktops, 6,336 UPS (0.6 KV), 1,295 UPS (1 KV), 7,547 Printers and 115 Scanners in 6,336 clusters and district offices in the composite State of Andhra Pradesh. Manpower supply of 3,439 Data Entry Operators (DEOs) was also agreed upon in the agreement. The details were as below:

Table-2.3

S No.	Particulars	Unit Price (₹)	Quantity (Nos.)	Total amount (₹)
1.	Laptops	69,615.00	8	5,56,920
2.	Desktops	47,402.25	7,631	36,17,26,570
3.	UPS - 1 KVA	46,675.65	1,295	6,04,44,967
4.	UPS - 600 VA	8,366.40	6,336	5,30,09,510
5.	Inkjet Printer	11,445.00	7,547	8,63,75,415
6.	Scanner	46,669.35	115	53,66,975
7.	DEOs – 3,439	11,869.71	3,439	
	Salary for 12 months		12 x 3,439 x ₹11,869.71	48,98,39,192
<b>Total</b>				<b>1,05,73,19,549</b>

Source: Agreement dated 10 January 2014.

The period of contract was for five years and the supplier was to be paid 60 per cent of the hardware items cost after supply of hardware and acceptance by the APTS and

<sup>7</sup> between Andhra Pradesh Technology Services Limited (APTS) on behalf of the department and M/s. Karvy Data Management Services Limited (KDMS) on 10 January 2014

the remaining amount of 40 *per cent* were to be paid in 20 equal quarterly instalments from the date of Go-live (16 July 2014 for Andhra Pradesh).

It was observed that:

As per Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA) guidelines, the cost of desktop, printer & UPS was fixed as ₹40,000 per unit. However, the agreement was finalized at ₹47,402 for desktop, ₹8,366 for UPS and ₹11,445 for printer (total cost ₹67,213 per unit), thereby incurring an additional expenditure of ₹10.60 crore (₹27,213 per unit x 3,896 units), and exceeding the norms of RGPSA.

The department entered into agreement with the supplier for supply of DEO at a cost of ₹11,869 per month for 12 months. The rate agreed upon was more than the limit of ₹8,000 fixed under RGPSA guidelines by ₹3,869 per DEO per month for 12 months, thereby resulting in excess expenditure from the fund.

#### **2.1.5.7 Computerization process in 3,269 clusters was cancelled**

After bifurcation of the State, for e-enablement of the remaining 3,269<sup>8</sup> GPs in the State of Andhra Pradesh under RGPSA scheme, the department had requested the APTS for procurement of 3,269 desktop computers, printers and UPSs and an open competitive bid (September 2014) was issued by the APTS and six firms for supply of hardware and responded to the tender. The department (May 2015) decided to cancel the tender procedure as there would be no release of funds by the Government of India due to delinking of RGPSA scheme from 2015-16 onwards.

The computerization of GPs was approved in the annual plan of Andhra Pradesh for 2013-14 (RGPSA) and delay in the process of procurement resulted in non-computerization of 3,269 clusters in the state. Data entry and other services under the e-Panchayat applications in these clusters were being carried out in the nearest cluster/Mandal office, thereby delaying the process of updation of data at the GP level, as pointed out in paragraph 2.1.5.12.

#### **2.1.5.8 Poor updating of database due to discontinuance of services of data entry operator**

The work of DEO involves entering/updating data on PES applications and train the available staff to operate computers, operating various e-Panchayat applications and other services online. The department entered into an agreement (January 2014) with a firm for deployment of computer systems and manpower (2,106 DEOs) in 3,896 selected cluster GPs for implementation of e-Panchayat project in Andhra region of composite AP. As part of the agreement, the firm had to deploy the manpower for a period of one year after the go-live date. Extensive training to 200 DEOs selected by the firm was given during March 2014. The remaining DEOs were trained by the firm with the help of already trained 200 DEOs (master trainers). The Go-live date was declared as 16 July 2014 and the period of deployment ended in June 2015.

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<sup>8</sup> Phase-I: 3,896

During scrutiny of records, it was observed that the department did not extend the services of DEOs after June 2015 and instructed the district offices to avail of the services of DEOs by local appointment/ payment from local funds on hourly basis, resulting in appointment of new DEOs with no working experience in PES applications and discontinuance of DEOs in some of the GPs.

It was seen during test-check of districts that DEOs deployment was reduced<sup>9</sup> after instructions from the department to make payment of salaries from GP funds and to appoint the DEOs on hourly wage. This has hampered the work of entering/ updating data which was now being carried out in Mandal office by availing the services of existing staff of Mandal office.

Thus, absence of regular DEOs at the cluster GPs resulted in poor updating of database and non-provision of citizen services at the GP level.

#### **2.1.5.9 Sufficient Broadband connections were not provided by BSNL**

Department had identified 7,548 locations (in the composite State of Andhra Pradesh) to provide broadband connection through BSNL as part of computerization of PRIs. BSNL had agreed to provide the connections as per the list given by the department with a condition that modems had to be provided by the department as the stock was not available with BSNL. Out of these, 4,618 connections were to be provided in the State of Andhra Pradesh and the rest in the State of Telangana. The department (composite AP) agreed to the plans given by BSNL and an advance of ₹3.45 crore was paid to BSNL towards annual charges.

APTS had invited short tender notices (three notices) during May/ June 2014 for purchase of 7,548 ADSL2 type modems. However, due to lack of response to tender notices, department decided to cancel the proposal for purchase of modems and instructed all the district offices to purchase modems locally from the Panchayat/Mandal/Zilla Parishad funds.

It was seen that out of the committed 4,618 broadband connections, BSNL could provide connections only in 3,156 locations, leaving a balance of 1,462 locations unconnected, citing technical problems. It was seen during test-check of centers that data was being updated at the Mandal level instead of at cluster level due to non-availability of internet facility at clusters. The DEO traveled 5-48 km to reach Mandal/ Division headquarters for updating data.

Thus, failure to provide broadband connection at the identified PRIs defeated the purpose of computerization.

#### **2.1.5.10 Excess broadband bill - Abnormal data consumption**

BSNL had provided 3,156 connections at identified clusters GPs/Mandals as part of computerization of PRIs for implementation of e-Panchayat project in the state of Andhra Pradesh. An amount of ₹3.45 crore (Andhra Pradesh portion: ₹2.10 crore) was paid to BSNL as advance towards annual charges. Initially, the department had

<sup>9</sup> Chittoor 202 to 137, East Godavari 281 to 196, Guntur 234 to 191 and YSR 77 to 9

opted for two plans, BBG Rural Combo-250 for rural areas (2,426 connections) and BBG Rural Plan-999 for district offices (592 connections). The payment for the bills of broadband usage was centralized at the Commissionerate office.

BSNL raised a bill of ₹2.46 crore during May 2015 (which included April 2015 bill of ₹3.17 lakh) along with arrears and, to avoid huge billing, suggested conversion of the plans to unlimited plans as the present plans was of limited usage in nature. The department gave consent to change the plan from BBG rural combo-250 to BB Home Rural Combo UL-650 (unlimited) and BBG Rural Plan-999 to BB Home Combo ULD-999 (unlimited). Further, the department issued instructions to all GPs to pay the BSNL bills from June 2015 onwards at GP level. Thus,

Due to improper assessment of bandwidth requirement/monthly plans and lack of periodical monitoring of data usage, the department was compelled to pay the excess amount of bills and;

The number of connections were reduced significantly (from 3,156 to 2,317 connections) after the directions of the department to make payments from the GP funds.

#### **2.1.5.11 Subsidy component of USOF not availed**

Universal Service Obligation Fund (USOF) aims to provide widespread access to quality Information & Communications Technology (ICT) services at affordable prices to all people in rural and remote areas. It provides subsidy support to telecom service providers to increase the reach and delivery of Government and social services.

As per the agreement with the firm<sup>10</sup> for supply and installation of hardware, a specific clause (5.7.15) was included to avail of Universal Service Obligation Fund (USOF) subsidy as “*The supplier should necessarily avail this subsidy and should pass on the benefit to the department*”. The USOF was providing a subsidy of ₹4,500 for computer and broadband connections in rural areas through BSNL. The firm was to make arrangements for availing the USOF subsidy immediately after signing the contract and was to pass the benefit to Government.

The firm supplied computers and broadband connections were provided by BSNL in 2,426 (out of 4,618) locations. However, the subsidy component for an amount of ₹109.17 lakh (₹4,500 x 2,426 connections) was not passed on to the department due to failure of the firm to adhere to the mandatory clause of availing of USOF subsidy.

The department (composite AP) withheld an amount of ₹2.85 crore<sup>11</sup> (Andhra Pradesh share withheld ₹1.75 crore) which was due towards the subsidy component while making initial payment to the firm. The firm approached the USOF administrator for availing of the subsidy and USOF stated that the firm was not eligible for subsidy as it was not in the qualified service providers list of USOF. The firm communicated the

<sup>10</sup> M/s. KDMS Ltd.

<sup>11</sup> ₹4,500 x 6,336 GP connections = ₹2,85,12,000

same to the department and requested to release the withheld amount. The department released the amount (January 2016) to the firm as per the direction of the Government<sup>12</sup>.

Thus, the department was deprived of an amount of ₹109.17 lakh (₹4,500 x 2,426 connections) due to failure of the firm in not adhering to the mandatory clause of availing of USOF subsidy.

### **2.1.5.12 Inconsistencies in database**

An analysis of database showed the following:

#### ***Inconsistencies in database and misclassification of assets under National Asset Directory***

It was seen during analysis of the database that incorrect categorization of assets was made by the PRIs during data entry:

- 581 assets entered did not specify any details of PRI code/ location.
- 2,922 records did not have valid asset name and are recorded with junk data/special characters or numbers.
- 648 assets viz., Jeep, Tata Sumo, land, bandi dari, kaluva, cheruvu, hand pumps etc., pertaining to Asset Category- 302 - Vehicles, 407 - Land, 15 - Roads, bridges and culverts, 4 - Irrigation sources, 6 - Pond and reservoir, 10 - Water sources and structures were incorrectly categorized under Asset Type-2 - Immovable and asset category -0- Others.
- 460 assets viz., chairs pertaining to Asset category-351 - Furniture, fixtures and fittings were incorrectly categorized under asset category-41 - Office equipment, 301- Electrical installation and equipment and 77 - Buildings.

Due to incorrect categorization of the assets created under various schemes in the PRIs the actual creation and exact number of assets created under a particular asset category could not be ascertained at the district/ state and central level by the administrator.

#### ***Misclassification, data integrity issues and poor updating of PRIASoft***

- In 4,486 PRIs during 2014-15 and in 11,555 PRIs during 2015-16, no data was captured into PRIASoft application which showed that the accounting package was not being implemented in most of the PRIs, defeating the purpose of improving transparency and accountability of the PRIs.
- There was difference between the closing balance (CB) of the previous year with that of opening balance (OB) of current year, affecting integrity of the data.
  - CB of 2014-15 was not carried over as OB of 2015-16: in 16 cases.
  - CB of 2015-16 was not carried over as OB of 2016-17: in one case.

<sup>12</sup> Memo No. 9796/Pts-II/A2/2015, dt. 05-01-2016.

- Analysis of receipt and payment vouchers showed that vouchers were not being classified under the relevant heads as per accounting heads approved for PRIs as detailed in *Appendix-2.2*.
- A voucher was generated for each transaction (receipt and payment) occurring in the PRI. Thereafter, the same was to be updated in the PRIASoft application on the same or at a later date. However, in 59 and 4 cases of payment vouchers respectively in 2014-15 and 2015-16, it was seen that date in DATE\_OF\_ENTRY\_DATE column was recorded as prior to the voucher generation date in VOUCHERDATE\_DATE column.
- Data entry of payment vouchers were not being updated at periodical intervals. Out of 3,88,290 payment vouchers (2014-15), it was seen that 2,53,476 vouchers were updated after a lapse of more than six months from the date of occurrence of the event. Similarly, out of 63,734 payment vouchers (2015-16), it was seen that 26,984 vouchers were updated after a lapse of more than six months from the date of occurrence of the event.
- Data entry of receipt vouchers were not being updated at periodical intervals. Out of 4,67,763 receipt vouchers (2014-15), it was seen that 2,58,181 vouchers were updated after a lapse of more than six months from the date of occurrence of the event. Similarly, out of 84,594 receipt vouchers (2015-16), it was seen that 26,265 vouchers were updated after a lapse of more than six months from the date of occurrence of the event.

Thus, the insufficient training to the DEOs and inadequate monitoring by higher officials resulted in errors in classification. Due to integrity issues in the database, the reports generated may not reflect a true and fair picture of the funds of GP, Mandal, District and State affecting reliability of PRIASoft system in promoting transparency, implementation and decision making.

### **2.1.6 Conclusion**

As brought out in the foregoing paragraphs, the main objective of e-Panchayat project to automate the internal workflow processes of panchayats could not be achieved even after three years of implementation of the project. Due to non-implementation of Service Plus application, delivery of services to the citizens could not be provided at the GPs. The aim of improving the governance of local self-government institutions could not be achieved due to non-closure of annual accounts and non-updating of the activities at the PRIs. Non-provision of systems with internet facilities at many PRIs resulted in poor implementation of the project. Overall, the objective of promoting transparency and peoples' participation in planning, implementation and decision making could not be achieved.

### **2.1.7 Recommendations**

- Internet connectivity needs to be ensured in all GPs for timely updating of data and for providing services to citizens at Gram Panchayat level.*
- Sufficient training needs to be provided to the staff/Data Entry Operators for maintenance of accounts in computerized environment.*

- iii. *Periodical monitoring is needed to ensure timely updation and verification of records.*
- iv. *Proper application controls are to be built-in to ensure data integrity.*

The matter was reported to Government in November 2016; reply has not been received (December 2016)

## **2.2 Follow up report on Implementation of Rural Water Supply Schemes**

### **2.2.1 Introduction**

The objective of this audit was to determine whether necessary corrective action has been taken to address the audit findings and implement the recommendations made in the Performance Audit of ‘Implementation of Rural Water Supply Schemes’ featured in the Report (Chapter-5 of Report No.4 of 2013) of the Comptroller and Auditor General (CAG) of India pertaining to the Government of Andhra Pradesh (composite State) for the year ended March 2012.

The earlier audit was undertaken to assess the efficiency of Government/ implementing agencies in planning the rural water supply schemes, utilisation of funds, execution of water supply schemes, coverage of habitations with sustainable water sources, monitoring and evaluation of schemes. Five recommendations were made to the Government by the CAG to ensure that the deficiencies and irregularities flagged in the Report were addressed. Government had assured (January 2013) of corrective action on all the five recommendations.

### **2.2.2 Objective, Scope and Methodology of Audit**

The follow up audit of the implementation of Rural Water Supply schemes covering the period 2012-13 to 2015-16 was conducted in August 2016 to see whether the Government had addressed the accepted recommendations.

Audit Methodology involved issue of specific structured questionnaire to the department concerned at Secretariat level and office of Engineer-in-Chief (ENC)/Rural Water Supply for eliciting responses with regard to the action taken by the Government to implement the recommendations, followed by scrutiny of records at the Secretariat Department, ENC, Rural Water Supply Engineering Divisions (Anantapuramu, Penugonda and Kalyanadurgam) and Zilla Praja Parishad (Chief Executive Officer) in one selected district *viz.*, Anantapuramu.

### ***Audit findings***

The status of implementation of five audit recommendations accepted by the Government has been arranged in the following three categories *viz.*, (i) Not implemented, (ii) Partially implemented and (iii) Fully implemented. The action taken by the Government on the recommendations made in the report, further response of the Government and Audit comments are given as under.

### 2.2.3 Not implemented

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
<p>In Annual Action Plans (AAPs), proposals for water supply schemes were initiated primarily based on the request of public representatives. There was no evidence from the records made available regarding the involvement of Panchayat Raj Institutions (PRIs<sup>13</sup>) in the planning process.</p> <p>Test check of CPWS<sup>14</sup> schemes revealed that administrative approval was granted by the</p>	<p>Government should ensure preparation of AAPs with inputs from the local level and ensure strict compliance with all the pre-requisites before according administrative sanction for schemes so as to avoid cost and time overrun.</p>	<p><b>Annual Action Plans:</b></p> <p>The AAPs were prepared by the Assistant Executive Engineers (AEE) of RWS Sub-divisional offices in the districts.</p> <p>Test-checked ZPP of Anantapuramu district also confirmed that AAPs were prepared without participation of PRIs.</p> <p>Two-stage approach for according Administrative sanctions:</p> <p>During 2012-16, State Government had accorded administrative sanction to two</p>	<p>ENC (August 2016) replied that Annual Action Plans were being prepared in consultation with PRIs.</p> <p>Two-stage approach was followed while according administrative approval.</p>	<p>It was observed in Audit that there was no involvement of PRIs in preparation of AAPs as seen from the records of test-checked ZPP.</p> <p>Two-stage approach was not followed while according administrative sanction of two works in test-checked district during the period 2012-15.</p> <p>Thus, the State</p>

<sup>13</sup> Panchayat Raj Institutions consists of Zilla Praja Parishads, Mandal Praja Parishads, Gram Panchayats

<sup>14</sup> Comprehensive Protected Water Supply

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
Government without a two-stage <sup>15</sup> approach. (Paragraphs 5.5.1 & 5.5.3)		works <sup>16</sup> in the test checked district. However, the two-stage approach was not followed, as the approval for both the stages was given at a time.		Government did not implement the recommendation by ensuring participation of PRIs in preparation of AAPs and by following two-stage approach while according administrative sanctions.

#### 2.2.4 Partially implemented

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
There was short release of	State's share of matching	As on the date of formation of residual	ENC replied	Although funds were

<sup>15</sup> 1<sup>st</sup> stage approval for preparatory work – detailed investigation, Environment Impact Assessment (EIA) and Environment Management Plan (EMP), forest and other clearances, rehabilitation and reconstruction plan, detailed designs and drawings, acquisition of minimum land required, etc. and 2<sup>nd</sup> stage approval after finalisation of designs, completion of detailed investigation and acquisition of land for taking up works without interruption for the first two years.

<sup>16</sup> CPWS scheme in Singanamala constituency and CPWS scheme in Uravakonda constituency

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
<p>₹1,004.90 crore towards State matching share during the period 2009-10 to 2011-12. (Paragraph 5.6.1)</p>	<p>funds should be released component-wise to facilitate proper implementation of the planned schemes and evaluation of the programme.</p>	<p>Andhra Pradesh State (02 June 2014), funds amounting to ₹873.14 crore were due from State Government towards matching share. During 2014-16, an amount of ₹433.70 crore was due as State matching share.</p> <p>Thus total funds amounting to ₹1,306.84 crore were due from State Government towards their matching share, against which the State Government had released only ₹745.99 crore (57 per cent) as of March 2016.</p> <p>There was shortage of ₹560.85 crore as of March 2016.</p>	<p>(August 2016) that as per the scheme guidelines State Government had provided its matching share which was inclusive of previous short releases to the tune of ₹745.99 crore during 2012-16.</p>	<p>released component-wise during 2014-16 and were in excess, there was still a balance of ₹560.85 crore (₹1,306.84 crore minus ₹745.99 crore) to be released by State Government as of March 2016.</p> <p>This recommendation has been partially implemented. However, State Government has to abide by its commitment of releasing its share in a timely manner.</p>

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments																
<p>i. There were 15,988 slipped back habitations<sup>17</sup> in the composite State of Andhra Pradesh as of April 2012.</p> <p>ii. NRDWP earmarked 20 per cent of fund allocation towards 'sustainability component'. However, there was no specific allocation towards sustainability in the release orders.</p> <p>iii. In the test-checked</p>	Adequate emphasis should be placed on sustainability of water so as to minimise the possibility of more "slipped back" habitations.	<p>The status of habitations in the State is as follows :</p> <table border="1"> <thead> <tr> <th>Category<sup>18</sup></th> <th>Status of habitations as of April 2012</th> <th>Status of habitations as of March 2016</th> <th>Variation</th> </tr> </thead> <tbody> <tr> <td>Fully covered (FC)</td> <td>27650</td> <td>29309</td> <td>(+) 1659</td> </tr> <tr> <td>Partially covered (PC)</td> <td>19152</td> <td>18304</td> <td>(-) 848</td> </tr> <tr> <td>No safe source (NSS)</td> <td>380</td> <td>593</td> <td>(+) 213</td> </tr> </tbody> </table> <p>There was increase in fully covered habitations and no safe sources. However,</p>	Category <sup>18</sup>	Status of habitations as of April 2012	Status of habitations as of March 2016	Variation	Fully covered (FC)	27650	29309	(+) 1659	Partially covered (PC)	19152	18304	(-) 848	No safe source (NSS)	380	593	(+) 213	<p>The ENC (August 2016) attributed the status to depletion of ground water/low rain fall and severe drought conditions.</p> <p>No specific reply was furnished for change in the status of habitations.</p>	<p>There was increase in the number of FC habitations. However, the increase in NSS habitations indicated inadequate attention towards quality affected habitations.</p> <p>Thus, the Government did little to implement the recommendation of audit especially to minimise the number of NSS habitations.</p>
Category <sup>18</sup>	Status of habitations as of April 2012	Status of habitations as of March 2016	Variation																	
Fully covered (FC)	27650	29309	(+) 1659																	
Partially covered (PC)	19152	18304	(-) 848																	
No safe source (NSS)	380	593	(+) 213																	

<sup>17</sup> habitations which had come 'down' from Fully covered to Partially covered status

<sup>18</sup> According to GoI norms, rural habitations are categorized into Not Covered (NC)/No Safe Source (NSS) habitations, Partially Covered (PC) and Fully Covered (FC) habitations. The habitations, where a drinking water source / point is not available within 1.6 km of the habitations in the plains or 100 metre elevation in hilly areas, or where the habitations have a water source which is affected by quality problems are termed as NC/NSS habitations. Habitations which have a safe drinking water source and where the capacity of the system ranges between 10 litre per capita per day (lpcd) to 40 lpcd are termed as PC habitations. Remaining habitations are shown as FC habitations

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
<p>divisions, 1,983 works were sanctioned under sustainability component, of which 1,422 works (72 per cent) were yet to commence as of November 2012.</p> <p>(Paragraphs 5.4.1 and 5.8)</p>		<p>the status of partially covered habitations came down by four per cent.</p> <p>As per NRDWP guidelines (2013), 10 per cent of funds were to be earmarked towards sustainability component. Audit observed that 441 works were sanctioned under this component during 2012-16. However funds amounting to ₹164.94 crore were released by State Government during 2014-16 towards execution of ongoing sustainability works, against which only ₹7.59 crore (five per cent) was utilised by the implementing agencies.</p>		
<p>Targets for chemical and bacteriological tests in water was set uniformly at 100 and 200 per month respectively, irrespective of the number of sources to be tested. The actual number of tests performed</p>	<p>Targets for chemical and bacteriological testing for each water quality laboratory should be set individually, depending on the number of water sources falling within its</p>	<p>For each laboratory State Government set an uniform target to test 3000 samples per year irrespective of the number of sources falling under the jurisdiction of the laboratory.</p> <p>In the State there were 2,51,993 water sources as of March 2016. State</p>	<p>The ENC (August 2016) that all measures were taken for monitoring the quality of all the drinking water sources in accordance with the</p>	<p>Uniform Drinking Water Quality Monitoring Protocol (issued in February 2013) by Ministry of Drinking Water and Sanitation recommended a target</p>

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
<p>during 2007-12 was lower than even the arbitrarily set targets in the test checked divisions. (Paragraph 5.9.2.2)</p>	<p>jurisdiction. Further, Government should release adequate funds in a timely manner to ensure testing of all water sources at least once a year.</p>	<p>Government had fixed annual target to test 3,15,000 samples in 105 laboratories. During 2015-16, 3,03,294 tests were conducted in these laboratories. Although tests were conducted in excess of the annual target in some laboratories, it was observed that 27,800 water sources were not covered in 10<sup>19</sup> districts.</p>	<p>protocol.</p>	<p>of 3,000 samples per year per laboratory for testing all water sources and also stipulated that target should depend upon local conditions.  However, State Government fixed uniform target for laboratories without considering the need to focus on all water sources available under their jurisdictions. As such, there was deficiency in coverage of 27,800 water sources in the</p>

<sup>19</sup> Visakhapatnam-3,256, Vizianagaram-1,739, East Godavari-2,532, Krishna-4,289, Guntur-1,979, Prakasam-5,235, SPSR Nellore-473, Chittoor-6,506, Kadapa-437 and Kurnool-1,354

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
				<p>State.</p> <p>The recommendation has been implemented to a substantial extent with coverage extending to 80 per cent of water sources. However, the targets as recommended by Uniform Drinking Water Quality Monitoring Protocol depending upon the local conditions should be reset to ensure testing of all water sources.</p>
<p>Of the 66 test-checked schemes, 39 schemes were commissioned, 7 schemes</p>	<p>Monitoring mechanism as stipulated in NRDWP guidelines should be</p>	<p>Out of seven schemes completed but not commissioned, five schemes related to Andhra Pradesh. As of September 2016,</p>	<p>ENC replied (August 2016) that the department had</p>	<p>Despite the fact that the progress of works were being monitored</p>

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
<p>were completed but not commissioned and 20 schemes were incomplete. Reasons for non-completion of schemes were due to lack of forest clearance for laying pipes, non-acquisition of land, delay in obtaining water drawal permission from Irrigation department.</p> <p>The effectiveness of the monitoring mechanism in implementation of the scheme could not be verified in audit due to non-submission of inspection/monitoring</p>	<p>strengthened to ensure that schemes are executed on time within the budgeted cost and the benefit of potable water is provided to all the habitations as envisaged.</p>	<p>all<sup>20</sup> the schemes except one were completed and commissioned. In one<sup>21</sup> scheme 14 out of 16 habitations were covered (March 2016) and the remaining two habitations could not be covered due to want of electrical connectivity.</p> <p>Of the 20 incomplete schemes, eight schemes pertained to Andhra Pradesh. As of September 2016, six<sup>22</sup> schemes have been completed and commissioned. Two<sup>23</sup> schemes remained incomplete after incurring an expenditure of ₹337.96 crore. Out of two incomplete schemes, in one scheme, head works were not completed and in the other scheme clearance from forest department and railways was awaited. <i>(Appendix- 2.3)</i></p>	<p>established exclusive video conference facilities with the field officers for review on drinking water supply and sanitation programmes in the districts. Field officers were reviewed every Saturday and meetings were held once in month in the office of the ENC.</p>	<p>through video conference, reviews and meetings as reported by ENC, two schemes remained incomplete. (September 2016).</p> <p>Thus, the recommendation of strengthening the monitoring mechanism to execute the works on time was not effectively implemented.</p>

<sup>20</sup> Kovvur (March 2014), Krishnagiri Phase I & II (January 2016), Kurichedu (March 2013), Tallur (March 2015)

<sup>21</sup> Krishnagiri Phase III (Kurnool)

<sup>22</sup> Allur Phase II, 'CS Puram', 'Veligandla and Pamur', 'Pamur, Veligandla, PC Palli and CS Puram', 'Rapur' and 'Erragudur'

<sup>23</sup> Jaladanki and JC Nagi Reddy Drinking Water supply scheme

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Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
reports by the State/District level authorities. (Paragraphs 5.7 and 5.10.1)				

**2.2.5 Fully implemented**

**---- Nil ----**

## 2.2.6 Other significant Observations:

### 2.2.6.1 Non completion of projects

Audit Report for 2011-12 (Paragraph 5.7.5) pointed out that under J.C. Nagi Reddy Drinking Water Supply Scheme in Anantapuramu district, not even a single habitation out of the targeted 514 habitations, was supplied drinking water as of June 2012 despite incurring an expenditure of ₹287.82 crore (Phase-I to IV).

It was, however, observed in follow-up audit that only Phase I of the scheme covering 92 habitations and one municipality was completed and commissioned (March 2013). The other three Phases (Phase-II to IV) were not completed due to reasons such as change of source, want of site clearance, pending permission for railway crossing and pending clearance from forest department. Two sources (Gandikota Reservoir and MPR Dam) were identified (November 2013) and a committee was formed to examine the project and submit Detailed Project Report (DPR) to the Government. The committee did not submit any report as of September 2016.

This indicated improper planning resulting in the project remaining incomplete even after lapse of more than 10 years. Expenditure of ₹332.08<sup>24</sup> crore became unfruitful.

## 2.2.7 Conclusion

While some relevant aspects of the recommendations were seen to have been addressed, there were certain shortfalls in acting upon the recommendations made in audit. Adequate emphasis was not placed towards minimising the number of No Safe Sources (NSSs). Monitoring was not effective in implementation of schemes as the incomplete schemes commented in earlier report were yet to be commissioned. Participation of PRIs was not ensured in preparation of Annual Action Plans. Gap in State matching share was not adequately addressed. Testing of samples did not cover all the water sources.

The matter was reported to Government in September 2016; reply has not been received (December 2016)

## 2.3 Irregular payment towards hiring of vehicles

**Failure to comply with codal provisions and Government Orders in ensuring the correctness of bills led to possible misappropriation of ₹63.38 lakh for election purposes**

Temporary advances are sanctioned to meet contingent expenditure of a specified kind or for a specific occasion through Abstract Contingent (AC) bills. Provisions of Financial Code and Government orders<sup>25</sup> stipulate that the advances drawn should be adjusted by submitting Detailed Contingent (DC) bills for the expenditure incurred alongwith supporting vouchers within one month of drawal of such amounts. Every

<sup>24</sup> Phase I – ₹130.16 crore, Phase II&III – ₹122.09 crore and Phase III – ₹79.83 crore.

<sup>25</sup> G.O. Ms. No. 507 dated 10.04.2002 of Finance Department

Government servant who draws bills for contingent expenditure is primarily responsible for ensuring the correctness of the amount for which each bill is drawn.

State Government had permitted (April 2014) the Drawing and Disbursing Officers (DDOs) to draw funds through AC bills for incurring expenditure during the fourth ordinary elections to Mandal Parishad Territory Constituencies (MPTC)/Zilla Parishad Territory Constituencies (ZPTC), 2014. Test-check of vouchers enclosed with DC bills submitted by Mandal Parishad Development Officers (MPDOs) for the expenditure incurred on hire/POL<sup>26</sup> charges in seven<sup>27</sup> districts showed the following:

- i. In respect of 225 vouchers relating to hire/POL charges for ₹19.16 lakh, where vehicle numbers were recorded, it was observed from a cross-check with the records of Road Transport Authority (RTA) that these vehicles were registered as two wheelers. As per Government Order (December 2007), only private vehicles which were registered as taxis can be hired for Government duty.
- ii. As regards 196 vouchers amounting to ₹14.29 lakh pertaining to hire charges paid for vehicles hired, it was observed that the vehicles recorded in the vouchers did not feature in the data base of the vehicles maintained by the RTA.
- iii. In 444 vouchers amounting to ₹29.93 lakh of hire/POL charges, it was observed that none of the vouchers had recorded the registration numbers of vehicles. Hence, correctness of the payments could not be vouchsafed in audit.

Thus, failure to comply with codal provisions and Government orders while passing the bills resulted in possible misappropriation of ₹63.38 lakh<sup>28</sup> for election purpose.

The matter was reported to Government in August 2016; reply has not been received (December 2016)

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<sup>26</sup> Petrol, Oil and Lubricant

<sup>27</sup> Kurnool, Prakasam, SPSR Nellore, Srikakulam, Vizianagaram, West Godavari and YSR

<sup>28</sup> ₹19.16 lakh, ₹14.29 lakh and ₹29.93 lakh