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# **Chapter - II**

## **Compliance Audit Paragraphs**

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## **2.1 Information Technology Audit on implementation of e-Panchayat in Telangana**

### **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), Government of India, 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 nationwide 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 Telangana 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>. Application controls were evaluated through analysis of transaction data using Computer Assisted Audit Techniques (CAATs). Entry conference with the department was conducted on 28 April 2016.

### **2.1.4.3 Sample size**

The records at the Office of the Commissioner, Panchayat Raj and Rural Employment, Government of Telangana 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 three districts<sup>2</sup> in the state of Telangana. Two districts with the highest number of clusters and one district with the lowest number of clusters were selected. A total of 15 clusters (five clusters per district) were selected as audit sample to represent 5,232 clusters (8,695 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 detailed 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 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

<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

<sup>2</sup> Mahabubnagar, Nizamabad and Warangal

<sup>3</sup> ₹ 1.72 crores for combined State of AP

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

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.

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 01 January 2015.

- Even though the project monitoring 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 over one year. However, the progress in use of PES applications (launched during April 2012 in composite Andhra Pradesh) was still not significant which was elaborated in the succeeding paragraphs.
- It was seen that one Panchayat Secretary was being made in-charge for more than two cluster GPs due to cadre vacancy (total: 5,080, vacant: 1,350), resulting in inadequate monitoring of the project implementation.
- The PES comprises about 11 applications dealing with different functions related to computerization of PRIs. It was seen 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 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 observed 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.

- i. **Area Profiler:** It was seen 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	Details of Committee members	Local Government elections	Local Government profile
2014-15	8,695	128 (1.47 per cent)	1,431 (16.46 per cent)	02 (0.02 per cent)	2,050 (23.58 per cent)	5,480 (63.02 per cent)
2015-16	8,695	265 (3.05 per cent)	656 (7.54 per cent)	42 (0.48 per cent)	1,858 (21.37 per cent)	1,769 (20.34 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 member and local government elections and local government profile.

- ii. **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 and 2015-16. However, during the year 2016-17, though plans pertaining to 6,748 GPs were made available in state specific application, Plan Plus application was not updated, defeating the very purpose of monitoring every GP plan at the central level.
- iii. **Action Soft:** This application was also not being put to use regularly as it was linked to Plan Plus application. Data pertaining to the years 2014-15 and 2015-16 were not updated in the portal, resulting in non-monitoring of the works (physical and financial) undertaken at the GP level.
- iv. **National Asset Directory (NAD):** Data pertaining to only 1,026 GPs in 2014-15 (12 per cent) and 1761 GPs in 2015-16 (20 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 607 GPs (2014-15) and 1,258 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 issue 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>5</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 'Palle Samagra Seva Kendrams (PSSK - 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	Percentage of achievement
2014-15	District Panchayat	9	6	67
	Block Panchayat	438	364	83
	Village Panchayat	8,705	8,386	96
2015-16	District Panchayat	9	2	22
	Block Panchayat	438	194	44
	Village Panchayat	8,701	5,318	61

Source: PRIASoft reports

As seen from above, the annual book closure for the year 2014-15 (67 to 96 per cent) was not completed in many 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 22 and 61. As large transactions

<sup>5</sup> Letter dated 06-06-2012.

(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 all the PRIs and 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>6</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 are as below:

Table 2.3

S No.	Particulars	Unit Price (₹)	Quantity (Nos.)	Total amount (₹)
1	Laptops	69,615.00	08	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	11,869.71	3,439	48,98,39,192
	Salary for 12 months		12 x 3,439 x ₹ 11,869.71	
<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 the remaining amount of 40 per cent has to be paid in 20 equal quarterly instalments from the date of Go-live (1 January 2015 for Telangana).

<sup>6</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

It was observed that:

- i. Though the hardware was supplied by the firm during May 2014, the department declared the go-live as 1 January 2015 with a delay of seven months resulting in the systems remaining idle for that period.
- ii. 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 ₹ 6,63,99,720 ₹ 27,213 per unit x 2,440 units), and exceeding the norms of RGPSA.
- iii. The department entered into agreement with the supplier for supply of DEO at a cost of ₹ 11,869 per month for 12 months which was later extended to three more 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 15 months, thereby resulting in excess expenditure from the fund.

**2.1.5.7 Printers and internet facility was not provided in computerized clusters**

After formation of Telangana, for e-enablement of the remaining 2,792<sup>7</sup> GPs under RGPSA scheme, the department had requested the APTS (now TSTS) for procurement of 2,792 desktop computers, printers and UPSs and an open competitive bid (September 2014) was issued by the APTS. During the Techno-Financial committee meeting (February 2015), it was decided to defer the procurement of printers and based on financial bids, L1 bidder<sup>8</sup> was awarded the contract. An agreement (23 April 2015) was entered with the firm by APTS (on behalf of the department) for supply, installation and commissioning of 2,792 desktop computers and UPS as detailed below:

**Table 2.4**

S No.	Particulars	Quantity	Unit cost (₹)	Total cost (₹)
1	Desktop computer	2,792	35,036	9,78,20,512
2	UPS 600 VA	2,792	5,557	1,55,15,144
<b>Sub-Total</b>				<b>11,33,35,656</b>
3	APTS service charges			56,66,783
4	Service tax			7,00,414
<b>Grand Total</b>				<b>11,97,02,853</b>

Source: Agreement dated 23 April 2015

<sup>7</sup> Phase-I: 2440

<sup>8</sup> M/s. Parity Systems Private Limited

It was noticed that:

- i. 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 for ₹40,593 for desktop and UPS only and printer procurement was deferred.
- ii. An additional amount of ₹593 per unit (desktop and UPS) was incurred without inclusion of the cost of printer which is against the norms of RGPSA.
- iii. Provision for internet connection was not made while supplying the systems thereby the data on PES applications could not be updated and citizens were also deprived of the e-Panchayat services at the GP level.
- iv. As data entry work could not be done in the absence of internet connection and due to absence of regular data entry operator, the systems supplied had remained idle.

**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 (1,333 DEOs) in 2,440 selected cluster GPs for implementation of e-Panchayat project in Telangana 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 DEOs were deployed from 01 January 2015 (Go-live date) after a gap of nearly nine months after their training. The department noticed that training was not sufficient and they needed refreshment training. Accordingly, refreshment training was conducted during January 2015. Further, the period of deployment was extended for three more months *i.e.*, up to 31 March 2016.

During scrutiny of records, it was observed that the department did not extend the services of DEOs after March 2016 and instructed the district offices to avail of the services of DEOs by local appointment / payment from local funds, thereby resulting in appointment of new DEOs with no working experience in PES applications and discontinuance of DEOs in some of the GPs. Further, it was seen that only 845 DEOs were deployed in 5,232 clusters.

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. 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.

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<sup>9</sup> Mahabubnagar: 171 to 78, Nizamabad:150 to 100, Warangal:117 to 106.

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 2,930 connections were to be provided in the State of Telangana and the rest in the State of AP. 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 2,930 broadband connections, BSNL could provide connections only in 1,323 (December 2014) locations, leaving a balance of 1,607 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 5-10 km to reach Mandal 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 1,323 connections at identified clusters GPs / Mandals as part of computerization of PRIs for implementation of e-Panchayat project in the state of Telangana. An amount of ₹ 3.45 crore (Telangana portion: ₹ 1.35 crore) was paid to BSNL as advance towards annual charges. Initially, the department had opted for two plans, BBG Rural Combo-250 for rural areas (949 connections) and BBG Rural Plan-999 for district offices (374 connections). The payment for the bills of broadband usage was centralized at the Commissionerate office.

BSNL raised a bill of ₹ 42.41 lakh during April 2015 (which included March 2015 bill of ₹ 6.32 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 April 2016 onwards at GP level. Thus,

- i. 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;
- ii. The department had to pay the amount of the monthly plans for the connections provided by the BSNL before the go-live date also, even when the project was not implemented.

#### **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 of and installation of hardware, a specific clause (5.7.15) was included to avail 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 949 (out of 2930) locations. However, the subsidy component for an amount of ₹ 42.70 lakh (₹ 4,500 x 949 connections) was not passed on to the department due to failure of the firm to adhere to the mandatory clause of availing USOF subsidy.

The department (composite AP) withheld an amount of ₹ 2.85 crore<sup>11</sup> (Telangana share withheld ₹ 1.10 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 same to the department and requested to release the withheld amount; the decision of the department was awaited.

#### **2.1.5.12 Inconsistencies in database**

An analysis of database showed the following:

##### **i. Incorrect categorization of assets under National Asset Directory**

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

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

<sup>11</sup> ₹ 4,500 x 6336 GP connections = ₹ 2,85,12,000.

- 73 assets such as wells, pumps, borewell, water tanks etc., pertaining to Asset category-10 -Water sources and structures were incorrectly categorized under 04-Irrigation sources and 06-Pond and reservoir.
- 66 assets such as computers, CPU, keyboards, fans, lights etc., pertaining to Asset Category-48 - computers and peripherals under Asset type-1 - Movable and asset category -60-Electrification were incorrectly categorized under Asset Type-2 - Immovable and asset category -0- Others.
- 165 assets such as 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 409 - Computer software.

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.

***ii. Misclassification, data integrity issues and poor updating of PRIASoft***

- In 503 PRIs during 2014-15 and 6,155 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 31 cases.
  - CB of 2015-16 was not carried over as OB of 2016-17 in two cases.
- 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 15 and 21 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 2,71,641 payment vouchers (2014-15), it was seen that 1,93,240 vouchers were updated after a lapse of more than six months from the date of occurrence of the event. Similarly out of 64,868 payment vouchers (2015-16), it was noticed that 32,596 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 3,30,115 receipt vouchers (2014-15), it was seen that 2,13,382 vouchers were updated after a lapse of more than six months from the date of occurrence of the event. Similarly, out of 81,215 receipt vouchers (2015-16), it was seen that 33,034 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 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 citizen services at Gram Panchayat level.*
- *Sufficient training needs to be provided to the staff/Data Entry Operators for maintenance of accounts in computerized environment.*
- *Periodical monitoring is needed to ensure for timely updating and verification of records.*
- *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 on Performance Audit of 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 between July and August 2016 to see whether the Government had addressed the accepted recommendations.

Audit methodology involved issue of a 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 and Zilla Praja Parishads in two<sup>12</sup> selected districts, two<sup>13</sup> Mandal Parishad Development Offices (MPDOs) and four<sup>14</sup> Gram Panchayats (GPs) in each selected district.

### ***Audit findings***

The status of implementation of five audit recommendations accepted by the Government has been arranged in three categories such as (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 as under:

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<sup>12</sup> Karimnagar and Nizamabad

<sup>13</sup> Karimnagar and Sircilla in Karimnagar district and Banswada and Nizamabad in Nizamabad district

<sup>14</sup> Durshed, Mustipaly, Nagunwor and Tangellapalli in Karimnagar district and Borgaon, Desaipet, Mubarak nagar and Someswar in Nizamabad district

### 2.2.3 Not implemented

Gist of observations made in earlier Audit Report	Recommendations 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>15</sup>) in the planning process.</p> <p>Test check of CPWS<sup>16</sup> schemes showed that administrative approval was granted by the Government without a two-stage<sup>17</sup> approach.</p> <p><b>(Paragraphs 5.5.1 &amp; 5.5.3)</b></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> On scrutiny of AAPs for the years 2015-16 and 2016-17, it was observed that targets for coverage of habitations and prioritisation of the ongoing works over new works were indicated. The AAPs were prepared by Assistant Executive Engineers (AEE) of RWS Sub-divisional offices in the districts.</p> <p>Test-checked PRIs of both the districts also confirmed that AAPs were prepared by AEE RWS.</p>	<p>ENC replied (May 2016) that AAPs were submitted by Superintending Engineers duly obtaining the proposals from field engineers at grass root level 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 GPs, MPPs and ZPPs. Two-stage approach was not followed while according administrative sanction of 55 works in test-checked districts during the period 2012-16.</p> <p>Thus, State Government did not</p>

<sup>15</sup> Panchayat Raj Institutions consists of Zilla Praja Parishads, Mandal Praja Parishads, Gram panchayats

<sup>16</sup> Comprehensive Protected Water Supply

<sup>17</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

Gist of observations made in earlier Audit Report	Recommendations made	Findings in follow up audit and current status	Replies / Comments of Department	Audit comments
		Two-stage approach for according Administrative sanctions: During 2012-16, State Government accorded administrative sanction to 55 works <sup>18</sup> in the test-checked districts. However, the two-stage approach was not followed, as the approval for both the stages was given at a time.		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	Recommendations made	Findings in follow up audit and current status	Replies / Comments of Department	Audit comments
There was short release of ₹ 1,004.90 crore towards State matching share during the period 2009-10 to 2011-12.	State's share of matching funds should be released component-wise	As on the date of formation of Telangana State (02 June 2014), funds amounting to ₹ 624.02 crore were due from State Government towards their matching share,	ENC replied (May 2016) that against the State matching share	Although funds were released component-wise during 2014-16 and were in excess,

<sup>18</sup> Karimnagar 45 works and Nizamabad 10 works

Gist of observations made in earlier Audit Report	Recommendations made	Findings in follow up audit and current status	Replies / Comments of Department	Audit comments
<b>(Paragraph 5.6.1)</b>	to facilitate proper implementation of the planned schemes and evaluation of the programme.	against which the State Government had released only ₹ 343.72 crore (55 per cent) as of March 2016. During 2014-16 State Government had released component-wise matching share of ₹ 610.20 crore <sup>19</sup> together with GoI funds.	of ₹ 174.66 crore and ₹ 91.82 crore for the years 2014-15 and 2015-16, Government had released ₹ 294.37 crore and ₹ 315.83 crore respectively. Thereby the matching share was released in excess to overcome the shortfalls in earlier years.	there was still a balance of ₹ 280.30 crore (₹ 624.02 crore minus ₹ 343.72 crore) to be released by State Government as of March 2016. This recommendation has been partially implemented. However, State Government has to adhere to with its commitment of releasing its share in a timely manner.

<sup>19</sup> Arrears ₹ 343.72 crore and matching share for 2014-16 ₹ 266.48 crore

Gist of observations made in earlier Audit Report	Recommendations 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>20</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 divisions, 1,983 works were sanctioned under sustainability component, of which 1,422 works (72</p>	<p>Adequate emphasis should be placed on sustainability of water so as to minimise the possibility of more 'slipped back' habitations.</p>	<p>The status of habitations in the State is as follows:</p> <table border="1"> <thead> <tr> <th>Category<sup>21</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>11,625</td> <td>8,384</td> <td>(-) 3,241</td> </tr> <tr> <td>Partially covered (PC)</td> <td>13,289</td> <td>14,710</td> <td>(+) 1,421</td> </tr> <tr> <td>No safe source (NSS)</td> <td>181</td> <td>1,488</td> <td>(+) 1,307</td> </tr> </tbody> </table> <p>There was increase in partially covered habitations. However, the status of fully covered habitations came down by 28 per cent and there was multifold increase (7 times) of NSS habitations.</p> <p>As per NRDWP guidelines (2013),</p>	Category <sup>21</sup>	Status of habitations as of April 2012	Status of habitations as of March 2016	Variation	Fully covered (FC)	11,625	8,384	(-) 3,241	Partially covered (PC)	13,289	14,710	(+) 1,421	No safe source (NSS)	181	1,488	(+) 1,307	<p>ENC stated (May 2016) that the slipped back habitations were due to depletion of ground water, lack of rainfall and severe drought conditions.</p> <p>It was further stated that the allocation of funds under the sustainability component was</p>	<p>Slipped back habitations under FC category and increase of NSS habitations indicated inadequate attention towards sustainability.</p> <p>This was substantiated by the fact that works under sustainability component during 2014-16 were not initiated and there was also poor utilisation of funds on the works sanctioned under earlier years.</p> <p>Thus, the Government</p>
Category <sup>21</sup>	Status of habitations as of April 2012	Status of habitations as of March 2016	Variation																	
Fully covered (FC)	11,625	8,384	(-) 3,241																	
Partially covered (PC)	13,289	14,710	(+) 1,421																	
No safe source (NSS)	181	1,488	(+) 1,307																	

<sup>20</sup> habitations which had come 'down' from Fully covered to Partially covered status

<sup>21</sup> According to GoI norms, rural habitations are categorised 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	Recommendations made	Findings in follow up audit and current status	Replies / Comments of Department	Audit comments
<p><i>per cent</i>) were yet to commence as of November 2012. <b>(Paragraphs 5.4.1 and 5.8)</b></p>		<p>10 <i>per cent</i> of funds were to be earmarked towards sustainability component. Audit observed that no works were sanctioned under this component during 2014-16. However, funds amounting to ₹ 27.05 crore were released by State Government during 2014-16 towards execution of on-going sustainability works, against which only ₹ 0.53 crore (2 <i>per cent</i>) was utilised by the implementing agencies.</p> <p>During 2012-14, 27<sup>22</sup> Sustainability Works were sanctioned with an estimated cost of ₹ 10.48 crore in the test-checked districts. As of March 2016, three works were completed and 24 works<sup>23</sup> were not grounded due to non-feasibility of ground, occurrence of shallow basement, awaiting technical sanction etc.</p>	<p>reduced, as the major share of allocation was spent on coverage of habitations to tackle the drinking water problem. Recharge structures were taken up under watershed programme dovetailing funds from MGNREGS<sup>24</sup>.</p>	<p>did little to implement the recommendation of audit, especially in preventing incidence of slipped back habitations.</p>
Target for chemical and	Target for chemical and	For each laboratory State Government set an uniform target to test 3,000 samples per year	ENC replied (May 2016) that	Uniform Drinking

<sup>22</sup> Karimnagar 17 works with estimated cost of ₹ 6.78 crore and Nizamabad 10 works with estimated cost of ₹ 3.70 crore

<sup>23</sup> Karimnagar 14 works and Nizamabad 10 works

<sup>24</sup> Mahatma Gandhi National Rural Employment Guarantee Scheme

Gist of observations made in earlier Audit Report	Recommendations made	Findings in follow up audit and current status	Replies / Comments of Department	Audit comments
<p>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 during 2007-12 was lower than even the arbitrarily set targets in the test checked divisions. <b>(Paragraph 5.9.2.2)</b></p>	<p>bacteriological testing for each water quality laboratory should be set individually, depending on the number of water sources falling within its 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>irrespective of the number of sources falling under the jurisdiction of the laboratory. In the State there were 2,18,274 water sources as of March 2016. State Government had fixed annual target to test 2,25,000 samples in 75 laboratories. During 2015-16, 2,56,168 tests were conducted in these laboratories. Although tests were conducted in excess of the annual target in some laboratories, it was observed that 23,723 water sources were not covered in eight<sup>25</sup> districts.</p>	<p>for each laboratory target was fixed to test 3,000 samples per year. Annually 2,25,000 samples were tested in 75 laboratories.</p>	<p>Water Quality Monitoring Protocol issued (February 2013) by Ministry of Drinking Water and Sanitation recommended a target 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 23,723 water sources</p>

<sup>25</sup> Adilabad 621 water sources, Karimnagar 3,115, Khammam 1,674, Mahabubnagar 7,102, Nalgonda 5,942, Nizamabad 3,304, Rangareddy 149 and Warangal 1,816

Gist of observations made in earlier Audit Report	Recommendations made	Findings in follow up audit and current status	Replies / Comments of Department	Audit comments
				<p>in the State.</p> <p>The recommendation has thus been implemented to a substantial extent with coverage extending to nearly 90 per cent of water sources. However, the target 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, seven schemes were completed but not commissioned and 20 schemes were incomplete.</p>	<p>Monitoring mechanism as stipulated in NRDWP guidelines should be strengthened to</p>	<p>Of the 20 incomplete schemes, 12 schemes pertained to Telangana. As of August 2016, three schemes were commissioned. Seven schemes remained incomplete and two schemes completed but not commissioned after incurring an expenditure of ₹ 169.79</p>	<p>ENC replied (May 2016) that the department had established exclusive video conference</p>	<p>Despite the fact that the progress of works was being monitored through video conference, reviews and meetings as reported by</p>

Gist of observations made in earlier Audit Report	Recommendations made	Findings in follow up audit and current status	Replies / Comments of Department	Audit comments
<p>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 reports by the State/District level authorities.</p> <p><i>(Paragraphs 5.7 and 5.10.1)</i></p>	<p>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>crore as detailed in <i>Appendix 2.3.</i></p>	<p>facilities with the field officers for review on drinking water supply 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>ENC, seven schemes remained incomplete and two schemes were completed but not commissioned as of August 2016.</p> <p>Thus, the recommendation of strengthening the monitoring mechanism to execute the works on time was not effectively implemented.</p>

**2.2.5 Fully implemented**

**- Nil -**

## 2.2.6 Other significant observations

### 2.2.6.1 Non-Utilisation of Natural Calamity Fund

Audit Report for 2011-12 (Para 5.6.4) pointed out non-utilisation of ₹ 58.20 crore released<sup>26</sup> towards restoration of rural drinking water supply schemes damaged during the floods in 2009 but remained unutilised as of June 2012. Of this unutilized amount, ₹ 34.16 crore pertained to the three works<sup>27</sup> sanctioned in Mahabubnagar district of Telangana. Government had replied (October 2012) that all the works were in progress and were to be completed by 2013.

It was, however, observed in follow up audit that out of the three works, only one<sup>28</sup> work was completed and commissioned. Of the remaining two works, one work<sup>29</sup> was under trial run and the other work<sup>30</sup> was yet to be completed. Even after six years of release of funds, there was still unutilised balance of ₹ 12.70 crore as of September 2016 and two works were yet to be commissioned.

### 2.2.6.2 Non-recovery of cost of burnt pipes from contractor

In Audit Report for 2011-12 (Para 5.7.2) it was pointed out that GRP<sup>31</sup> pipes worth ₹ 19.85 lakh, procured for the CPWS scheme Nyalkal in Nizamabad district, were burnt in fire accident. Government had assured (October 2012) that the cost of the burnt pipes would be recovered from the contractor. However, during follow-up audit it was observed that the loss was not recovered as of July 2016.

## 2.2.7 Conclusion

While some relevant aspects of the recommendations were seen to have been addressed, there were areas of shortfalls in acting upon the recommendations made in audit. Adequate emphasis was not placed towards sustainability component resulting in slipped back habitations. 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).

<sup>26</sup> Out of ₹ 69.77 crore released (November 2009 and February 2010) by GoI under Natural Calamity Component

<sup>27</sup> Integration of water supply and sanitation project in flood affected temple village of Alampur (Estimated cost ₹ 10 crore and Expenditure Nil); Providing restoration works of damaged infrastructure due to floods in 2009 to habitations (Estimated cost ₹ 18 crore and Expenditure ₹ 2.61 crore); Providing restoration works of damage infrastructure due to floods in 2009 to 19 habitations of Pebbair Mandal (Estimated cost ₹ 8.77 crore and Expenditure Nil)

<sup>28</sup> Providing restoration works of damage infrastructure due to floods in 2009 to 19 habitations of Pebbair Mandal (expenditure ₹ 6.66 crore)

<sup>29</sup> Providing restoration works of damaged infrastructure due to floods in 2009 to habitations – on trial run (expenditure ₹ 12.16 crore)

<sup>30</sup> Integration of water supply and sanitation project in flood affected temple village of Alampur– in progress (expenditure ₹ 5.25 crore)

<sup>31</sup> Glass Reinforced Plastic

## 2.3 Idle equipment

**Equipment costing ₹ 1.11 crore procured by Swamy Ramananda Thirtha Rural Institute to establish bio-technology and soil testing laboratory had remained idle. Expenditure of ₹ 22.03 lakh on laboratory maintenance and consumables was also unfruitful**

Swamy Ramananda Thirtha Rural Institute was established by the State Government under Panchayat Raj and Rural Development Department with the objective of playing a pro-active role in rural development and for rural transformation through training, extension, consultancy, research and development.

Scrutiny (April 2015) of the records of Institute showed that during 2004-07 the Institute had procured equipment<sup>32</sup> costing ₹ 1.11 crore<sup>33</sup> from regular grants to establish a bio-technology and soil testing laboratory with DNA finger printing technology, besides another conventional seed testing laboratory. Before procurement, feasibility study and demand survey were not conducted for possible utilisation of the machinery in imparting training in specific trades or activities. No detailed project report was prepared. Further, sanction of the Governing Body was not obtained. Ever since the procurement, no trial run was conducted and the equipment remained idle as of May 2016. The Institute also incurred ₹ 22.03 lakh on laboratory maintenance and consumables during 2005-08.

On this being pointed by audit, the Institute replied (July 2015 / May 2016) that the equipment 'could not be put into use due to misconception and inefficient promotion and the bio-technology project was terminated'. It further stated that there was a proposal to hand over the machinery to Acharya N.G. Ranga Agricultural University (ANGRAU), Hyderabad. No further development had been intimated to audit.

Thus, the procurement of equipment costing ₹ 1.11 crore and without feasibility study and assessment of requirement, resulted in machinery remaining idle for more than nine years, besides rendering the expenditure of ₹ 22.03 lakh on laboratory maintenance and consumables unfruitful.

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

## 2.4 Irregular payment towards hiring of vehicles

**Failure to comply with codal provisions and Government directions in ensuring the correctness of bills led to possible misappropriation of ₹ 86.80 lakh claimed for election purposes**

Temporary advances are sanctioned to meet contingent expenditure of a specified kind or for specific occasion through Abstract Contingent (AC) bills. Provisions of

<sup>32</sup> Seed precision divider, seed blower, seed counter, seed handset sieves, digital moisture meter, water batch shaking incubator, homogenizer, rotary shaker, seed germination cabinet, accelerated ageing chamber including physical facilities such as cold room facility, seed bank, audio visual aids, power generator etc., from various agencies

<sup>33</sup> 2004-05 ₹ 53.81 lakh, 2005-06 ₹ 53.77 lakh and 2006-07 ₹ 3.27 lakh

Financial Code and Government orders<sup>34</sup> stipulate that the advances drawn should be adjusted by submitting Detailed Contingent (DC) bills for the expenditure incurred along with supporting vouchers within one month of drawal of such amounts. Every 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 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 to DC bills submitted by Mandal Parishad Development Officers (MPDOs) for the expenditure incurred on hire / POL<sup>35</sup> charges in eight<sup>36</sup> districts showed the following:

- i. In respect of 79 vouchers relating to hire/POL charges for ₹ 10.60 lakh, the vehicle numbers were recorded; however, 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 were to be hired for Government duty.
- ii. As regards 215 vouchers amounting to ₹ 16.97 lakh pertaining to hire charges paid for the vehicles hired, it was observed that the vehicle numbers recorded in the vouchers did not feature in the data base of the vehicles maintained by the RTA.
- iii. In 405 vouchers amounting to ₹ 59.23 lakh of hire/POL charges scrutinised, it was observed that none of the vouchers had the registration number 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 ₹ 86.80 lakh<sup>37</sup> claimed for election purposes.

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

## 2.5 Fraudulent payments towards contingent expenditure

**Failure to comply with codal provisions and weak internal controls resulted in fraudulent payments of ₹ 0.67 lakh and possible fraudulent claims of ₹ 8.44 lakh towards contingent expenditure in Mandal Praja Parishad, Saroornagar of Rangareddy district**

As per the provisions of Financial Code, every Government servant who draws bills for contingent expenditure is primarily responsible for the correctness of the amount for each bill drawn. Accounts shall be checked as frequently as possible in order to

<sup>34</sup> G.O. Ms. No. 507 dated 10 April 2002 of Finance Department

<sup>35</sup> Petrol, Oil and Lubricant

<sup>36</sup> Adilabad, Khammam, Karimnagar, Mahabubnagar, Medak, Nalgonda, Nizamabad and Rangareddy

<sup>37</sup> ₹ 10.60 lakh, ₹ 16.97 lakh and ₹ 59.23 lakh

see that the subordinates do not commit fraud, misappropriation or any other irregularity. In respect of non-countersigned contingencies<sup>38</sup>, no detailed bills are sent to controlling authority and each contingent bill presented for payment at the treasury should contain full details of the expenditure. Sub-voucher should be enclosed to the bills for any individual payment exceeding ₹ 1,000.

Test-check (January 2016) of contingent bills drawn by Mandal Parishad Development Officer (MPDO) Saroornagar, Rangareddy district during April 2012 – December 2015 showed following:

### **1. Fraudulent claims**

₹ 0.67 lakh was fraudulently claimed on 19 vouchers by altering<sup>39</sup> the amounts on sub-vouchers, making double payments, etc.

### **2. Possible instances of fraudulent claims**

- i. Bills drawn on 38 vouchers for ₹ 4.25 lakh were not supported by any sub-vouchers despite individual payments exceeding ₹ 1,000.
- ii. Bills drawn towards hire charges on eight vouchers were not in order. In respect of one voucher (five sub-vouchers) vehicles mentioned were not registered as taxis<sup>40</sup> (₹ 1 lakh), five vouchers (12 sub-vouchers) were without details of vehicle number (₹ 2.55 lakh) and on two vouchers the claims of ₹ 0.64 lakh were settled without supporting sub-vouchers. Sub-vouchers were either without serial number or without the signature of the travel agency and where serial numbers were available, they too were not in chronological order.

Due to non-availability of supporting vouchers and wanting details of vehicle numbers etc., correctness of the payments amounting to ₹ 8.44 lakh could not be vouchsafed in audit.

The Mandal Parishad Development Officer, Saroornagar accepted (January 2016 – June 2016) the audit observation and stated that the claims were settled without supporting sub-vouchers, without signature of travel agencies and sub-vouchers not being in chronological order. It was further stated that an amount of ₹ 0.67 lakh pointed out by audit was remitted by him (January 2016) to Government account. The department should verify all other vouchers and any such irregularity found may also be complied with.

Thus, failure to comply with codal provisions and weak internal controls resulted in fraudulent payments of ₹ 0.67 lakh and possible fraudulent claims of ₹ 8.44 lakh towards contingent expenditure.

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

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<sup>38</sup> Not under the direct supervision of higher authority / controlling officer

<sup>39</sup> Increasing the value of the voucher by inserting figures in the amounts column, wrong totaling etc.,

<sup>40</sup> State Government instructed (December 2007) that private vehicles which are registered as a Taxi can only be hired for Government duty