

Chapter II

Compliance Audit Observations

Chapter II – Compliance Audit Observations

Introduction

Compliance Audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with the applicable laws, rules, regulations, established codes, *etc.*, and the general principles governing sound public financial management and the conduct of public officials.

Compliance Audit of the Departments of Government of Andhra Pradesh, their field formations, as well as the autonomous bodies functioning under these Departments, brought out instances of non-compliance with applicable rules, codes and manuals, lapses in management of public resources and failure to adhere to norms of propriety. Significant issues in this regard are discussed in the succeeding paragraphs.

Youth Advancement, Tourism and Culture (Sports) Department

2.1 Promotion of Sports in Andhra Pradesh

2.1.1 Introduction

The Department of Youth Advancement, Tourism and Culture (Sports), headed by the Special Chief Secretary to the Government of Andhra Pradesh, is responsible for policy formulation and oversight over the development of sports in the State. Government of Andhra Pradesh (GoAP) established¹⁵ (1988) the Sports Authority of Andhra Pradesh (SAAP), as an apex body for sports under the administrative control of the Special Chief Secretary and entrusted it with various responsibilities¹⁶ for promotion of sports in the State. SAAP is headed by a Chairman appointed by the Government and comprises of six other members¹⁷ nominated by Government. Vice Chairman and Managing Director (VC&MD) as Ex-officio member, manages the implementation of sports activities in the State with the support of District Sports Authorities (DSAs).

2.1.2 Sports policies

(a) Sports Policy 2000

State Government formulated (May 2000) Sports Policy, 2000 to universalise participation in sports, achieve excellence in sports performance and to create adequate sports infrastructure over a period of 20 years. This policy focused on strategies for creating

¹⁵ The Andhra Pradesh Sports Authorities Act, 1988

¹⁶ The SAAP undertakes sports development activities *viz.*, construction and maintenance of Stadia/Kreedha Vikas Kendras (KVKs), playfields, establishes sports academies, conducts tournaments, matches and coordinates all games, sports and physical education activities in all educational institutions

¹⁷ Selected out of outstanding personnel in the field of sports and physical education (two of them shall be women)

infrastructure, linking education and sports, jobs and self-employment for sports persons, creation of administrative structures at various levels for promotion of sports with public participation, *etc.* This policy had also envisaged a budgetary support of half *per cent* of total State plan budget and assigned revenue from cess on Property Tax and sand mining for sports promotion at sub-state level.

(b) Sports Policy 2017

Subsequently, GoAP brought out (May 2017) a new Sports Policy (2017-22)¹⁸ to develop a sports culture that celebrates and promotes participation and envisages better quality and accessibility to sports for all citizens of the State. This policy is more detailed with strategies like physical literacy-based curriculum, holistic approach for long term athlete development, coaching development, additional incentives to sports persons, usage of Information Technology, *etc.*

An analysis of the State’s performance in the successive Games after the enunciation of the Sports Policy, 2000 shows that, despite the lofty goal of development and promotion of sports, the performance of the State in this area leaves much to be desired. In this context, this audit of promotion of sports in the State is taken up to assess the State’s efforts in reaching the goals envisaged in the two sports policies.

Chart 2.1
Performance of Andhra Pradesh in National Games



2.1.3 Audit Framework

Audit of Government initiatives and their results relating to promotion of sports was carried out during May-September 2019 covering the period 2015-19 with the objectives of assessing aspects of planning for sports excellence (organisational structure, fund allocation and development strategies) and implementation (creation, maintenance and utilisation of infrastructure, coaching arrangements and incentives and opportunities to sports persons).

¹⁸ with five core principles of Inclusion of All, Sustainable Development and utilisation of resources, System Driven Excellence, Collaborative Efforts, Ethics and Values

Audit findings were benchmarked against the criteria sourced from Andhra Pradesh Sports Authority Act, 1988 (Act), Andhra Pradesh State Sports Policies, Andhra Pradesh Financial and Works Manuals and Orders and Circulars issued by Central/State Government from time to time. Audit methodology involved examination of records of SAAP¹⁹ along with joint physical verification of site/infrastructure with departmental officials. The findings of audit are discussed below.

2.1.4 Planning

2.1.4.1 Organisational Structure

Sports Authority Act²⁰, 1988 stipulates that a full-fledged Governing Body²¹ shall be appointed to SAAP and the administrative structure shall have grassroot level participation from Village Sports Authorities (VSAs), Mandal Sports Authorities (MSAs), and District Sports Authorities (DSAs) to SAAP.

SAAP is the principal policy formulating body and is responsible for approving sports calendar, according administrative sanction, *etc.* DSAs are responsible for approving sports calendar of the district and conducting sports activities at district level. Similarly, MSAs and VSAs are responsible for conducting the sports activities at mandal and village level respectively. These Authorities are multi-member bodies with representation from sports persons and are responsible for the activities in their jurisdiction.

Audit observed that the Bodies/Authorities at different levels were either not constituted (SAAP & VSAs) or constituted without proper representation (DSAs & MSAs) from sports field.

Thus, fully functional administrative structure at apex and grassroot level were absent in the Sports Authority during 2015-19.

2.1.4.2 Funding for Sports

(a) Budget allocation and utilisation of funds

Para 17 of the Act specified that the Sports Authority, District, and the Mandal Authorities shall have their own funds including grants provided by State and Central Governments. However, no separate funds were provided to District and Mandal Sports Authorities. Further, the State Sports Policy, 2000 envisaged that Government earmarks half a *per cent* of its Plan Budget for development of sports. In accordance with this Policy, ₹2,983 crore (half *per cent* of State Budget of ₹5,96,801 crore for the period 2015-19) had to be allocated for development of sports. However, Government released only ₹718 crore (0.12 *per cent*) and the SAAP could not utilise even this meagre allocation. Budget allocation and its utilisation during the period 2015-19 is shown in **Table 2.1**.

¹⁹ including 13 District Sports Authorities (DSAs) and one State Sports School at Kadapa, YSR Kadapa district

²⁰ Section 3, 7 & 10 and Para 13 of Sports Policy, 2000

²¹ Chairman, Vice-Chairman and Managing Director (Ex-officio) and six other members from outstanding sports persons, persons who have rendered valuable service for promotion of sports, reigning champions in different sports and games at the State, National or International level, one member from distinguished physical education persons

Table-2.1 Statement showing the budget allocation, release and expenditure

(₹ in crore)

Year	Total State Budget (TSB)	Allocation to be made (0.50 per cent of TSB)	Released (percentage to TSB)	Expenditure incurred
2015-16	1,13,049	565	67 (0.06)	40
2016-17	1,35,689	678	70 (0.05)	52
2017-18	1,56,999	785	281 (0.18)	82
2018-19	1,91,064	955	300 (0.16)	107
TOTAL	5,96,801	2,983	718 (0.12)	281

Source: Records of SAAP

As can be seen from the above table, utilisation of funds during 2015-19 was only ₹281 crore (39 per cent) as against the release of ₹718 crore by SAAP. Non-allocation of adequate funds and non-release of the sanctioned funds had an adverse impact on provision of infrastructure facilities, procurement of sports equipment, etc., as discussed in succeeding paragraphs.

Government replied (November 2020) that due to technical and administrative reasons, the amount granted under Capital budget could not be utilised.

(b) Resource Mobilisation

Government must provide²² adequate funding and create scope for resource mobilisation, to make SAAP financially sound and self-sufficient for promoting games and sports at various levels. Further, funds from different sources (*Appendix-2.1*) are required to be mobilised by the Government for implementation of sports policy in the State. Audit scrutiny of records showed the following;

- The Sports privilege fee of ₹48 crore collected (2015-19) out of the Excise duty on sale of liquor was not transferred to SAAP by Excise Department as envisaged in the Sports Policy, 2000²³.
- The Local Bodies did not levy and collect additional cess of three per cent on Property Tax to transfer the cess to respective Sports Authorities as per Sports Policy, 2000²⁴.
- Test check (during 2015-17) of three Zilla Parishads²⁵ revealed that seigniorage fee of ₹6.62 crore²⁶ received (period 2010-17) from the Mines and Geology Department was not apportioned completely to the Village, Mandal and District level Sports Authorities in the specified ratio (37.5:37.5:25). The Zilla Parishads have apportioned ₹4.21 crore²⁷ to DSAs leaving a balance of ₹2.41 crore to be apportioned. However, no amounts were apportioned to VSAs and MSAs.

²² as per Para 4 & 12 of Sports Policy, 2000

²³ para 12(c) of Sports Policy, 2000

²⁴ para 12(d) of Sports Policy, 2000

²⁵ Zilla Parishad Eluru, Kakinada, Machilipatnam

²⁶ Seigniorage fee received : ₹220.69 crore x 3 per cent = ₹6.62 crore

²⁷ Zilla Parishad Kakinada : ₹1.24 crore and Machilipatnam : ₹2.97 crore in excess of the limit

- Corpus Funds were not created for all Village, Mandal, District Sports Authorities for maintenance and promotion of sport activities.

Thus, resource mobilisation from other Departments was not ensured, as envisaged, to improve the financial resources of Sports Authority.

The Department replied (November 2020) that the matter was placed before GoAP to issue suitable instructions to the concerned Departments in this regard.

Thus, the Government did not enforce the relevant Sports Policy provisions for resource mobilisation through assigned revenues. This indicated lack of Government's/SAAP commitment to improve financial resources for creation of infrastructure/development of sports in the State.

2.1.4.3 Strategies for Development of Sports

(a) *Data bank of sports persons*

As per Para 15 of Sports Policy, 2000, there should be a data bank of all sports persons along with their performance graphs at SAAP/DSAs; this was however, not done. In the absence of a data bank, evaluation of performance, identification of talent, provisioning of sports incentives and coaching for promotion of sports in a holistic/systematic manner could not be ensured.

Government while accepting the audit observation, stated (November 2020) that SAAP is moving in that direction to establish a sports database through e-Pragathi Application.

(b) *Systems for spotting talent*

The Policy envisaged that Sports talent²⁸ should be spotted²⁹ by systematic processes, planning from remotest rural areas to the well-developed urban areas; an annual coordinated calendar involving School/Intermediate Education and Sports Associations to be prepared each year in the month of March for all activities to be held in the following academic year with coordination among School Education, Youth Advancement (Sports). To fulfil these objectives, Government issued (August 2000)³⁰ comprehensive guidelines³¹.

Audit scrutiny in this regard revealed the following;

- There was no coordinated approach among the concerned Departments in the districts to conduct sports competitions to spot talent.

²⁸ in the categories of school students (classes VI-X and in the age group of 10-16 years), college students (Junior or Senior Intermediate in age group of 16-18 years) and non-student youth in rural, urban areas (who are members of a sports/youth club and above 19 years of age)

²⁹ para 9 of Sports Policy, 2000

³⁰ G.O.Ms.No.135 dated 02.08.2000

³¹ Such as tournaments shall be combined tournaments with coordination between School Education, Universities, DSAs and Sports Associations to avoid duplication. Participation in at least three sports disciplines is made compulsory for all schools and colleges. Tournaments shall start at village/school/college level, State level *etc.* There shall be a State Level Steering Committee to finalise all operational details that require decisions at State level and at Mandal, Division and Zonal level and organising committee shall be appointed by the District Collector

- There was no coordinated calendar involving School/Intermediate Education and Sports Associations.
- Instead of conducting combined tournaments from village to State level for identification of best sports talent in the State, the DSAs conducted only summer coaching camps in rural areas.

Government replied (November 2020) that coordination among Departments in respect of talent hunt had not taken priority in spite of sincere efforts made by SAAP. Further, it was replied that efforts were being made to bring about coordination among all the stakeholders in this regard.

(c) Uninitiated Sports Policy

Sports Policy, 2017 had envisioned new dimensions and desired to implement innovative measures for promotion of sports in the State.

However, many of the initiatives did not materialise (*Appendix-2.2*) as of May 2019 and the policy vision of better quality and accessibility to sports experience for all citizens of the State remained a distant dream.

Government accepted (November 2020) the audit observations and assured compliance.

2.1.5 Creation, maintenance and utilisation of Sports Infrastructure

To universalise sports, Sports Policy, 2000 envisaged provision of playfields in each habitation within 20 years and in all Mandals with standard sports infrastructure within 10 years. Similarly, Stadia and other infrastructure were to be provided in each district and State headquarters over the next five and two years, respectively. Sports Policy 2017 proposed revamping of existing infrastructure, construction of 175 Kreedha Vikas Kendras (KVKs), creation of sports school in each district and to open six regional sports academies and four water sports academies. Audit examined the creation, upgradation and utilisation of infrastructure in the State with reference to the targets in the policies and observed the following.

2.1.5.1 Construction of Stadia / playfields

As per Para 4 & 7 of Sports Policy, 2000, GoAP is committed to develop suitable playfields in all villages, mandal headquarters and district headquarters by the year 2020. All sports infrastructure so created is to be maintained by community involvement. Scrutiny of relevant records revealed the following;

- (a) DSAs had not carried out any gap analysis on availability of sports infrastructure in the State as envisaged in the Sports Policy.
- (b) As per Sports Policy, 2000, there should be open/indoor stadium and swimming pool at district headquarters. Sports Policy, 2017 proposed to revamp the existing facility in each district for optimal utilisation by the community. However, at district level, stadia were available in eight³² out of thirteen districts. In Srikakulam district, construction

³² Chittoor, East Godavari, Kurnool, Guntur, SPSR Nellore, West Godavari, Vizianagaram and YSR Kadapa

of a stadium was in progress. Proposals were not mooted for construction of stadia in the remaining four districts³³ as envisaged in the Sports Policies.

- (c) At village level, School Education Department has issued (February 2017) instructions to identify 3,000 school grounds to develop as playfields under Mahatma Gandhi National Rural Employment Guarantee Scheme. Out of 2,209 works sanctioned under this scheme at an estimated cost of ₹58.28 crore, 1,046 works (47 per cent) were completed (September 2019) at a cost of ₹15.59 crore. The remaining works costing ₹42.69 crore were not completed due to poor levelling of grounds, not taking up of athletic track works, etc.

Government replied (November 2020) that constant pursuance was made with CEOs/Chief Coaches of all districts to submit field inspection reports to identify availability of space in schools or an alternate site if no space is available at the proposed school, to ensure execution of works and that, reports from 10 districts were awaited.

2.1.5.2 Establishment of Sports Village

As per the suggestions of Director General, Sports Authority of India, GoAP proposed to construct an international standard³⁴ Sports Village in 150 acres of Government land at Mogallapalem village, Nellore Mandal, SPSR Nellore district. Scrutiny of records revealed that;

- (a) As of August 2019, the proposed Sports Village was not developed with required sports facilities. Further, provisioning of basic facilities³⁵ taken up at an estimated cost of ₹4.60 crore by Andhra Pradesh Education & Welfare Infrastructure Development Corporation was also not completed.

Government replied (November 2020) that proposals have been submitted to GoAP under National Infrastructure Pipe Line to address GoI for grants of ₹200 crore for construction of a Sports Village. Further, it was also replied that due to technical reasons, there was a delay in completion of works related to basic facilities.

- (b) Multi-purpose Indoor Sports complex sanctioned (March 2017) in the same land by GoI under Khelo-India Scheme also remained incomplete. Government replied (November 2020) that 50 per cent of the works were completed.

2.1.5.3 Construction and upgradation of Infrastructure

(a) Execution of works under General component

For creation/upgradation of infrastructure, GoAP/SAAP had sanctioned ³⁶ 302 infrastructure works³⁷ at an estimated cost of ₹652.66 crore during 2012-18. These

³³ Ananthapuramu, Krishna, Prakasam and Visakhapatnam

³⁴ 400m synthetic track, cycling velodrome, football and hockey fields, golf course, multi-storied sports complex, etc.

³⁵ bio-fencing with gate, approach roads, electricity, borewell with pump set, etc.

³⁶ each work costing more than ₹20 lakh

³⁷ construction of Kreedha Vikas Kendras, Swimming Pools, laying of Athletic track in the existing stadiums, shopping complex, etc.

included construction of 175 KVKs³⁸ as envisaged in the Sports Policy, 2017. As per the guidelines issued (December 2016) by Government³⁹, the District Collector is responsible for construction of stadia and to take appropriate action for completion of works within six months. Audit review of district-wise execution of works (**Appendix-2.3**) as of March 2019 revealed the following;

- i. Government instructed (May 2019) cancellation of works sanctioned prior to 1st April 2019 but not grounded. As of September 2019, only 54 works (18 *per cent*) were completed at a cost of ₹13.79 crore, 117 works (39 *per cent*) were in progress and 131 works (43 *per cent*) were yet to be grounded. As SAAP could not ground the works for the last three years, the 131 works were cancelled. Thus, SAAP had not only foregone an estimated amount of ₹295.84 crore but had also lost an opportunity to improve sports infrastructure in the State.

Further, committee⁴⁰ was also not constituted as of September 2019 for identification of agency⁴¹ to evaluate the quality of works undertaken by SAAP.

- ii. Out of 117 works-in-progress, expenditure in respect of 109 works was less than 25 *per cent* of the estimated cost. Government instructed (May 2019) to review all such works and to release payments only after receipt of fresh orders from appropriate authorities. Works remained incomplete as no decision was taken by Government and expenditure of ₹10.79 crore incurred in respect of 109 works remained unfruitful.

SAAP replied (September 2019) that the works were delayed as Government had issued instructions to stop the works which had progressed below 25 *per cent* and that, there were delays in grounding of works due to problems in identification of sites, delay in tendering and selection of executing agencies by the concerned District Collectors.

- iii. As of September 2019, specific guidelines were not issued for utilisation of completed KVKs. Total 30 KVKs and 29 stadia were completed and taken over by the concerned DSAs. Arrangements for the maintenance of KVKs⁴² were not made in the constituencies and also in urban and profit-making centers. As such, audit could not verify the proper utilisation of infrastructure after its completion.

Government replied that there was a delay in completion of 136 KVKs (out of 175) sanctioned during 2016-18 due to delay in identification of land, non-responsive tenders, *etc.*

³⁸ at an estimated cost of ₹2.00 crore for each KVK (one in each assembly constituency)

³⁹ G.O Ms.No.20 dated 02.12.2016 issued for construction of KVKs, creation of playing facilities in indoor stadia and other guidelines

⁴⁰ Chief Engineers from Roads & Building, Panchayat Raj Department

⁴¹ as instructed by Governing Body (75th meeting) in March 2017

⁴² as per the guidelines issued by Government vide G.O.Ms.No.20 dated 02.12.2016, the District Collector shall constitute a committee to each stadium, SAAP shall fix entry/user fee, introduction of pay and play scheme in every stadium, providing of sports material, providing of recreation facility to the aged people to encourage physical literacy, deployment of minimum staff, *etc.*

(b) Works sanctioned under Scheduled Caste/Tribe component

GoAP/SAAP had sanctioned 182⁴³ infrastructure works (Scheduled Caste/Scheduled Tribe components) like construction of playfields *etc.*, at an estimated cost of ₹288.50 crore during 2017-19. However, only seven of these works⁴⁴ costing ₹18.50 crore were grounded and the remaining 175 works were not grounded as of September 2019. The grounded works were also not completed despite incurring ₹1.36 lakh.

In respect of works not grounded, SAAP had incurred an amount of ₹2.66 crore towards preparation of Detailed Project Reports, *etc.* Due to cancellation of works as per the policy of GoAP, the entire expenditure of ₹2.66 crore remained unfruitful.

SAAP replied (September 2019) that Government was requested to grant permission to take up works which were not started and on receipt of permission from Government the works would be taken up and completed.

(c) Incomplete/stopped infrastructure works

Scrutiny of records revealed that eight works (Construction of Green Field stadia/Indoor stadia) taken up at an estimated cost of ₹18.92 crore during the period July 2011 to November 2017 were left incomplete/stopped as of November 2019 (*Appendix-2.4*). It was noted that;

- Two works taken up at an estimated cost of ₹3.67 crore were stopped due to commencement of works without consent of land owners and alienation of land. This had resulted in wasteful expenditure of ₹84.82 lakh for the works executed.
- Six works taken up at an estimated cost of ₹14.72 crore remained incomplete, due to non-availability of approach road, damage to the constructed property, lack of required equipment, *etc.* This had resulted in unfruitful expenditure of ₹6.34 crore as of November 2019.

Due to improper planning, the proposed objective of creation/up-gradation of sports infrastructure could not be achieved within the envisaged timelines, despite availability of funds. The work-wise replies of the Government are given in the *Appendix-2.4*.

2.1.5.4 Central assistance - infrastructure projects

The National Sports Policy, 2001 lays special emphasis on “Broad-basing of Sports” through grassroots level sports activity and “Promoting Excellence in Sports” at the national and international levels. To revive the sports culture at grassroot level and to develop infrastructure in the country, Union Sports Ministry introduced various programmes *viz.*, Urban Sports Infrastructure Scheme⁴⁵ (USIS), Khelo-India Scheme⁴⁶

⁴³ Scheduled Caste component: 105 and Scheduled Tribe component: 77

⁴⁴ Scheduled Caste component: Five and Scheduled Tribe component: Two

⁴⁵ for laying synthetic playing surfaces for football, hockey and athletics and construction of multipurpose indoor halls

⁴⁶ to revive the sports culture in India at the grassroot level by building a strong framework for all sports played in our country and establish India as great sporting nation

(KIS) and Rajiv Gandhi Khel Abhiyan⁴⁷ (RGKA-erstwhile Panchayat Yuva Krida aur Khel Abhiyan).

(a) Sports Infra Projects

Government of India (GoI) sanctioned eight Sports Infra Projects to the State at an estimated cost of ₹47.80 crore during March 2016 to March 2018 under USIS, KIS and RGKA. Audit scrutiny of progress of works (**Appendix-2.5**) revealed the following;

- The project “Multi-purpose Indoor Hall at Vidyadarapuram, Vijayawada sanctioned (March 2016) under USIS at an estimated cost of ₹six crore was cancelled (July 2019) by GoI due to delay in commencement of work. An expenditure of ₹1.03 crore⁴⁸ was incurred towards foundation stone alone. As the grant was not utilised in time, the GoI levied a penalty of ₹0.36 crore to be paid along with ₹1.20 crore given for the project. The amount is yet to be remitted by SAAP to GoI.
- Three out of six projects sanctioned (March-September 2017) at an estimated cost of ₹20 crore under KIS were cancelled (March 2018) by GoI due to non-commencement of work. Further, the other three projects sanctioned (February-July 2017) at a total cost of ₹21 crore remained incomplete as of November 2018 despite incurring ₹0.81 crore.
- The GoI cancelled (June 2017) the project “Indoor Sports Halls at Bhimadole, West Godavari district and at Udayagiri, SPSR Nellore district” sanctioned (March 2016) under RGKA due to non-commencement of work despite release of ₹80 lakh to SAAP.

Government replied (November 2020) that GoI had been addressed (July 2020) to re-sanction the project and orders in this regard are awaited.

SAAP could not take advantage of the grants received from GoI. As shown above, instead of implementing in time, ₹1.03 crore was imprudently utilised for just laying a foundation stone.

(b) Implementation of Panchayat Yuva Krida aur Khel Abhiyan (PYKKA)

Government of India (GoI) introduced (May 2008) Panchayat Yuva Krida aur Khel Abhiyan (PYKKA) to provide universal access to sports in rural areas, to put in place an effective mechanism to identify and nurture sporting talent in rural areas and to promote both indigenous and modern games, etc. One of its components was provision of a One Time Capital Grant (OTCG) for the purpose of development of playgrounds/sports infrastructure at Village and Block Panchayat level.

⁴⁷ aims to provide basic sports infrastructure and equipment at the Panchayat level and encouraging sports and games in rural areas through annual competitions at the block and district levels

⁴⁸ ₹4.25 lakh from GoI grant and ₹99.00 lakh from SAAP funds

During the period 2008-11, SAAP released⁴⁹ an amount of ₹49.96 crore to 13 DSAs under OTCG for executing 4,149 works⁵⁰ for development of playfields/construction of PYKKA bhavans. Out of these, only 2,112 works⁵¹ (51 per cent) costing ₹27.47 crore were completed (November 2014).

Scrutiny of the records in this regard revealed the following;

- i. A Memorandum of Understanding (MoU) was entered (November/December 2015) into by SAAP with a firm to execute 882 works (out of 2,037) in four⁵² districts at a cost of ₹10.46 crore⁵³. As per the MoU, payment was to be released to the firm in four instalments and the firm was to complete the bhavans within one year from the date of release of first instalment. Audit observations in this regard are as follows;
 - Only 494 works (56 per cent) were completed and construction of 41 Mandal level bhavans had not commenced as of July 2019.
 - Instead of releasing payments to the firm in instalments⁵⁴ as per the terms of MoU, SAAP released an amount of ₹8.30 crore (80 per cent of total cost of ₹10.46 crore)⁵⁵, in lumpsum during December 2015 to November 2016, resulting in excess payment of ₹3.36 crore to the firm against its eligibility. This payment was made against the contract conditions without any justification.
 - Instead of obtaining bank guarantee as per terms of MoU, cheques worth of ₹4.60 crore was obtained from the firm. Due to non-completion of works, SAAP presented (April 2019) the cheques to banks for realisation. However, these cheques could not be encashed, as the accounts of the firm were already closed and blocked by the banks. No action was initiated against any official for the loss to the exchequer.

Government did not respond to the audit comment.

- ii. As per programme guidelines, SAAP was to cover the Village and Block Panchayats by the end of 2016-17. However, the SAAP neither covered the Village/Block Panchayats nor surrendered the unutilised balance of ₹24.56 crore (*Appendix-2.6*) to GoI as of September 2019. Government did not furnish any reply.
- iii. Instead of utilising the funds for implementation of the programme⁵⁶, nine DSAs have diverted an amount of ₹2.77 crore (*Appendix-2.7*) for other purposes.

⁴⁹ the details of funds received from GoI are not made available to audit as the scheme was commenced in 2008 before bifurcation of State

⁵⁰ Mandal Level Implementing Agencies (MLIAs): 208 and Panchayat Level Implementing Agencies (PLIAs): 3,941

⁵¹ MLIAs: 138 and PLIAs: 1,974

⁵² Guntur, SPSR Nellore, Prakasam and Vizianagaram

⁵³ for each bhavan at an estimated cost of ₹one lakh for PLIA & ₹ five lakh for MLIA

⁵⁴ 2nd instalment (25 per cent amount) of the total value of the order will be released by SAAP, for completion of another 25 per cent of works, after completion of first phase works and on receipt of first phase progress reports from the concerned DSDOs. Similar satisfying criteria were set for third and fourth instalments

⁵⁵ against eligible two instalments at 25 per cent for each instalment

⁵⁶ construction of sports bhavans at Panchayat/Mandal level, for conducting of rural sports competitions, etc.

Government replied that the PYKKA funds were drawn subject to reimbursement from SAAP funds. However, the funds were not reimbursed (November 2020).

- iv. In DSA Guntur, the District Sports Development Officer (DSDO) /Chief Coach has drawn self-cheques worth ₹75.63 lakh (**Appendix-2.8**) from PYKKA funds during the period 2014-17. However, the details of expenditure and the purpose of drawal of amount were not on record. The correctness of expenditure could not be verified due to non-maintenance of a separate cash book for PYKKA and other GoI grants during 2015-19.

Government replied that action needs to be initiated for the lapses against DSDO Guntur.

- v. An amount of ₹6.75 lakh (OTCG of ₹6.5 lakh and Annual Operational Grant of ₹0.25 lakh) was released/credited⁵⁷ (December 2010) to Mandal Parishad Development Officer (MPDO⁵⁸), Duttalur under DSA, Sri Potti Sriramulu (SPSR) Nellore district for construction of bhavans at Mandal and Gram Panchayat level under PYKKA scheme. The entire amount of ₹6.88 lakh⁵⁹ (including interest) was withdrawn (between March 2011 and June 2012) by MPDO and was found to be neither utilised for construction of PYKKA bhavans nor was it refunded. Joint Collector & Member Secretary, DSA, SPSR Nellore has instructed (April 2013) all the MPDOs to return the amounts available under OTCG. In response, except the MPDO, Duttalur, all other MPDOs returned the amount. Accordingly, the District Collector & Chairman, DSA requested Chief Executive Officer of Zilla Praja Parishad, SPSR Nellore to take necessary action to recover the amount from the MPDO. However, appropriate action to recover the amount was pending (November 2020).

The matter was reported to Government in June 2020; reply has not been received (November 2020).

- vi. Combined bank account was maintained for all the grants instead of maintaining a separate bank account for each grant. As a result, correctness of the availability/utilisation of GoI grants could not be verified.

Thus, the funds received under various central assistance schemes were not utilised within the time frame, which resulted in non-completion of intended projects.

2.1.5.5 Utilisation of Infrastructure / equipment

Sports Act⁶⁰ and Sports Policy, 2000 specified that Sports authorities shall raise the finances by leasing out properties owned by/vested in them to generate revenues. All sports infrastructure so created is to be maintained through community involvement. However, it was noted that the infrastructure created so far, was not properly utilised (**Appendix-2.9**) to augment the revenue. Community involvement in the maintenance of the infrastructure was also not observed in audit.

⁵⁷ in a separate Bank account, viz. MPDO Duttalur, Mandal Level Implementing Agency (PYKKA)

⁵⁸ Ex-officio Member Secretary, Mandal Sports Authority

⁵⁹ ₹6.75 lakh (deposited amount) + ₹0.13 lakh (interest)

⁶⁰ para 11 (f) of the Sports Act and Para 7 of Sports Policy, 2000

(a) Lapses in utilisation of infrastructure**Table 2.2**

Sl. No.	Description	Audit Findings
1.	Stadium at Gudivada, Krishna district	<p>The Stadium along with existing 140 shops was under the possession of private management for the last 20 years. SAAP had not endeavoured to take over the possession of infrastructure created (1999), resulting in foregoing the revenue generated amounting to ₹11.39 crore (Rent from shops : ₹2.35 crore⁶¹ and other receipts⁶²: ₹9.04 crore⁶³) during 2011-17 which was accounted for by private management.</p> <p>Government replied (November 2020) that SAAP was unable to evict the encroachers as it may lead to legal complications involved in the Court of law.</p>
2.	Stadium at Narsaraopet	<p>The infrastructure continued to be under possession (since September 2000) of private parties up to March 2015. Further, from March 2015 one of the non-sports members had appropriated the revenue realised, ₹28.44 lakh (₹6.64 lakh⁶⁴ and ₹21.80 lakh⁶⁵), instead of remitting into designated stadium bank account as of August 2019.</p> <p>Government replied (November 2020) that DSA Guntur has registered a case with local police.</p>
3.	Mini-stadium and other infrastructure for Cricket at Venkatagiri, SPSR Nellore district	<p>The stadium was given (December 2008) on lease to Venkatagiri Samsthanam Cricket Club free of cost for a period of five years. The lease was renewed (January 2014) for a period of another five years at nominal rate of ₹50,000 per annum and was further extended (October 2018) for a period of five years without revision of lease rent.</p> <p>Audit noticed that the lease value of ₹50,000 per annum was decided arbitrarily, as there was no policy for the leasing of infrastructure by SAAP.</p>
4.	Mini-stadium at Ponnur	<p>The Stadium Development Committee constructed Mini-stadium at a cost of ₹0.41crore up to roof level under various grants⁶⁶. As it remained unfinished, Government had sanctioned (October 2012) an additional amount of ₹0.89 crore for its completion. The work was completed (April 2016) at a cost of ₹0.61 crore. Despite incurring ₹1.02 crore towards construction of Mini-stadium, DSA had not taken possession of the stadium since April 2016 and it continued to remain under the possession of private management.</p> <p>Government replied (November 2020) that matter would be sorted out through negotiations.</p>
5.	Land allotted for construction of Sir Vizzy Sports Complex” at Vizianagaram	<p>Out of 62.47 acres⁶⁷ land received from Revenue Department for construction of a Sports Complex, 19.01 acres of land was under the possession of private parties since 1993 and was utilised for conducting cricket tournaments. The DSA had not taken any steps to take</p>

⁶¹ 2011-12: ₹39.64 lakh, 2012-13: ₹42.37 lakh, 2013-14: ₹43.56 lakh, 2015-16: ₹51.92 lakh, 2016-17: ₹57.10 lakh

⁶² leasing/renting of ground, conducting of events, etc.

⁶³ 2011-12 : ₹0.62crore, 2012-13 : ₹3.23crore, 2013-14 : ₹0.64 crore, 2015-16 : ₹3.28crore, 2016-17 : ₹1.26 crore

⁶⁴ during the period April 2016 to May 2018, towards utilising the GYM equipment installed (March 2016) within the premises of Stadium

⁶⁵ complaint lodged (July 2019) by Chief Coach with Narsaraopet police station, regarding irregular collection (during 2015-19) of amount by the stadium committee members from the players towards utilisation of indoor stadium

⁶⁶ District Collector funds : ₹3.00 lakh; Assembly Constituency Development funds: ₹4.00 lakh; Members of Parliament Local Area Development Scheme funds (MPLADS): ₹24.00 lakh and stadium development society fund : ₹10.00 lakh

⁶⁷ 19.01 acres vide G.O.Rt.No.1008 in July 1993 and 43.46 acres vide G.O.Ms.No.528, dated 01.08.2000

Sl. No.	Description	Audit Findings
		possession of land from private parties for utilisation of land/ generation of revenue and to avoid encroachment. Government replied (November 2020) that the process of eviction of occupants is under progress.
6.	Brahmananda Reddy (BR) Stadium, Guntur	<p>The work of improvement and modernisation of facilities at BR stadium (constructed in 25.36 acres of land) was taken up (May 2014) at a cost of ₹7.04 crore and as of September 2018, ₹5.67 crore was incurred.</p> <p>Despite instructions (October 2017) from Vice Chairman & Managing Director, SAAP to shift some technical sections from Indira Gandhi Municipal Corporation Stadium, Vijayawada to BR stadium building, action was not taken in this regard and the building in BR Stadium was lying idle. This resulted in unfruitful expenditure of ₹5.67 crore.</p> <p>Government replied that it was proposed to establish sports academy/nurseries in the Stadium.</p> <p>Joint physical verification of site revealed that an extent of land measuring 6.39 acres on the southern side of the stadium was under encroachment by various private parties. The pavilion building, galleries were in dilapidated condition and ground was completely damaged. Efforts were not made to repair/re-construct these buildings and evict the encroachers.</p> <p>Government replied (November 2020) that as new buildings are proposed under Public Private Partnership (PPP) in place of dilapidated buildings, repair works were not taken up. Further, it was replied that removal of encroachment is not possible as it may attract law and order problem.</p>



(b) Maintenance of Asset Register

At the time of bifurcation⁶⁸ of State, 20 headquarters assets⁶⁹ worth ₹687.77 crore of combined State were identified. Despite clarification given (May 2017) by GoI regarding bifurcation of assets and liabilities, efforts were not made to take possession of (as of September 2019) the share of assets of the State. SAAP replied (May 2019) that a letter was addressed to Government duly requesting to file an appropriate petition before the Hon'ble Supreme Court of India for getting due share of SAAP.

⁶⁸ as per Andhra Pradesh Re-organisation Act, 2014, SAAP was bifurcated and the office was shifted (October 2016) from Hyderabad to Vijayawada

⁶⁹ KVBR Indoor stadium, LB Indoor stadium, LB Swimming pool, GMCB Athletic stadium, etc., of total plinth area of 15,42,441.20 Sq.yards

Further, Asset register reflecting the details of assets/infrastructure available was not maintained in any of the districts. In the absence of an Asset Register, audit could not verify the assets held by SAAP and DSAs concerned.

(c) Procurement of sports kits

As per the guidelines issued (December 2016) by Government, SAAP proposed to purchase and supply sports kits⁷⁰ to eligible youth clubs throughout the State. Out of 1,348 kits supplied in five districts, 613 kits were distributed (2017-18) to residential schools and eligible youth clubs. However, 735 kits valuing ₹97.44 lakh were kept idle in five stadia (*Appendix-2.10*). Further, in Kurnool district, 134 kits were distributed to un-recognised youth clubs in violation of guidelines. Thus, procurement was made without assessing the actual requirement thereby resulting in an unfruitful expenditure of ₹97.44 lakh besides idling of sports kits.

Government replied that instructions were issued to the concerned CEOs of all districts for distribution of available kits as per the directions of GoAP.

2.1.6 Coaching arrangements and Sports Development initiatives

2.1.6.1 Coaching arrangements

As per Para 10 (3) of Sports Policy, 2000, coaching facilities are to be provided covering all the selected disciplines in each district headquarters, duly charging user fees, to be utilised for improving sports facilities in the district. To meet this objective, Government proposed (2017) to improve the ratio of Coaches, Physical Education Teachers (PET)/Physical Directors (PD) to sporting population in the State to 1:50,000 and 1:800 by 2022, as against the existing (2017) ratio of 1:6.25 lakh and 1:1500 respectively.

Against the target recruitment of 200 Coaches per year, SAAP could recruit (2017-18) only 100 Coaches during the last two years. There were only 171 Coaches (71 plus 100) of different disciplines. Thus, efforts made by SAAP to achieve the target ratio were not encouraging. Training was not provided to the existing coaches for upgradation of coaching skills at Sports Authority of India or in any other reputed institute.

Government replied (November 2020) that recruitment of coaches involves huge budget and the budget provided to SAAP is insufficient even to meet the ongoing projects.

2.1.6.2 Sports Development Activities

Sports Policy, 2017 envisaged creation of Water Sports Academies, to leverage long coast line in the State and create world-class training centres in the State. Government intended to create one sports school in each district to develop grassroot level talent in competitive sports.

⁷⁰ Volleyball, Handball, Tennikoit, Chess, Shuttle, Football and Cricket

(a) Water Sports Academies (WSA)

GoAP sanctioned (February 2017) four works at an estimated cost of ₹12 crore for construction of buildings to establish WSAs. To run these academies, SAAP procured (April 2018) water sports material worth ₹1.80 crore. Audit observations in this regard are as follows;

- Construction of WSAs proposed at Tatipudi reservoir in Vizianagaram and Nagayalanka, in Krishna district at a total cost of ₹six crore (₹three crore each) had not commenced as of May 2019 despite awarding contracts in December 2018.
- Construction of WSA taken up (February 2018) at a cost of ₹2.30 crore on the land⁷¹ belonging to Water Resources Department (WRD) at Yerrakaluva, West Godavari district remained incomplete (as of May 2019) after incurring an expenditure of ₹66.00 lakh as No Objection Certificate (NOC) from WRD was not received.
- SAAP proposed to run four Water Sports Training Centres until the completion of construction work of Academies. Out of these four, three centres⁷² were running with the material procured. One Sports Centre at Punnamighat, Krishna district was not functional due to non-issue of NOC by Irrigation Department for operating water sports in Krishna River. As such, the material procured at a cost of ₹51.49 lakh was lying idle in Mylavaram stadium since April 2018.

Thus, the objective of establishing WSAs could not be achieved despite incurring an expenditure of ₹2.46 crore (₹1.80 crore plus ₹0.66 crore).

Government replied (November 2020) that it had taken possession of the land required for construction of WSA at Yerrakaluva and that, the material procured for Punnamighat will be utilised at three other centres.

(b) Functioning of Regional Sports School, Kadapa

As per Para 10 of Sports Policy, 2000, for nurturing sports excellence in young sports persons, Government converted one of the Residential Schools (September 2006) into the Regional Sports School at Kadapa. The School was upgraded as State Level Institution in December 2012⁷³. However, Government constituted Governing Council (General Governing Body & Executive Council) to the School, only in April 2017. Scrutiny of records revealed the following;

- i. General Body meeting was conducted only once in September 2018 (as against four in a year) after its constitution. Executive Council lacked representation of national medal winners (two male and two female) from State.
- ii. Mandal Education Officer was not involved in shortlisting of students for admission into the school at Mandal level. At State level, SAAP Board is selecting the students

⁷¹ admeasuring 0.70 acres in R.S.No.153 of Chakradevarapalli (V) of Jangareddygudem (M)

⁷² at Yerrakaluva Reservoir, West Godavari district; Tatipudi Reservoir, Vizianagaram and Nagayalanka Reservoir, Krishna district

⁷³ the school was renamed as YSR Regional Sports School in July 2010

- for admission into the school without constituting the committee⁷⁴ as prescribed by Government.
- iii. There were 48 vacant seats out of 240 sanctioned seats from Standard V to X. Sports school replied that due to non-availability of infrastructure (sufficient class rooms and hostel rooms), vacant seats could not be filled up.
 - iv. There was no sports infrastructure in respect of four⁷⁵ out of 10 sports disciplines⁷⁶ even after 15 years of the establishment of the school.
 - v. The sports school also suffered due to lack of basic infrastructure⁷⁷ facilities. The two existing hostels (boys and girls) consisting of 245 students from classes IV to X Standard, were provided with only 183 cots as of April 2019.
 - vi. The achievement of the school at different State level sports competitions during the period 2015-19 was also not encouraging. The number of medals won decreased from 412 in 2015-16 to 290 in 2018-19. At the National level, 538 students participated and won 35 medals.

Government accepted (November 2020) the audit observation and promised to take action for improvement of Sports School.

(c) Other Sports Development initiatives

Audit observations relating to sports development initiatives are detailed in **Table 2.3** below:

Table-2.3: Sports development initiatives

Description	Objective	Audit Findings
Sports Nurseries	Establishment of Sports Nurseries in six districts ⁷⁸ under two disciplines (Aquatic & Gymnastic) benefitting 320 players.	An amount of ₹66.66 lakh was released (June 2018) to each district towards establishment of Gymnastics nursery ⁷⁹ and ₹7.66 lakh for Aquatics (Swimming) nursery ⁸⁰ . However, <ol style="list-style-type: none"> (a) Gymnastic nurseries were not established in any of the districts and funds were lying idle with DSAs without utilisation. The relevant equipment required for establishment of Nurseries was also not procured as of August 2019. (b) The Aquatics nurseries in Chittoor and Kakinada (East Godavari) were not functional due to repairs to swimming pool. Despite release of funds

⁷⁴ comprising of nominee from SAAP, international player/sports celebrity of the discipline concerned, District Youth Sports Officer/Administrator of the institute, the Secretary of the State Association of the discipline concerned, Senior Coach of the discipline concerned and academy coach of the discipline concerned.

⁷⁵ Boxing, Gymnastics, Taekwondo and Volleyball

⁷⁶ Archery, Athletics, Boxing, Hockey, Football, Gymnastics, Swimming, Taekwondo, Volleyball and Weightlifting

⁷⁷ no separate compound wall between boys and girls hostels, no proper drainage, computers were not installed in computer lab, playing courts were not sufficiently provided for volleyball, basketball and handball disciplines, Municipal drinking water was not provided, swimming pool is not functioning.

⁷⁸ Chittoor, East Godavari, Guntur, Kurnool, Visakhapatnam and Vizianagaram

⁷⁹ East Godavari, Guntur, Kurnool and Visakhapatnam districts

⁸⁰ Chittoor, East Godavari, Kurnool and Vizianagaram districts

Description	Objective	Audit Findings
		worth ₹2.97 crore (₹2.66 crore + ₹0.31 crore), the nurseries were not established. Government replied (November 2020) that the nurseries were functional and funds were sanctioned towards nutrition diet charges, sports kits, etc. Further, it was replied that repair works at Kakinada and Tirupati were completed and sports nurseries commenced operations. However, Government has not submitted the relevant documents in support of the functioning of nurseries.
Day Boarder Scheme	To identify "low hanging fruits" ⁸¹ The objective of the scheme was to enhance player's present status of performance to excel at higher level of competitions in the respective sports disciplines and proposed to induct players both boys/girls ⁸² in all 25 Coaching Centres.	For implementation of the scheme during 2018-19, SAAP released (April 2018) an amount of ₹1.90 crore ⁸³ . As against the sanctioned strength of 1,040 (Boys: 520, Girls:520) players, only 204 players (20 per cent) were enrolled as of July 2019. Further, the amount of ₹1.90 crore released was not utilised and was lying with the concerned DSAs. This defeated the objective of the Scheme and also resulted in blocking of funds. Further, two Coaching Centres in West Godavari district were not established as of September 2019. Government replied (November 2020) that only 204 players were found eligible as per SAAP norms and hence, the target strength of 1,040 was not achieved. The reply is silent regarding non-utilisation of ₹1.90 crore released to the concerned DSAs.
Project Vijaya	Provide coaching to 3,620 students in 32 private schools under Sports Adopted program in the State for a period of one year. SAAP entered (September 2017) into a service agreement with a firm ⁸⁴ , which defined the scope of the work ⁸⁵ . The agreement was subsequently renewed (September 2018) for a period of three years.	Government sanctioned (September 2018) a budget of ₹13.88 crore ⁸⁶ to implement the programme. Against 3,620 students to be trained under the scheme ⁸⁷ , the contracted firm had provided training to only 1,300 students (36 per cent) in 26 out of 32 private schools under Sports Adopted program. As per the agreement, if the number of students to be trained under each Coach of one discipline in a school is below 20, SAAP should take necessary action to fill the gap. However, SAAP had not taken any action to admit balance sanctioned strength of 2,320 students to provide training in all the Sports Adopted schools. Despite incurring an expenditure of ₹6.68 crore (2017-19), the project was finally terminated (February 2019) due to slow progress. Thus, the

⁸¹ players who are performing well and need some support in all aspects like sports nutrition, regular training, playing kit and insurance coverage etc.

⁸² age group 12 to 15 years (Sub Junior Day Boarder Coaching trainers) and 16 to 19 years (Junior Day Boarder coaching trainers)

⁸³ the financial support provided was 12 to 15 years age group: ₹1,500 per month and for 16 to 19 years: ₹2,500 per month towards nutrition charges and playing kit worth ₹4,000 was to be provided to each player

⁸⁴ M/s TENVIC Sports Education Private Limited

⁸⁵ deployment of coaches and trainers, accompanying of coaches along with trainers from the district to National level competitions, providing standard sports equipment and sports kit for regular practice and competitions, selection and competition exposure to inmates, providing health and accidental insurance, maintenance of playfield facilities, maintaining inmate's database, etc.

⁸⁶ 2017-18: ₹5.16 crore and 2018-19: ₹8.72 crore

⁸⁷ the sanctioned strength for individual games is 20 and for team games is 25 in each school

Description	Objective	Audit Findings
		<p>project was initiated without proper assessment, which led to its termination midway without achieving the intended objective.</p> <p>Government replied (November 2020) that despite sincere efforts to draw attention of parents, private school management towards training programme, it did not yield commensurate results.</p> <p>However, Government has not provided any documentary evidence to support its contention, nor did it detail the nature of its efforts to convince the stakeholders.</p>
Project Gandiva	<p>The project⁸⁸ was proposed to search talent from grassroot level and provide coaching to athletes from school level to international level. SAAP submitted (March 2018) a proposal to implement the Project with a five-year strategy to lay a strong foundation for athletics development through a ‘hub & spoke’⁸⁹ model.</p>	<p>Government accorded (June 2018) administrative sanction for ₹18.93 crore towards first phase (1st year) of the project implementation period. SAAP had entered (June 2018) into an agreement with a firm⁹⁰ for a period of five years for the purpose.</p> <p>(a) Out of 116 schools identified as Gandiva Schools, grassroot level coaching was currently provided in only 56 schools.</p> <p>(b) As against the required deployment of 116 Coaches (one for each school) at grassroot level by 15th July 2018, only 91 Coaches were deployed as of September 2019. Further, most of the deployed coaches lacked the additional essential qualification⁹¹.</p> <p>(c) Against the sanctioned strength of 75 athletes, training was provided to only 42 athletes. Sports Psychologist and Nutritionist were not deployed as per agreement.</p> <p>(d) Detailed athlete progression plan and mapping of the athletes to be trained with the High Performance Centers was not done as of September 2019.</p> <p>(e) A lumpsum amount of ₹8.66 crore was paid to the firm as service fee and milestone payments towards implementation (as of March 2019) of the project without fixing the criteria and the break-up of payments for each component.</p> <p>(f) SAAP has not appointed (as of September 2019) an independent third party agency to audit the entire project from the perspective of athletes and Coaches progression and similar performance parameters. Programme Implementation Committee was not constituted (as of September 2019) to advice, assist and review the project.</p>

⁸⁸ involving various stakeholders like Sports Management Agency, Sports Associations and their associates, School Education Department and Physical Literacy Teachers to search, groom and train with International Coaches

⁸⁹ a form of network where majority of paths connect to each other through central nodes

⁹⁰ M/s TENVIC Sports Education Private Limited

⁹¹ Diploma from National Institute of Sports (NIS) and primary sporting discipline

Description	Objective	Audit Findings
		<p>Thus, even after incurring ₹8.66 crore, the intended objective of the project could not be achieved.</p> <p>Government replied (November 2020) that SAAP had issued orders (September 2018) to constitute a committee of experts in athletics to review the implementation of the programme.</p>
Project Panchajanya (Sports Academies)	<p>As per Para 10(2) of Sports Policy, 2000, sports persons having talent to play at Junior and Senior National level will be considered for admission in the SAAP/Sports Authority of India Academies. Academies will provide for residential academic coaching also. New Sports Policy proposed to open six regional Sports Academies⁹² in the State.</p>	<ul style="list-style-type: none"> ➤ Sports Academies were established at six centres⁹³ for 11 disciplines⁹⁴ at a cost of ₹11 crore. SAAP entered (September 2017) into service agreement with a firm⁹⁵ for maintenance of State Sports Academies. The sanctioned strength to be trained in these academies was 650 (for individual sports: 300 and for team games: 350). ➤ Only 539 students (individual sports: 228, team games: 311) reported for training. ➤ Sports equipment valuing only ₹2.16 crore was purchased, as against the budgeted requirement of ₹10.00 crore worth sports equipment. ➤ During 2017-18, 178 trained players from Academies participated at National level competitions in 18 disciplines. Out of these, only 20 players (11 per cent) won medals⁹⁶ in three disciplines⁹⁷. The participation at International level was only in one discipline (Badminton). <p>Government replied that in view of paucity of funds it was decided to terminate the MoU entered with the firm.</p>

2.1.6.3 Incentives to Sports persons

To encourage more people to have a sports-oriented career pathway, a comprehensive athlete incentive system was framed (2000 and 2017), wherein athletes were to be awarded and rewarded at all levels from sub-junior to international level. Observations on the implementation of these incentive schemes are as below.

⁹² will serve as a base for all junior athletes in the State with the objectives of specialised centres in select disciplines; scientific assessment and training with modern tools and equipment; achieve high performance potential and prepare junior athletes to adopt pathways to grow into National and International reckoning

⁹³ Ananthapuramu, Guntur, Kakinada, Mylavaram in Krishna district, Nellore, and Visakhapatnam

⁹⁴ Gymnastics, Judo, Weightlifting, Fencing, Taekwondo, Athletics, Badminton, Archery, Cycling, Rifle shooting and Boxing

⁹⁵ M/s TENVIC Sports Education Private Limited

⁹⁶ Gold : 7, Silver : 5 and Bronze : 8

⁹⁷ Weightlifting, Athletics and Badminton

(a) Financial Assistance to Sports persons

As mentioned in paragraph 2.1.4.3 (a), SAAP did not maintain a comprehensive database of athletes⁹⁸ at any level. Monthly scholarships⁹⁹ to the performing and promising Sub-Junior, Junior and Senior athletes were not provided as per Sports Policy. Financial assistance was extended only to top three finishers at Senior, Junior & Sub-Junior, National & International level recognised tournaments, especially to those who have approached the SAAP.

At the instance of audit, all Sports Associations were requested (August 2019) to submit the sports merit certificates of medal winners to pay the incentives.

- i. During 2016-19, SAAP had paid an amount of ₹4.96 crore to four sports persons which was more than the incentive to be provided as per the Sports Policies (*Appendix-2.11*).
- ii. An amount of ₹1.86 crore (*Appendix-2.12*) was paid to persons in case of categories not listed in the policy. These cash awards were sanctioned arbitrarily without any set guidelines. SAAP and the Department should set a definite policy in this regard.
- iii. SAAP neither amended the policy nor extended the incentives uniformly to all the players proactively. The SAAP could identify (September 2019) only 105 players eligible for sports incentives for various disciplines since 2014.
- iv. Sports kits and nutrition support was not provided monthly to the grassroot level talented players. Medical Insurance scheme (Arogya Raksha) was also not extended to the athletes as of September 2019.
- v. Pension of ₹10,000 and family pension of ₹5,000 was not extended to 18 Arjuna, Padmashree, Dhyanchand, *etc.*, awardees identified (as of September 2019) in the State.

Government replied (November 2020) that the incentives were sanctioned as per Government Orders. The reply is not acceptable as this was in deviation of Sports Policies and such actions defeat the purpose of having a defined policy and lead to arbitrariness.

(b) Reservation in employment and educational institutes

Government instructed (August 2012) to extend reservation of two *per cent* to meritorious sports persons for direct recruitment in Government Departments/undertakings/grant-in-aid institutions at all levels. The revised Sports Policy, 2017 enhanced it to five *per cent*. It also proposed to provide six *per cent* reservation to meritorious sports persons for admission into educational institutions¹⁰⁰ in the State. The rules and regulations for the extension of above reservations have to be recommended by the Apex Body headed by the

⁹⁸ grassroot talented players, Arjuna awardees, Olympic Finalists, Common Wealth Games medalists, World Champions medalists and Asian Games medalists

⁹⁹ Senior Athletes: ₹5,000 per month (p.m) , Junior Athletes: ₹3,000 p.m, Sub-Junior Athletes: ₹2,000 p.m

¹⁰⁰ all Government/private junior colleges, degree/engineering colleges, *etc.*

Special Chief Secretary as Chairman and the VC&MD as the Member Convener of the committee.

However, the additional benefit of three *per cent* reservation in recruitment and six *per cent* in educational institutions as envisaged in the Sports Policy, 2017 was not extended as of November 2020. As a result, meritorious sports persons were deprived of the benefit of reservation in employment and educational institutions despite the stated policy of the Government.

Government replied (November 2020) that instructions have been issued to SAAP to study the methodologies adopted by various States in this regard and submit a compliance report.

2.1.6.4 Sports Associations

Sports games associations play a key role in promotion and development of sports. Sports Policy, 2000 envisions streamlining these to popularise sport and improvement of standards¹⁰¹. All the Associations must follow International Olympic Charter and obtain recognition from SAAP for getting any incentive from the Government.

GoI notified (January 2011) National Sports Development Code of India (NSDCI), 2011 with certain objectives¹⁰² and issued comprehensive guidelines to achieve the objectives. Audit observations in this regard are as follows;

- Though NSDCI 2011 came into effect in December 2011, GoAP instructed (December 2018) all Associations to adhere to NSDCI after a lapse of seven years.
- SAAP had not recognised any of the Associations during 2015-19. However, financial assistance of ₹4.99 crore¹⁰³ was irregularly extended to various Associations during 2016-18 in violation of the policy.

Government replied (November 2020) that in 2019-20 SAAP complied with the guidelines and granted recognition to 21 Sports Associations only, rejecting the request of other Associations who did not submit required documents as per NSDCI guidelines.

2.1.7 Conclusion

Sports promotion activities in the State lacked the required impetus in terms of organisational structures, finances and implementation. There was no proactive planning for achieving the goals of the policies. SAAP did not display leadership in coordinating with other Departments for either increasing resources or implementing various initiatives. Financial management was not effective as even the meagre budget allocation made by the Government was not utilised optimally. Resource mobilisation from other Departments was not ensured to improve financial resources.

¹⁰¹ para 14 of Sports Policy, 2000

¹⁰² (i) to define the areas of responsibility of the various agencies involved in the promotion and development of sports (ii) to identify National Sports Federations eligible for coverage under these guidelines, to set priorities, and to detail the procedures to be followed by the Federations, to avail of Government sponsorship and assistance and (iii) to state the conditions for eligibility to receive Government recognition and grant

¹⁰³ in 2016: ₹1.06 crore, 2017: ₹1.83crore and 2018: ₹2.10 crore

Creation of infrastructure was ridden with lot of delays and poor planning. There were deficiencies in utilisation of infrastructure and community involvement in utilisation, revenue generation and maintenance are still a distant dream. The GoI funds were also not properly utilised for undertaking infrastructure projects. The initiative displayed in grounding the projects was not shown in completing the projects. Most of the incomplete projects were due to bad planning by the DSAs and inadequate follow up by them with the executing agencies.

Both the Sports Policies have articulated the importance of the coaches and supportive measures to the sports persons. However, SAAP and the Department have failed in providing these measures to these key stakeholders for development of sports. SAAP does not have a database of upcoming sports persons. All the winners in various events were also not identified by SAAP. The incentive structure was implemented arbitrarily without any basis. Strategic goals aimed in the year 2000, viz., universalised participation in sports, sports infrastructure, excellence in sports performance, etc., were not achieved even after two decades. The implementation of the Sports Policy, 2017 also leaves a lot to be desired.

Higher Education Department

2.2 Idle equipment

Equipment procured by Rajiv Gandhi University of Knowledge Technologies for Idupulapaya campus at a cost of ₹1.75 crore to create high end research facilities remained idle for more than five years, depriving the students of intended benefits

Rajiv Gandhi University of Knowledge Technologies (RGUKT), Hyderabad¹⁰⁴ had placed (July 2013/April 2014) purchase orders on a firm¹⁰⁵ for supply of ‘Instrumented Pendulum Impact Tester (PIT)’ and ‘100 kN High Temperature Universal Testing Machine’ at a total cost of ₹1.95 crore¹⁰⁶ to create high end research facilities and provide sophisticated instruments for students project and consultancy purpose in the Idupulapaya campus. The equipment were delivered to RGUKT, Idupulapaya campus in June and August 2014. RGUKT, Hyderabad paid (June/September 2014) ₹1.75 crore¹⁰⁷ towards 90 per cent of the cost to the firm and the remaining 10 per cent was to be paid after installation and commissioning of the equipment.

Audit noticed (May 2019) that the equipment were lying idle in RGUKT, Idupulapaya campus without installation for more than five years, despite requests (April 2018) made by students and faculty for their installation.

The University replied (May 2020) that the equipment were not installed due to non-completion of building (Metallurgical and Materials Engineering Department) and non-availability of high power electrical supply.

Thus, procurement of equipment without ensuring the availability of electrical supply and requisite space for installation resulted in idling of equipment depriving the students of the intended benefits.

The matter was reported to Government in June 2020; reply was awaited (November 2020).

¹⁰⁴ post bifurcation of the State, the headquarters of the university shifted to Guntur

¹⁰⁵ M/s Zwick Asia Pte Ltd., Singapore through M/s Zwick Roell Testing Machines Pvt. Ltd, Chennai

¹⁰⁶ 100 kN High Temperature Universal Testing Machine: ₹1.19 crore (three numbers of equipment one each to three institutes procured at ₹3.58 crore) & Instrumented Pendulum Impact Tester: ₹0.76 crore

¹⁰⁷ 100 kN High Temperature Universal Testing Machine: ₹1.07 crore plus Instrumented Pendulum Impact Tester: ₹0.68 crore

Industries and Commerce Department

2.3 Sanction of incentives to ineligible food processing industries

Irregular sanction of incentives to ineligible industrial units resulted in avoidable expenditure of ₹76.39 lakh

As per the operational guidelines of the Industrial Development Policy (IDP) 2015-20 issued by Government, the Industries and Commerce Department (ICD) sanctions various incentives to entrepreneurs for setting up new industries and expansion of existing industries that are involved in certain eligible activities. The General Manager of the District Industries Centre (DIC) concerned has to exercise due diligence in verifying the facts of the case in respect of each claim for incentives before confirming/certifying the claim and submit the same to the District Industries Promotion Committee (DIPC) for sanction. The incentives in respect of Food Processing Industries shall be determined as per the Food Processing Policy (FPP) 2015-20 and guidelines issued (July 2015) there under. As per the FPP, “ice factory” has been listed among the ineligible food processing industries to avail of incentives under the FPP.

Audit observed (September 2019) that DIPC sanctioned (during August 2017 to March 2019) incentives (investment subsidy, interest subsidy, reimbursement of Power cost/Sales Tax/Stamp Duty) to the tune of ₹1.32 crore¹⁰⁸ to three ice factories¹⁰⁹ under the jurisdiction of the DIC, Nellore and ₹76.39 lakh was disbursed deviating from the provisions of the FPP. This resulted in irregular expenditure of ₹76.39 lakh.

The Director of Industries replied (July 2020) that the units in question were engaged in manufacture of non-edible ice blocks which are mainly used in preservation/ storage/ transportation of food products, medicines, *etc.*, and thus do not fall under food processing industry and hence incentives were sanctioned to them under IDP 2015-20.

The reply is not acceptable, as although the units in question may be engaged in manufacture of non-edible ice blocks, ‘ice factory’ has been listed specifically as ineligible for incentives under FPP. Therefore, the sanction of ₹1.32 crore was irregular and release of ₹76.39 lakh needs to be recovered.

The matter was reported to Government in November 2020; reply was awaited.

¹⁰⁸ of this, ₹76.47 lakh pertaining to 14 claims of two units was already disbursed

¹⁰⁹ MVR Ice and Agri Food Processing Industries, Vamsi Ice Factory and VVR Ice Plant

General Administration Department

2.4 Financial imprudence

The Department of Information and Public Relations failed to avail the lowest unit rate due to splitting of orders in three spells, resulting in avoidable expenditure of ₹2.12 crore

Article 3 of Andhra Pradesh Financial Code stipulates that every Government servant is expected to exercise the same diligence and care in respect of all expenditure from public moneys under his control as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

The Department of Information and Public Relations (DIPR) is the nodal agency for publicity and creating awareness among the public relating to policies, plans and programmes of the State Government.

Audit scrutiny (September 2018) of the records of DIPR revealed that it entrusted (May 2018) the work of printing and supply of 1.20 crore 'AP online'¹¹⁰ receipt forms per month, pre-printed with advertisements on Government programmes, to an empanelled agency. As per the agreed rates, the agency shall print and supply the receipt forms at the following rates for an order of quantity required for one, two and three months respectively.

Quantity	1.20 crore forms (one month requirement)	2.40 crore forms(two months requirement)	3.60 crore forms (three months requirement)
Rate	₹2.00 per form	₹1.75 per form	₹1.50 per form

The DIPR placed an order initially for the month of June 2018 at ₹two per receipt form. Later orders for another two months (July-August 2018) and subsequently for two more months (September-October 2018) were placed at a unit rate of ₹1.75 per receipt form. Thus, a total of six crore (1.20 crore receipt forms per month for five months) receipt forms were ordered for printing during June-October 2018.

Audit observed that instead of availing the benefit of the least unit rate of ₹1.50 per receipt form offered by the firm for orders for three months, the DIPR had split the order for three spells, once for one month and twice for two months. As a result, there was an excess expenditure of ₹2.12 crore as given in the **Table 2.4**.

¹¹⁰ AP online- A digital gateway for the Government to offer multiple services to its citizens, through a single window

Table 2.4:
Statement showing the excess expenditure towards printing and supply of AP online receipts
(Amount in ₹)

Period	Quantity	Rate per receipt	Amount	GST at 18 per cent	Total amount	Remarks
June 2018	120 lakh	2.00	2,40,00,000	43,20,000	2,83,20,000	Amount paid for one month
July & August 2018	120 lakh per month i.e., 120 lakh	1.75	4,20,00,000	75,60,000	4,95,60,000	Amount paid for orders for two months in two spells
September & October 2018	*2 = 2,40,00,000		4,20,00,000	75,60,000	4,95,60,000	
Total			10,80,00,000	1,94,40,000	(A) 12,74,40,000	
June to October 2018	120 lakh per month i.e., 120 lakh * 5 = 6,00,00,000	1.50	9,00,00,000	1,62,00,000	(B) 10,62,00,000	Amount if ordered for five months
(A) – (B)					2,12,40,000	Excess expenditure

The DIPR, while accepting the audit observation, attributed (October 2018) the splitting up of supply orders to the budget constraints. Reply of DIPR is not acceptable as they could have got into an agreement for monthly supply of the annual requirement on the least offered rates, while payments could have been made for actual supplies as per the budget availability.

The matter was reported to Government in July 2020; reply was awaited (November 2020).

Municipal Administration and Urban Development Department

2.5 Avoidable expenditure on interest and penalty

Failure of the Urban Local Bodies (ULBs) to ensure timely remittance of statutory contributions to Employees' Provident Fund resulted in avoidable expenditure of ₹16.18 crore towards penalty and interest

As per the provisions of Employees' Provident Fund (EPF) & Miscellaneous Provisions Act, 1952 (Act), the principal employer has the responsibility to pay the provident fund contribution in respect of both the employees directly employed by employer and the employees employed by or through a contractor along with administrative charges. Further, it is the employer's duty to deduct the employee's contribution / statutory dues from the wages and to remit the recovered amount together with employer's share to the fund within 15 days of the close of every month. Section 7Q and 14B of the Act provide for levy of interest and penalty respectively on belated remittances at the rate specified.

Scrutiny of records (April 2018 /March 2019) of seven¹¹¹ Urban Local Bodies (ULBs) revealed that the EPF contributions of contractual employees of these ULBs were remitted to the Employees' Provident Fund Office (EPFO) with delays ranging between 2 to 1849 days during the period June 2008 to August 2018. Consequently, EPFO, under the provisions of the Act, levied (notices given between December 2013 to October 2018) interest of ₹5.77 crore and penalty of ₹10.41 crore on the ULBs. Out of the total payable demand of ₹16.18 crore, five of the seven ULBs had paid an amount of ₹8.12 crore (₹5.13 crore of interest and ₹2.99 crore of penalty) to EPFO. The balance amount of ₹8.06 crore (₹16.18 crore less ₹8.12 crore paid) remained as a committed liability for ULBs towards interest and penalty as of April 2018 / March 2019. Details are given in the **Appendix 2.13**.

The ULBs attributed the delays in remittance of EPF contributions to their weak financial position and other administrative reasons, which were not justifiable in view of specific statutory requirements under the Act to remit the contributions to EPFO within the stipulated time.

Thus, the failure of the ULBs to ensure timely remittance of contributions to EPFO resulted in avoidable expenditure of ₹16.18 crore (including ₹8.06 crore remaining to be paid) towards interest and penalty.

The matter was reported to the Government in July 2020; reply was awaited (November 2020).

2.6 Irregular alienation of Government land to a private party

Government land was alienated to a private party below the market value without due diligence, in deviation of the Land Policy, resulting in a loss of ₹one crore

Audit scrutiny of records (June 2018) of Visakhapatnam Metropolitan Region Development Authority (VMRDA)¹¹² revealed that a private party¹¹³ was allotted (February 2004) land measuring 313.79 square yards on lease basis for a period of 30 years. Subsequently, the party requested (May 2015) VMRDA for transferring the land on permanent basis. VMRDA submitted (March 2016) proposals to the Government for alienation of land to the party at a market value of ₹48,000 per square yard (October 2015). As per the decision of the Cabinet, permission was accorded to VMRDA to alienate the land in favour of the private party at ₹16,000 per square yard as a special case. Accordingly, VMRDA directed (April 2018) the party to pay an amount of ₹50.21 lakh (313.79 square yards*₹16,000) within three months. The party paid (July 2018) ₹40.21 lakh.

In this connection, Audit observed that the Government's approval to alienate the land to a private party without exercising due diligence in deviation of the Land Policy (September 2012)

¹¹¹ Kalyanadurgam, Machilipatnam, Mydukur, Palasa-Kasibugga and Pulivendula Municipalities and Vijayawada and Greater Visakhapatnam Municipal Corporations

¹¹² erstwhile Visakhapatnam Urban Development Authority (VUDA)

¹¹³ Tamil Kalai Mandram - a Socio-cultural organisation of Tamils, Visakhapatnam, Regn No. 213/2011

and at a rate below the applicable market value resulted in a loss of ₹one crore to VMRDA, as detailed below;

- As per the Government Land Policy (September 2012) regarding allotment of land to Private Entities, Companies, Trusts, Societies, Private Individuals *etc.*, the proposal shall come through Andhra Pradesh Land Management Authority¹¹⁴ (APLMA) and the Cabinet's approval obtained. However, in the instant case, this procedure was not followed while alienating the land to the private party.
- Even though the alienation should have been based on market value¹¹⁵ as recommended by the Collector and the APLMA, the Government decided the land rate at ₹16,000 per square yard, which was far below the market value of ₹48,000 per square yard (October 2015) proposed by VMRDA. Thus, allotment of land without due diligence by the Government resulted in loss of ₹one crore¹¹⁶.

Information regarding receipt of the balance amount of ₹10 lakh (₹50.21 lakh less ₹40.21 lakh received) and execution of the land registration to transfer the title to the private party have not been provided (November 2020) by VMRDA.

The matter was reported to the Government in September 2020; reply was awaited (November 2020).

2.7 Loss of revenue of ₹92.67 lakh due to incorrect fixation of upset price

Fixation of upset price by Greater Visakhapatnam Municipal Corporation in deviation from the Government Order governing the lease of immovable property resulted in loss of revenue of ₹92.67 lakh

As per the orders issued (February 2011) by the Municipal Administration and Urban Development Department, upset price for lease of immovable property by Municipal Council was required to be determined in the following manner;

- (a) Rent at 10 *per cent* of the current market value of the property per annum *i.e.*, both building and land as per market value of the land and construction rates of the structures and buildings fixed by Registration Department¹¹⁷ (or)
- (b) Prevailing rent of such properties situated in the vicinity, whichever is higher, in case of lease of immovable properties for the first time.

¹¹⁴ consisting of Chief Commissioner of Land Administration as Chairman, and Principal Secretary / Secretary of the concerned Departments and other members. This Committee shall be vested with processing and recommending land allotment, with the task of monitoring the utilisation of land for the intended purpose and resumption of land in case of violation of conditions

¹¹⁵ the average sale price for similar type of land situated in the nearest village or nearest vicinity area

¹¹⁶ ₹32,000.00 per square yard (₹48,000.00 minus ₹16,000.00)* 313.79 square yards = ₹1,00,41,280

¹¹⁷ under the Andhra Pradesh Revision of Market Value guidelines Rules, 1998

- (c) In case of renewal of lease of immovable properties, the upset price shall be fixed either at the rent mentioned in clause (a) or (b) or rent at 33 $\frac{1}{3}$ per cent above the earlier rent, whichever is higher.

Greater Visakhapatnam Municipal Corporation (GVMC) leased¹¹⁸ out (January 2015) Swamy Vivekananda Kalyanamandapam to the highest bidder¹¹⁹ for ₹25.70 lakh as against the upset price of ₹12 lakh, for a period of three years¹²⁰. Proceeding orders were issued (January 2015) to the lessee to take over the premises with a condition to pay ₹25.70 lakh and execute lease agreement. The lessee remitted the lease amount as per the lease conditions.

Audit observed that GVMC did not follow the above-mentioned Government Order while fixing the upset price at ₹12 lakh, for three-year lease of Kalyanamandapam. GVMC neither considered lease rent of ₹39.46 lakh¹²¹ per annum based on the prevailing market value (as of June 2014) of the immovable asset nor the rates of similar properties with in the vicinity, which worked out to ₹28.80 lakh per annum. Considering the contents of the Government Order, the upset price for three years of lease period should have been fixed at ₹1.18 crore¹²², instead of ₹12 lakh as fixed by GVMC.

Thus, fixation of the upset price in deviation from Government Order resulted in loss of revenue of ₹92.67 lakh¹²³ for the lease period.

The matter was reported to Commissioner (GVMC) and the Government in January 2020; reply was awaited (November 2020).

2.8 Loss of revenue due to non-collection of rents/fees from lessees

Ananthapuramu Municipal Corporation failed to collect the auction dues of ₹1.57 crore from the lessees due to non-enforcement of the conditions of market auction and the provisions of AP Municipal Corporations Act, 1994

As required under the provisions of Section 534 of the Andhra Pradesh Municipal Corporations Act, 1994, Ananthapuramu Municipal Corporation (Corporation) conducted public auction every year for leasing out its municipal markets in old and new town areas. As per terms of auction, the lessee (successful bidder) should pay one-fourth of the auction amount within seven days of auction. The balance amount is to be paid in equal monthly instalments on or before fifth day of every month in advance, else a penal interest at 2.5 per cent per month or part thereof is to be levied for the belated/ delayed payments. Under the terms of the auction, the lessee was allowed to collect market fee from the sellers

¹¹⁸ Standing Committee of GVMC resolved (September 2014) to lease out the premises to highest bidder

¹¹⁹ Public auction conducted in June 2014 for leasing out

¹²⁰ from 01.01.2015 to 31.12.2017

¹²¹ (Market value of land : ₹35,000 per square yard x 1051 square yards = ₹3,67,85,300 plus construction value of the building ₹26,72,979 = ₹3,94,57,979 x 10 per cent)

¹²² ₹39.46 lakh x 3 years

¹²³ (₹1,18,37,394 minus ₹25,70,000)

occupying or using any stall, shop, standing, shed or pen in the municipal markets or slaughter-house, for a period of one year, at the rates prescribed by the Commissioner.

Scrutiny (November 2017/August 2019) of records of the Corporation pertaining to auctions/ leases for the period 2011-19 revealed that the Corporation failed to collect the legitimate dues under the terms and conditions of the auction from the lessees during the period 2011-12 to 2015-16 (except during 2012-13). Consequently, there were outstanding dues of ₹1.57 crore¹²⁴ pertaining to the period 2011-16. Further, as per conditions of auction of markets, the Corporation was required to collect a penal interest at the rate of 30 per cent per annum on the auction amounts not paid by the lessee within the due dates. However, the Corporation did not collect any interest from the defaulting lessees. Audit assessed the loss of interest at ₹2.87 crore¹²⁵ as per the conditions of auction based on belated payments/unpaid dues. However, the Corporation had not restrained the defaulting lessees from collecting the market fee from the public, even though the auction amounts were not remitted to the Corporation at prescribed periodic intervals during the respective years.

While the Corporation has streamlined the procedure for collection of its dues in advance from the lessees with effect from 2016-17 onwards, it had not entered into any formal agreement with the successful bidders. Further, despite the Municipal Commissioner being empowered under the provisions of AP Municipal Corporation Act, 1994 to recover all sums due from any person along with the costs for recovery of dues, the Corporation did not issue necessary demands to the lessees who defaulted in remitting both auction amount and interest due thereon as per terms of the auction. Thus, the Corporation failed to collect its legitimate dues of ₹1.57 crore and interest of ₹2.87 crore on outstanding dues/belated receipts.

The Department and the Corporation did not respond to the audit comment despite reminders.

The matter was reported to Government in July 2020; reply was awaited (November 2020).

2.9 Non-recovery of mobilisation advance

GVMC failed to timely recover the outstanding mobilisation advance of ₹9.11 crore from the contractor due to expiry of the Bank Guarantees. The intended benefit of providing 24x7 metered water supply to the targeted areas of GVMC was also not ensured due to abandonment of water supply works midway

Government of Andhra Pradesh accorded (September 2012) administrative approval to the project¹²⁶ under Sub-Mission on Urban Infrastructure Governance of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for “Implementation of 24x7 water supply in left out areas of Greater Visakhapatnam Municipal Corporation (GVMC)” at a cost of

¹²⁴ 2011-12 (Smt G. Padmaja) : ₹28.41 lakh, 2012-13 (Sri G. Kullayapa) : ₹4.54 lakh, 2013-14 (Sri N. Damodar) : ₹63.42 lakh, 2014-15 (Sri G. Srinivasulu) : ₹29.37 lakh and 2015-16 (Sri K. Khazamohiuddin) : ₹31.25 lakh

¹²⁵ interest was calculated from April of the next year on the due amounts at 30 per cent per annum

¹²⁶ approved (March 2012) by Government of India under JNNURM

₹110.98 crore¹²⁷. The main objective of the project was to ensure 24x7 metered water supply to these areas, control Unaccounted For Water by installing water flow meters in water supply systems¹²⁸ duly replacing the distribution network and constructing additional service reservoirs.

The project under package-I¹²⁹ was awarded (July 2013) to M/s SMC-CCSPL-ECL Joint Venture (Contractor) at a cost of ₹86.90 crore for completion by July 2014. The Contractor submitted (July 2013) Bank Guarantee worth ₹2.17 crore towards Earnest Money Deposit, which was valid up to 12 July 2014. Since the Contractor executed only 25 per cent of the work by July 2014, contract period was extended up to 31 December 2015. As of March 2015, only 32 per cent of the work costing ₹21.85 crore was completed which included laying of pipelines (22 per cent) and structural works (30 per cent) of Ground Level Service Reservoir (GLSR) and balancing reservoirs. In May 2015, GVMC revised the scope of the project by reducing the length of the pipeline and House Service Connections to 50 per cent in hilly areas and revised the contract value to ₹65 crore. Subsequently, there was no progress in the work.

Audit observed that the contractor abandoned the work by July 2016. However, GVMC did not take any action to revive the balance work. As a result, the intended benefit of providing 24x7 water supply could not be achieved and the expenditure of ₹21.85 crore incurred so far remains unfruitful.

Further, GVMC released (August/September 2013) ₹8.69 crore (10 per cent of the contract value of ₹86.90 crore) of Mobilisation Advance (MA) to the contractor against submission of 100 per cent unconditional and irrecoverable Bank Guarantees (BGs) and interest rate at two per cent above the prevailing Prime Lending Rate¹³⁰ of Banks was recoverable on outstanding MA. The contractor submitted (July/August 2013) BGs for ₹8.69 crore¹³¹ with one year validity. Subsequently, validity period of BGs was extended up to January/February 2015.

Audit noticed that contract period was extended by GVMC without ensuring extension of the validity of BGs. Subsequently, BGs worth ₹8.69 crore expired (January/February 2015). As a result, GVMC failed to recover ₹6.29 crore of outstanding Mobilisation Advance from the Contractor. Further, interest of ₹4.46 crore due on outstanding MA up to

¹²⁷ with GoI, GoAP and GVMC share in the ratio of 50:20:30 respectively

¹²⁸ is an indispensable requirement for the purpose of assessment of source and its development, transmission, treatment, distribution, control of wastage, etc.

¹²⁹ includes investigation, survey, design and execution of 120.34 km Ductile Iron (DI) distribution lines/gravity mains/pumping mains in south west sector including House Service Connections with high precise and tamper proof water meters, supply, delivery, fixing and testing of electromagnetic bulk flow meters and construction of master balancing reservoirs/GLSRs /Sumps of 4,050KL capacity and 900 KL Elevated Level Surface Reservoir

¹³⁰ prime lending rate is an interest rate used by banks, usually the interest rate at which banks lend to favoured customers i.e., those with good credit

¹³¹ ₹4.35 crore on 27.07.2013 and ₹4.34 crore on 19.08.2013, valid up to July/August 2014 and validity period extended up to 26.01.2015 and 18.02.2015 respectively

31 March 2019¹³² was also not recovered. Thus, there was a loss of ₹9.11 crore¹³³ to GVMC due to its failure to obtain valid BGs and their timely encashment.

The Commissioner, GVMC replied (June 2019) that since progress of work was less than 50 per cent, project was dropped and funds were stopped. The project is proposed under Critical Infrastructure Investment Plan with a revised estimate of ₹65 crore. The Government approval was stated to be awaited.

Reply was silent regarding revival of work and recovery of outstanding dues of ₹9.11 crore (Mobilisation Advance and interest thereon) from the Contractor.

The matter was reported to Government in January 2020. However, reply was not received as of November 2020.

2.10 Unfruitful expenditure due to substandard quality pipes

Ichapuram Municipality executed water supply works with substandard quality pipes supplied by the contractor resulting in unfruitful expenditure of ₹1.18 crore

Ichapuram Municipality (Municipality) got (October 2011) technical sanction for awarding the work of providing High-Density Polyethylene (HDPE) pumping main of 180 mm from Lallapeta off-take point to the 500 Kilo Litre (KL) Ground Level Service Reservoir¹³⁴ (GLSR) at Purushottapuram under 13th Finance Commission (FC) grants of ₹94.41 lakh¹³⁵ to provide drinking water to the unserved areas. Municipality decided (October 2011) to carry out the work in a phased manner as per the grants received under 13th FC from 2011-12. Phase-I¹³⁶, phase-II¹³⁷ and phase-III¹³⁸ were awarded (August 2012/June 2013 /September 2015) to the lowest tenderer¹³⁹. The works were executed (July 2013/February 2016 /June 2016) to the extent of ₹62.51 lakh (₹21.74 lakh, ₹18.35 lakh and ₹22.42 lakh respectively).

In this connection, Audit observed that longitudinal leakages/bursts were reported in the pumping mains during the trial run (November 2016) due to substandard quality of pipes. This fact was also confirmed subsequently by the Central Institute of Plastic Engineering & Technology (CIPET), which reported (June 2019) that the pipes used in the said works were of poor quality. As the leakages were not rectified (November 2020), the water could not flow from Lallapeta off-take point to the GLSR at Purushottapuram. Thus, the

¹³² ₹6.29 crore x 1,547/365x 16.75 per cent (period from 4 January 2015 to 31 March 2019)

¹³³ ₹6.29 crore + ₹4.46 crore less ₹1.64 crore of Fixed Security Deposit available with GVMC

¹³⁴ constructed (2007) at a cost of ₹9.91 lakh under Andhra Pradesh Urban Reforms and Municipal Services Project grants

¹³⁵ ₹35.87 lakh + ₹23.35 lakh + ₹35.19 lakh

¹³⁶ providing 180mm dia HDPE pumping mains from Lallapeta offtake point to Indiramma Housing Colony road junction - Agreement Value : ₹22.70 lakh

¹³⁷ providing 180mm dia HDPE pumping mains from Indiramma Housing Colony to A.S Peta junction- Agreement Value : ₹18.80 lakh

¹³⁸ providing 180mm dia HDPE pumping mains from A.S Peta junction to Purushottapuram 500 KL GLSR- Agreement Value : ₹26.70 lakh

¹³⁹ M/s Varuna Polymers, Hyderabad, lowest tenderer for phase-I, II & III

expenditure of ₹62.51 lakh incurred towards laying of pumping mains had become unfruitful.

Further, the work of distribution pipelines for supply of water in unserved areas from the pumping mains completed (April 2016) at a cost of ₹45.32 lakh (out of ₹69.87 lakh¹⁴⁰ from 13th FC grants¹⁴¹) remained unfruitful due to faulty pumping mains. Thus, about 9,046 beneficiaries in three wards (1, 2&3) of Ichapuram Municipality, were deprived of the benefits of this water supply Scheme due to faulty pumping mains.

The Municipal Commissioner while accepting (October 2019) the fact that water was not supplied to the unserved areas due to leakages in the pumping mains, stated that legal action was being taken against the Contractor for non-response, as the works remained incomplete.

The matter was reported to the Government in May 2020; reply was awaited (November 2020).

2.11 Incomplete transfer of Profession Tax to Greater Visakhapatnam Municipal Corporation

GVMC could not receive an amount of ₹218.23 crore towards its share in Profession Tax collections in its jurisdiction as per the devolution provided in the AP Tax on Professions, Trades, Callings and Employments Act, 1987 and subsequent Government orders

As per provisions of AP Tax on Professions, Trades, Callings and Employments Act, 1987, Administration of Profession Tax (PT)¹⁴² was entrusted to the Commercial Tax Department (CTD) of Government of Andhra Pradesh. Deputy Commercial Tax Officer (DCTO) of respective jurisdictions were made as collecting agent (CA) to exercise the powers and perform the functions of an assessing authority and 95 *per cent* of the amount collected¹⁴³ towards PT is required to be transferred to the respective local bodies on quarterly basis after deducting five *per cent* towards administrative charges.

In August 2012, the Government designated the Commissioner of GVMC as CA for collection of PT in its jurisdiction from all categories of persons except transport companies, drivers of commercial transport vehicles, works contractors, retail liquor shops and distilleries/wineries. The PT, thus, collected shall be remitted in the designated Account Head in the Treasury. CA shall maintain complete and full accounts of the tax collected. GVMC had commenced collection of PT from April 2017 onwards.

In this connection, Audit observed the following;

¹⁴⁰ Ward No.1&2 Estimated Cost of ₹20.90 lakh, Ward No.3 Estimated Cost of ₹49.50 lakh

¹⁴¹ Ward No.1 & 2 for ₹14.70 lakh awarded in January 2016 and Ward No.3 for ₹36.20 lakh awarded in November 2016

¹⁴² PT is a tax on all kinds of professions, trades and employment and levied based on the income of such profession, trade, and employment

¹⁴³ GO Ms. No.544 Revenue (CT-II) Department dated 07.12.1999

- GVMC did not make necessary arrangements for collection of PT during the period 2013-17. During the period, CTD had collected the PT. Audit ascertained that CTD had collected PT of ₹163.99¹⁴⁴ crore during 2013-17. As per GVMC's records, only ₹21.00 crore was received as share of PT from CTD for the period 2013-15 (₹10.50 crore each year). Hence, balance of ₹134.79 crore¹⁴⁵ (95 per cent of collected PT) towards share of PT for the period 2013-17 was pending for transfer by CTD.

GVMC replied (June 2018) that the Commercial Tax Department was requested to transfer/apportion the PT collections made by them on behalf of GVMC from August 2012 to March 2017.

- Although GVMC had commenced collection of PT from April 2017 and collected ₹24.01 crore during 2017-18, the same was not remitted into the designated Account Head.
- CTD had also collected PT of ₹87.83 crore during 2017-18. However, the proportionate amount of ₹83.44 crore (95 per cent of collected PT) was not transferred by CTD to GVMC.

The Government should have ensured the operationalisation of its Order of August 2012, which specified that the collected amount of Profession Tax was transferred to GVMC on a monthly basis, so that its legitimate revenue are made available to GVMC.

The matter was reported to Commissioner (GVMC) and to the Government in July 2020; reply was awaited (November 2020).

Panchayat Raj and Rural Development Department

2.12 Non-compliance with rules for accounting of receipts

Non-compliance with prescribed procedures for accounting of moneys received and absence of related internal controls by a Gram Panchayat of Visakhapatnam District resulted in temporary misappropriation of ₹12.91 lakh

As per the provisions of Andhra Pradesh Panchayat Raj Act, 1994 (Act) read with Rules relating to Receipts and Expenditure of Gram Panchayats, all moneys (taxes and non-taxes) received on behalf of the Gram Panchayat (GP) should be brought first into account and paid or remitted into the Treasury on the same day. Non-compliance is considered as temporary misappropriation of GP funds and the concerned are liable for suitable action under the Act, as per the Commissioner's instructions¹⁴⁶.

Audit scrutiny (February 2019) of records of Sabbavaram GP revealed that out of ₹19.09 lakh collected towards various taxes and fee during the period from August 2017 to

¹⁴⁴ 2013-14 : ₹28.32 crore, 2014-15 : ₹30.86 crore, 2015-16 : ₹70.94 crore and 2016-17 : ₹33.87 crore

¹⁴⁵ ₹163.99*95 per cent minus ₹21.00 crore (received)

¹⁴⁶ Commissioner's Circular Memo No 1326/CPR-J5/2000 dated 14.02.2000

January 2019, only ₹6.18 lakh was remitted into the Treasury indicating short remittance of ₹12.91 lakh. On this being pointed out by Audit, Panchayat Secretary deposited (June/July 2019) ₹8.74 lakh¹⁴⁷ (out of ₹12.91 lakh) in the Treasury. Non-maintenance of accounts and prescribed registers (receipt book, cash book, collection register of taxes / chitta, etc.) could be attributed as a reason for such belated depositing of the receipts in the Treasury, which amounts to temporary misappropriation.

Further, rules prescribed a periodical reconciliation of GP accounts with Treasury by the Extension Officer (EO) to identify the reasons for differences, if any, for immediate rectification. Compliance to the above could prevent occurrence of short remittances/ temporary misappropriations. However, the above mentioned requirements were not complied with by the EO concerned.

Government should ensure that balance amount of ₹4.17 lakh is recovered as well as appropriate action taken on the employees who failed to comply with the rules under the Act.

The matter was reported (May 2020) to Government; reply was awaited (November 2020).

2.13 Unfruitful expenditure towards construction of summer storage tank

Summer Storage Tank constructed by Rural Water Supply & Sanitation Division could not be used due to seepage of water from the bed carpet resulting in unfruitful expenditure of ₹82.99 lakh

Government of Andhra Pradesh sanctioned¹⁴⁸ (June 2010) a comprehensive Potable Water Supply (PWS) Scheme¹⁴⁹ at an estimated cost of ₹nine crore in Guntur district comprising of nine schemes¹⁵⁰ to be executed by Rural Water Supply & Sanitation Division (RWS&S). PWS included the balance work relating to the construction of bed carpet¹⁵¹ in the Summer Storage (SS) Tank at an estimated cost of ₹51.62 lakh as part of the East Pinniboinavaripalem scheme¹⁵². The bund¹⁵³ of the said SS Tank was previously constructed (May 2008) at a cost of ₹29.93 lakh with funding from National Bank for Agriculture & Rural Development.

The PWS was completed (August 2012) at a cost of ₹6.86 crore and all the schemes were commissioned (March 2015) except East Pinniboinavaripalem SS Tank. The work of SS Tank (constructed at a cost of ₹82.99 lakh¹⁵⁴) could not be commissioned due to seepage

¹⁴⁷ ₹4.54 lakh on 07.06.2019 and ₹4.20 lakh on 03.07.2019

¹⁴⁸ G.O Rt. No.844 dated 10.06.2010 under National Rural Drinking Water Programme Quality grant

¹⁴⁹ to Bapatla, Karlapalem and Pittavanipalem mandals covering 67 habitations

¹⁵⁰ PWS work comprises of PV Palem Scheme, Bethapudi Scheme, MV Palem Scheme, Karlapalem Scheme, Dundivaripalem Scheme, East Pinniboinavaripalem Scheme, Sammetavaripalem Scheme, Yatrivaripalem Scheme and MV Rajupalem Scheme

¹⁵¹ sealing of sandy soil ponds basement with natural material like clay/ inorganic matter such as asphalt or gypsum/ geo-synthetic material like geo-textiles or geo-membranes

¹⁵² benefitting two habitations East Pinniboinavaripalem and Kappalavaripalem

¹⁵³ embankment or retaining wall around storage

¹⁵⁴ ₹29.93 lakh towards construction of bund and ₹53.06 lakh towards bed carpet

of water from the bed carpet. The approved thickness of the bed carpet as recommended¹⁵⁵ (June 2007) was 0.5 meters. However, the work was executed with the bed carpet thickness of only 0.45 meters, which led to seepage of water from the bed carpet. The rectification measure of adopting a thickness of 0.60 meters recommended (December 2014) by Bapatla Engineering College to arrest seepage, was also not carried out as of November 2019. As such, the SS Tank constructed at a total cost of ₹82.99 lakh could not be put to use (since February 2012) due to seepage of water. Further, about 1,416 beneficiaries (of two habitations) were deprived of the benefits of this water supply Scheme due to non-operationalisation of SS Tank.

The Executive Engineer, RWS&S Division, Tenali while confirming (November 2019) the reasons for seepage, stated that the proposals for improvement to SS Tank were submitted (September 2017) to Chief Engineer (RWS&S) for ₹1.40 crore and sanction was awaited.

Thus, insufficient thickness of bed carpet led to seepage of water resulting in unfruitful expenditure of ₹82.99 lakh on the SS Tank.

The matter was reported to Government in May 2020; reply has not been received (November 2020).

¹⁵⁵ by R.V.R & J.C College of Engineering, Guntur