

CHAPTER III

COMPLIANCE AUDIT

3.1 Fraud and detection of fraud

SCHOOL EDUCATION DEPARTMENT

3.1.1 Fraudulent medical reimbursement claims

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

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

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

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

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

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

¹ in Central Audit

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

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

⁴ AP Integrated Medical Attendance Rules, 1972

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

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

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

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

SCHOOL EDUCATION, TRIBAL WELFARE AND FINANCE DEPARTMENTS

3.1.2 Fraudulent leave travel concession (LTC) claims

Audit detected payment of fraudulent LTC claims amounting to ₹ 84.91 lakh in 994 cases of School Education and Tribal Welfare Departments in Adilabad District.

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

The types of frauds involved in these claims are:

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

Audit observed the following:

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

⁵in Central Audit

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

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

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

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

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

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

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

⁶during the field visit

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

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

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

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

3.2 Audit against propriety and cases of expenditure without adequate justification

BACKWARD CLASSES WELFARE DEPARTMENT

3.2.1 Backward Classes Welfare Hostels

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

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

Construction of Hostel buildings

Hostel buildings under the Centrally Sponsored Scheme (CSS)

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

⁹ Anantapur, Adilabad, Medak, Nizamabad and Prakasam

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

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

Non-identification of sites

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

Delay in according administrative sanctions

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

Release of funds

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

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

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

¹³2003-04: ₹ 2.20 crore; 2004-05: ₹ 3.30 crore; 2005-06: ₹ 1.65 crore

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

Submission of incorrect Utilisation Certificates to GOI

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

Absence of centralised database

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

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

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

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

¹⁴ [Adilabad](#): 2; [Anantapur](#): 5; [Medak](#): 4; [Nizamabad](#): 2 and [Prakasam](#): 3

¹⁵ 2003-04: 20; 2004-05: 25; 2005-06: 37; and 2007-08: 12

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

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

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

Table-1

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

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

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

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

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

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

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

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

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

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

Maintenance of hostel buildings

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

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

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

Provision of amenities in Hostels

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

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

²⁰ a Telugu word which means 'Path to Welfare'

²¹ ₹ 11.29 crore released during February - March 2010

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

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

3.3 Persistent and pervasive irregularities

ANIMAL HUSBANDRY DEPARTMENT

3.3.1 Induction of high yield milch animals

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

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

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

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

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

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

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

Publicity and selection of beneficiaries

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

Supply of quality animals

The following deficiencies were noticed:

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

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

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

²⁶ Post graduates in veterinary science

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

Regulation of payments

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

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

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

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

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

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

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

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

³¹ [Adilabad](#), [Karimnagar](#), [Medak](#), [Nalgonda](#), [Srikakulam](#) and [Vizianagaram](#)

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

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

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

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

Unique identity of animals

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

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

Supply of second animal to beneficiaries

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

Poor monitoring by the department

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

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

PLANNING DEPARTMENT

3.3.2 Member of Parliament Local Area Development Scheme

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

Introduction

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

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

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

Audit findings

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

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

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

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

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

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

Shortfall in completion of works was 20 per cent (estimated cost: ₹ 47.94crore)

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

There was inordinate delay in sanction of works ranging upto as high as 36 months against the stipulated period of 45 days

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

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

Inadmissible works numbering 38 (estimated cost: ₹ 42.04 lakh) were sanctioned

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

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

³⁸ Inclusive of interest of ₹ 1.90 lakh

Maintenance of physical registers of assets/works or electronic database was not ensured in complete shape by the district authorities

<p>Parking of MPLADS funds in private banks</p>	<p>As per the guidelines, MPLADS funds received by the district authority (from GOI) and the Implementing Agencies (from the district authority) shall be kept only in a nationalised bank. Contrary to this, in Anantapur District, one implementing agency kept the amount in private bank and an amount of ₹ 0.64 crore was lying in the accounts (September 2010).</p> <p>The PD, DWMA, Anantapur replied (October 2010) that the implementing agency would be asked to withdraw funds from private bank and keep the amounts in the nationalised banks.</p>
<p>Non/improper maintenance of records/registers and non-transfer of assets to user agencies</p>	<p>As per the guidelines, the district authority and the implementing agency shall maintain the various registers/forms (Works Register, Assets Register, etc.) in the prescribed format. On completion of the work, the details of assets created and their transfer to the user agencies are to be invariably recorded in the Assets Register. Audit observed the following:</p> <ul style="list-style-type: none"> • In all the test checked districts (except Anantapur District), a general register/list containing the details of recommendations received from MPs was only maintained by the district authorities. The register maintained contains neither notings of the details of release of second/subsequent instalments nor the details of UCs, progress reports and completion reports received. This is primarily due to lacuna in the format of the register which has no columns for such recordings. The district authorities of SPS Nellore and Srikakulam admitted (October 2009) the lapse. • The CPOs/PDs in all the districts except Hyderabad and SPS Nellore, did not maintain any asset register. As formal handing over of assets to the user agencies was not on record, there was no assurance that the assets were transferred to the user agencies. During the period from 2004-05 to 2008-09, 7040 works were completed at a cost of ₹ 87.74 crore in the four districts. The district authorities of Anantapur and Srikakulam admitted (August/ September 2009) the lapse. <p>In Hyderabad District, 582 works (estimated cost: ₹ 21 crore) were completed during 2004-09. The CPO, Hyderabad stated that the data was computerised instead of physical maintenance of various registers. Audit however, observed that the data regarding handing over of</p>

	<p>asset, date of physical verification of site/asset, balance funds refunded by the implementing agencies, date of submission of UCs, etc. were not captured in the existing database. Thus, the data as maintained does not facilitate query for extracting relevant reports/information and hence the incomplete database is not a suitable alternative to physical maintenance of works/asset registers.</p> <p>In the absence of well established record management system, effective monitoring of implementation of the scheme was not ensured. Verification of assets created was thus not possible leading to a potential risk of overlapping of works sanctioned/ executed with other schemes.</p>																																															
<p>Information to GOI through MPRs was communicated without confirmation from IAs which resulted in projection of incorrect information on completed works</p>	<p>Monthly Progress Reports</p> <p>As per the guidelines, the district authorities should report to GOI details of works recommended, sanctioned, completed and not completed; expenditure incurred; balance available; through Monthly Progress Reports (MPRs) after confirmation with the implementing agencies. The following were noticed:</p> <ul style="list-style-type: none"> The MPRs sent by district authorities to GOI were flawed as they were prepared without confirmation from the implementing agencies as detailed in Table-2. <p>Table-2</p> <table border="1"> <thead> <tr> <th rowspan="2">Name of the district</th> <th colspan="2">Works completed</th> <th colspan="2">Works incomplete</th> </tr> <tr> <th>as per records</th> <th>as shown in MPR</th> <th>as per records</th> <th>as shown in MPR</th> </tr> </thead> <tbody> <tr> <td>Hyderabad</td> <td>582</td> <td>1202</td> <td>1016</td> <td>185</td> </tr> <tr> <td>YSR</td> <td>2561</td> <td>2708</td> <td>663</td> <td>438</td> </tr> <tr> <td>Kurnool</td> <td>913</td> <td>883</td> <td>272</td> <td>142</td> </tr> <tr> <td>SPS Nellore</td> <td>580</td> <td>577</td> <td>40</td> <td>43</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Similarly, expenditure on the works completed during 2004-09 was wrongly projected by the district authorities as detailed in Table-3. <p>Table-3 (Rupees in crore)</p> <table border="1"> <thead> <tr> <th>Name of the district</th> <th>as per records</th> <th>as shown in MPR</th> </tr> </thead> <tbody> <tr> <td>Anantapur</td> <td>21.72</td> <td>28.74</td> </tr> <tr> <td>Hyderabad</td> <td>20.33</td> <td>31.84</td> </tr> <tr> <td>YSR</td> <td>23.61</td> <td>29.23</td> </tr> <tr> <td>SPS Nellore</td> <td>9.48</td> <td>10.42</td> </tr> <tr> <td>Srikakulam</td> <td>19.13</td> <td>19.93</td> </tr> </tbody> </table>	Name of the district	Works completed		Works incomplete		as per records	as shown in MPR	as per records	as shown in MPR	Hyderabad	582	1202	1016	185	YSR	2561	2708	663	438	Kurnool	913	883	272	142	SPS Nellore	580	577	40	43	Name of the district	as per records	as shown in MPR	Anantapur	21.72	28.74	Hyderabad	20.33	31.84	YSR	23.61	29.23	SPS Nellore	9.48	10.42	Srikakulam	19.13	19.93
Name of the district	Works completed		Works incomplete																																													
	as per records	as shown in MPR	as per records	as shown in MPR																																												
Hyderabad	582	1202	1016	185																																												
YSR	2561	2708	663	438																																												
Kurnool	913	883	272	142																																												
SPS Nellore	580	577	40	43																																												
Name of the district	as per records	as shown in MPR																																														
Anantapur	21.72	28.74																																														
Hyderabad	20.33	31.84																																														
YSR	23.61	29.23																																														
SPS Nellore	9.48	10.42																																														
Srikakulam	19.13	19.93																																														

		<p>The CPO, Hyderabad while accepting the audit observation stated (October 2009) that response from the implementing agencies (IAs) was very poor with regard to the progress of the works executed by them. The contention of the CPO regarding the poor response from the IAs is not acceptable as the responsibility of ensuring correctness and completeness of the information obtained from the IAs before furnishing the MPRs to GOI under the scheme guidelines rests with the CPO himself. Failure of the CPO in this regard ultimately affected the information furnished in MPRs to GOI.</p>
<p>The scheme information was not uploaded in respect of three out of six districts resulting in non-availability of information to public</p>	<p>Scheme information to public</p>	<p>As per the scheme guidelines, the district authorities have to display the information containing list of works recommended/sanctioned, their status of execution, transfer of created assets to user agencies, etc. at the district authority office and post these details in the website for information to the general public. The requisite scheme information was not promptly displayed to the public in the test checked districts (except Anantapur District). It was also observed that the scheme information in respect of Hyderabad, Kurnool and Srikakulam Districts was not posted/uploaded in the scheme website.</p> <p>The CPO, YSR stated (October 2010) that Works Registers were being maintained in their office for verification by the public. The reply is not acceptable as the guidelines stipulate display of MPLADS information in the office premises.</p> <p>As regards Hyderabad District, the CPO stated (October 2010) that uploading of information in the website is under progress.</p>
<p>Internal audit of the scheme funds was not conducted</p>	<p>Other points of interest</p>	<p>(i) Though prescribed in the guidelines, monthly reconciliation of bank accounts of the scheme funds with cash books was not done/not properly done in Srikakulam out of six districts. Thus, correctness of the balances reported by the banks was not ensured.</p> <p>(ii) The accounts of the scheme were not got audited by the Chartered Accountants as stipulated in the guidelines from 2004-05 in YSR District and from 2007-08 in Srikakulam District.</p> <p>(iii) Internal audit of the accounts of scheme funds was not conducted in all the test checked districts.</p>

Monitoring was inadequate both at the district level and the State level

<p>Inadequate Monitoring</p>	<p>Guidelines stipulate that the district authority shall visit and inspect at least 10 <i>per cent</i> of works under implementation every year. The district authorities (except Anantapur and Kurnool District) had not conducted the physical verification/inspection of the works. Thus, monitoring by CPOs/PDs was poor in these districts and consequently there is no assurance that the works are properly executed. The State level authority (not below the rank of Deputy Secretary/Executive Engineer) is also required to conduct inspection of the works as a part of monitoring of the scheme, as and when they make official field visits. It was however, observed that these requirements were not complied with by the State level authority. The department replied (November 2010) that the Deputy Secretary/Director, MPLADS has been authorised to make field visits.</p> <p>As per the guidelines, the district authorities are required to conduct periodical reviews (MPs concerned shall also be invited) with the implementing agencies to monitor the execution of the works. In Kurnool and Srikakulam Districts, no such review meetings were conducted. At the State level also, the State Level Monitoring Committee (constituted under the Chairmanship of Chief Secretary for reviewing the scheme implementation and progress with the district authorities and MPs) though required to meet at least once in a year had not conducted any review meetings since its formation in 2008.</p>
-------------------------------------	--

Conclusions

About 20 *per cent* of works taken up during the five year period 2004-09 remained incomplete as of September 2010. There was inordinate delay in sanction of works ranging upto 36 months after recommendations by MPs concerned. The database relating to the works maintained by the district authorities was incomplete. Audit noticed sanction of inadmissible works, discrepancies in the Monthly Progress Reports (MPRs) furnished to GOI regarding the status of works, non-conduct of physical verification of the works by the district authorities as well as the State authorities, non-maintenance of Assets Register and Works Register in complete shape by any of the district authorities. Monitoring of the execution of works was inadequate. Internal audit of the scheme funds was not conducted. Thus, there was no assurance that rules and procedures were complied with by the implementing agencies under the scheme.

The above observations were reported to Government in February 2010 (reminded in April 2010); reply had not been received (November 2010).

SCHOOL EDUCATION DEPARTMENT

3.3.3 Basic infrastructure in Schools

Audit scrutiny of functioning of selected schools revealed shortages in provision of classrooms, library rooms, laboratories; lack of basic infrastructure facilities/amenities like benches, black boards, toilets, drinking water, etc. and non-functioning of audio visual equipment in majority of the schools.

Audit carried out an assessment of the availability and sufficiency of infrastructure facilities and basic amenities like class rooms, laboratory, library, drinking water, toilets, etc. in schools. For this purpose, Audit visited 222 (out of 4,394) schools in nine districts³⁹ (list given in [Appendix-3.5](#)) during the audit of District Education Officers (DEOs) in the year 2009-10.

To ensure improvement in quality of education, adequate classrooms, library rooms, laboratories, basic infrastructure like benches, black boards, etc. are vital requirements, besides provision of basic amenities in the schools. Audit scrutiny revealed the following:

School buildings

In 89⁴⁰ out of the 222 schools audited, the existing buildings were in dilapidated condition requiring urgent repairs. Further, as against the requirement of 3,754 class rooms, only 2,422 (65 per cent) class rooms were available, denoting a deficit of 1,332 (35 per cent) class rooms. The shortage of class rooms ranged from 20 per cent (Nalgonda) to as high as 51 per cent (SPS Nellore). There is no centralised database of repairs required



Dilapidated school building of GHS, Yeleswaram (East Godavari District)

to be carried out and the cost involved. This would have facilitated obtaining of funds from the State Legislature through budget.

Library and Laboratory Equipment

In 165 out of 222 schools test checked, Library and Laboratory equipment was not provided. Besides, there were no library rooms in 161 (73 per cent) schools and laboratories in 145 (65 per cent) schools. The teaching and learning material was not available in 94 (42 per cent) schools.

³⁹ Five per cent of the schools (Secondary level) in each district were selected randomly. These are in Anantapur (25), Chittoor (26), East Godavari (27), Kurnool (25), Nalgonda (25), Ranga Reddy (25), SPS Nellore (25), Srikakulam (18) and Vishakhapatnam (26)

⁴⁰ Anantapur (10), Chittoor (4), East Godavari (8), Kurnool (13), Nalgonda (8), Ranga Reddy (11), SPS Nellore (15), Srikakulam (10) and Vishakhapatnam (10)

In this context, Audit evaluated the allocations vis-à-vis the utilisation of funds released to DEOs in five districts for providing Library and laboratory equipment. Scrutiny revealed that out of ₹ 1.90 crore released to the DEOs in the five⁴¹ districts during 2006-07 to 2008-09 for purchase of library and laboratory equipment, only 17 *per cent* of the funds (₹ 32.12 lakh) were spent and ₹ 67.59 lakh was allowed to lapse.

Article 39 of the AP Financial Code expressly forbids retention of Government money outside Government account after the close of the financial year. Contrary to the codal provisions, the DEOs in the four districts had parked the balance ₹ 60.70 lakh⁴² in bank accounts. In **Ranga Reddy** District, an amount of ₹ 30.06 lakh was remitted to Government account (November 2007). Thus, the DEOs failed to fully utilise the funds released to them for procurement of library books and laboratory equipment despite the requirement for the same. Non-utilisation of as much as 83 *per cent* funds led to the objective of improving the basic skills to students through practical knowledge remaining unachieved.

Infrastructure facilities

Audit made an assessment of basic facilities in the schools, such as availability of benches, black boards, chairs, purified drinking water, toilet facilities, play ground, compound wall, etc. Scrutiny revealed that the schools lacked even basic infrastructure facilities as discussed below. The district-wise details of the shortages are given in [Appendix-3.6](#).

Audit observed the following:

- Against the requirement of 33,629 benches, 5,076 chairs and 2,584 black boards in the 222 schools, only 15,341 benches, 2,675 chairs and 1,806 black boards were available; the shortfall being 54 *per cent*, 47 *per cent* and 30 *per cent* respectively.
- The PAC⁴³ (1996-97 and 2000-01) recommended (April 1998 and March 2002) that, to encourage enrolment and retention of children for school education, provision for construction of separate toilets for both boys and girls should invariably be made in the outlay for construction of school building to be taken up in future. It further recommended that toilet facilities be provided in the existing schools wherever not available in a phased manner. Audit however, observed that toilet facility was not available in 117 out of the 222 schools; drinking water was also not available in 55 schools.

⁴¹ East Godavari, Kurnool, Nalgonda, Ranga Reddy and Visakhapatnam

⁴² ₹ 190.47 Lakh (Released) - ₹ 67.59 Lakh (Lapsed) - ₹ 32.12 lakh (spent) - ₹ 30.06 Lakh (Remitted) - ₹ 60.70 Lakh (Balance) - **East Godavari** - ₹ 10.40 lakh; **Kurnool** - ₹ 18.60 lakh; **Nalgonda** - ₹ 15.85 lakh and **Visakhapatnam** - ₹ 15.85 lakh

⁴³ Thirteenth Report of X Legislative Assembly presented to State Legislature on 27 April 1998 and Tenth Report of XI Legislative Assembly presented to State Legislature on 22 March 2002



Classes conducted under trees due to lack of accommodation in ZPHS, Rameswaram (East Godavari District)

- Power connection was not available in 34 schools as a result of which imparting of Audio Visual Education, etc. was not possible.
- As many as 105 schools did not have compound walls. This led to instances of thefts resulting in loss of equipment supplied to the schools.
- Play ground was not available in 80 schools as a result of which the students were deprived of the sports and recreational facilities.

Audio visual equipment

Audio visual equipments are effective teaching aids to help students comprehend things easily and also to help them learn quickly.

Out of the 222 schools, television sets were supplied only to 172 schools. It was observed that, of these, televisions (TV) were functioning only in 77 schools (45 per cent). In the remaining 95 schools, the TVs were not put to use due to lack of antennae, power connection, dish connection, etc. Even in respect of 27 schools in six districts (list given in [Appendix-3.7](#)) where audio visual equipment was supplied, antenna was not supplied as a result of which the television set could not be used. Thus, the benefit of using effective teaching aids like audio visual equipment was not availed in 65 per cent (145 out of 222 schools) of the schools covered by Audit. Thus, mere purchase of TVs without ensuring in advance the necessary infrastructure to utilise them led to non-availment of the benefits of television in these schools.

Staffing

In the 222 schools test checked, there was a shortage of 1,122 (25 per cent) teachers⁴⁴ and 483 (49 per cent) non-teaching staff against a requirement of 4,497 and 994 respectively. Dearth of non-teaching staff adds to the burden of already insufficient teaching staff, which can have adverse implications on the quality of education being imparted.

⁴⁴ Anantapur: 140; Chittoor: 287; East Godavari: 63; Kurnool: 159; Nalgonda: 100; Ranga Reddy: 65; SPS Nellore: 104; Srikakulam: 72; and Visakhapatnam: 132

Inspection and Supervision

The DEOs being an important link between the schools on one hand and the Government on the other are required to conduct inspection of schools every year for ensuring the implementation of various educational policies and programmes of the Government for ensuring quality education to students. Audit observed that there was huge shortfall in the number of inspections conducted by the DEOs/Deputy DEOs which ranged from 72 to 93 *per cent* during the three year period from 2007-08 to 2009-10 (upto September 2009).

Conclusions

Though Government in School Education Department has been implementing various schemes, the provision of basic infrastructure facilities like classrooms, benches, blackboards and basic amenities like drinking water, toilets, etc. had not been to the desired level mainly as DEOs failed to fully utilise the funds released to them. There is no centralised database of repairs required to be carried out in schools and the cost involved. Shortage of teachers (25 *per cent*) and non-teaching staff (49 *per cent*) coupled with huge shortfall (72 to 93 *per cent*) in the number of inspections of schools by DEOs/Deputy DEOs can have adverse implications on the quality of education being imparted.

The matter was reported to Government in April 2010 (also reminded in May 2010); reply had not been received (November 2010).

3.4 Failure of oversight/governance

AGRICULTURE AND COOPERATION DEPARTMENT

3.4.1 Non-commissioning of Bio-agent laboratories

Five Bio-agent laboratories had not come up in the State even after lapse of over five years of the release of amount (₹ 2.50 crore) by GOI due to failure to synchronise both the activities of construction of buildings and supply of equipment.

Under the Centrally sponsored⁴⁵ scheme of “Intensive Cotton Development Programme Mini Mission-II of Technology Mission on Cotton”, the State Government accorded administrative sanction (December 2004) for setting up of five new Bio-agent laboratories at Guntur, Khammam, Medak, Nizamabad and YSR predominantly in cotton growing areas in the State. Bio-agents are important part of Integrated Pest Management (IPM) technology. The laboratories are meant for production of different kinds of bio-agents which are primarily used for improving soil microbial activity for restoring/improving the natural supply of elements in cotton crop. Thus, these laboratories have strategic importance. The Commissioner of Agriculture entrusted

⁴⁵Government of India sanctioned and released funds in August 2004

(December 2004) the construction activities to HABTECH⁴⁶ and supply of laboratory equipment⁴⁷ to AP State Agro Industries Development Corporation Limited (AP AGROS). Of ₹ 2.50 crore drawn by the Commissioner (March 2005) and deposited in the PD account of APSSDC Limited⁴⁸, he released (May – December 2006) ₹ 1.40 crore to the Director, HABTECH for construction of laboratory buildings and for providing additional infrastructure such as bore wells, electrification, etc.

Scrutiny (May and October 2009) of records of the Commissioner, revealed that none of the laboratories had come up in the State as of May 2010. Although buildings were completed for three laboratories in [Khammam](#) (June 2007/cost: ₹ 29.75 lakh), [Medak](#) (October 2007/cost: ₹ 29.60 lakh) and [Nizamabad](#) (September 2007/cost: ₹ 27.95 lakh), the required equipment had not been supplied to these laboratories. It was observed that no amount was released to AP AGROS for supply of equipment to the laboratories and the amount was still lying in the PD account of APSSDC. In fact, the supplying agency i.e. AP AGROS had not even finalised the tenders as of May 2010 in respect of the entrusted order. In the case of the remaining two laboratories i.e. in [Guntur](#) and [YSR](#) Districts, even the buildings had not been completed (expenditure incurred so far: ₹ 53.43 lakh) as of May 2010 even though they were to be completed by October 2005. Thus, despite availability of full Central assistance in August 2004 itself, failure to synchronise both the activities of construction of laboratory buildings and that of supply of equipment has led to the facility of the Bio-agent laboratories not being set up even after a lapse of over five years.

Government while accepting the audit observations attributed (May 2010) the delay in construction of laboratory buildings to the frequent reshuffling of staff in HABTECH, pre-occupation of AP AGROS with other activities, besides selection of unsuitable sites, defective construction, etc. Government also informed that the existing laboratories in other districts were supplying the required quantities to fulfill the demand of the farmers of the said districts. The reply does not explain as to why the bio-agent labs in the five districts referred to in the paragraph were taken up in the first instance if there was no requirement. In fact, while stressing the need to augment the existing facilities, the Commissioner had cited (May 2008) ‘growing demand for bio-agent pesticides to prevent indiscriminate usage of pesticides’ as one of the reasons.

⁴⁶ A State Housing Corporation Limited – Government of India Undertaking

⁴⁷ consisting of 26 items and vehicle

⁴⁸ AP State Seeds Development Corporation

GENERAL ADMINISTRATION DEPARTMENT

3.4.2 Non-fulfillment of vision of Anti Corruption Bureau

Effective functioning of ACB has the potential to yield substantial benefits. The constraints faced by the ACB at various stages of its operations have seriously impaired the achievement of objective of promoting honest and transparent functioning of public servants.

The Anti Corruption Bureau (ACB) established in 1961 is headed by a Director General, who is assisted by a Director and two Additional Directors along with other technical and ministerial staff at Headquarters level. Its field units are located Zone-wise/Range-wise. Each Zone is headed by an officer of the level of Joint Director and Range functions under the supervision of Deputy Superintendent of Police. Its administrative control rests with the Chief Secretary to the Government. The annual budget of ACB Department is around ₹ 19 crore (2009-10).

The main objective of creation of ACB is, to check corruption in the services. Its vision is to promote honest and transparent conduct on the part of Government and public servants through effective enforcement of Anti Corruption Laws in order to make legitimate services available to the citizens.

The operational activities of ACB can be broadly divided into three stages (i) Collection of information (ii) Sanction for prosecution and (iii) Prosecution/departmental enquiry. Audit scrutiny of the records of the Director General, ACB revealed the following:

Collection of information

ACB is delegated with powers to collect information against all the State Government officers and staff. There are more than 13 lakh employees under the jurisdiction of ACB, including employees working in Municipalities, Zilla Parishads and Institutions managed by such bodies, State Corporations, State Public Undertakings, and Autonomous Bodies receiving financial assistance from the State Government. The ACB undertakes Trap cases, Disproportionate Asset cases, Criminal Misconduct cases, Regular Enquiries, Discreet enquiries, Surprise Checks, etc. In respect of All India Service Officers, however, the ACB is to seek prior permission of Government.

According sanction for prosecution

After completion of investigation by the ACB, prior sanction of Administrative Authority is required for launching prosecution against the delinquent officials. It was observed that there were no delays in the process of investigation and transmission for submission to enquiry agencies concerned by the ACB. It was however, observed that, as of July 2010, in as many as 342 cases (pertaining to 26 departments), Government's permission for launching the prosecution against the delinquent officials was pending. The category wise status is shown in Table-4.

Table-4

Cadre of the Official	No. of persons against whom permission was sought from the Government for prosecution	No. of persons against whom permission was granted by the Government for prosecution	Percentage
Gazetted Officers	1059	712	67
Non Gazetted Officers	1175	902	77

The number of Gazetted Officers (GOs including All India Service Officers), NGOs and other staff involved in the 342 pending cases was 754. Of the 342 pending cases (details are given in [Appendix-3.8](#)), eight Reports were more than 10 years old and 30 were more than five years old. The details of five departments which topped the list (with regard to huge pendency) from whom permission for prosecution was pending in the respective Government departments are given in Table-5.

Table-5

Name of the Department	Total number of cases	More than 10 years old	More than 5 years old	Less than 5 years old	Year to which the oldest case pertains
Revenue	90	02	03	85	1997
Municipal Administration & Urban Development	32	Nil	07	25	2001
Home	31	Nil	Nil	31	2005
Panchayat Raj & Rural Development	24	01	01	22	1997
Health, Medical & Family Welfare	23	02	03	18	1997

Prosecution/Departmental Enquiry

As per the existing orders in force, the ACB, after receipt of permission from the Government departments concerned, files charge sheet in the concerned Special Court as ordered by the Government. The period prescribed for completion of departmental proceedings is six months. Failure to do so attracts departmental action against Enquiry Officers. Scrutiny however, revealed that, as of 31 December 2009, as many as 3,053 cases were pending in different Enquiry Agencies as given in Table-6. Of these, 1,691 cases were pending at Departmental Enquiry Agency level itself. Again, of these, 559 cases were over ten years old. Despite the enormous delays, there was no record in the ACB with regard to Government having taken any action against the Enquiry Officers.

Table-6

Name of the Enquiry Agency	Number of cases pertaining to			Total	Oldest case pertains to the year
	1999 and earlier years	2000 to 2004 (More than 5 years old)	2005 to 2009 (Less than 5 years old)		
Departmental Enquiry	559	479	653	1691	1983
Tribunal for Disciplinary Proceedings	02	25	101	128	1999
Commissioner for Enquiries	61	102	50	213	1986
ACB Special Courts	10	146	865	1021	1994
Total	632	752	1669	3053	

Audit analysed/assessed the reasons for such huge pendency both at Government level (grant of sanction for prosecution) and with Enquiry Agencies. The following were observed:

- In 2001, an Eight Member High Level Committee (including Convenor) was constituted by the Government under the chairmanship of Chief Secretary to Government to monitor *inter alia* the progress of the action taken by the different Enquiry Agencies on tackling of ACB cases. The Committee was reconstituted⁴⁹ in 2005 by including three more additional members to form the Eleven Member High Level Committee. Though the Committee is required to meet once in a month, the Committee met only once (2006) during the five year period 2005-09. Government in its reply (May 2010) mentioned about the review meetings held by former Chief Minister on 15 June 2009 and 4 July 2009. It also mentioned about the meeting on 24 July 2009 of the Chief Secretary with the Principal Secretaries/Secretaries of the departments. This reply only confirms that the meeting of the designated High Level Committee which was specifically constituted did not meet after 23 December 2006. Thus, effective monitoring of the status of Investigation Reports of ACB, at the Government level was almost absent.
- Of the six posts of Technical Team (consisting of technical members, in different fields such as Revenue, Engineering, Forest, Commercial Taxes and Accounts, etc.), sanctioned to ACB, to advise the ACB during the investigation process and at enquiry stage, four vacancies still existed. Of these, three posts (i.e. Revenue, Forest and Commercial Taxes) remained vacant from 2004-05 onwards. Government while confirming (May 2010) this position stated that the proposal for filling up of the posts of Deputy Director (Revenue and Engineering) are under examination.
- In January 2008, the State Government sanctioned a Special Court (II Additional Special Court for SPE & ACB cases) at Hyderabad to deal with the ACB cases pertaining to six Telangana districts. But the Special Judge has not been posted (December 2009) to the court even two years after the date of sanction, with adverse implications on the finalisation of

⁴⁹ Vide G.O. Rt. No. 369 General Administration (SPL.C) Department, dated 22 January 2005

the cases pertaining to the region. Government while accepting the audit observation stated (May 2010) that the matter had been taken up with the Registrar, High Court.

- In November 2008, the ACB requested the Government, to sanction a Special Court to be set up in Rajahmundry to tackle the cases of the East and West Godavari Districts. But, the Special Court has not been set up so far. Government while accepting the audit point stated that the matter was under examination with the Home (Courts) and Finance Departments.
- In January 2009, the ACB felt the need for constitution of Additional Bench exclusively for disposal of pending large number of criminal appeals in ACB cases. But, this did not materialise. Government stated (May 2010) that orders were awaited from the High Court.
- For the “Tribunal of Disciplinary Proceedings” the posts of Chairman, 2nd Member and 3rd Member of the tribunal remained vacant from September 2008 to 31 January 2010, September 2009 and November 2007 till date respectively. Due to non-posting of Chairman till February 2010 and the Members from September 2009/November 2007 on regular basis to the Tribunal, as many as 128 cases (oldest pertained to the year 1999) involving 200 persons were pending before the Tribunal.

Effective functioning of ACB has the potential to yield benefits to Government several times the budget (₹ 19.27 crore) of ACB. The constraints faced by the ACB at various stages of its operations have seriously impaired the achievement of objective of promoting honest and transparent functioning of public servants. This has adverse implications of diluting the deterrent effect on erring officials and in turn diluting the effectiveness of the functioning of ACB.

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

3.4.3 Dr. K.L. Rao Sagar (Pulichintala) Project

Absence of vital cost controls in execution of project works resulted in Government not getting the benefit of post tender reduction in quantities and undue benefit of ₹ 56.52 crore accruing to the contractor.

Dr. K.L. Rao Sagar (Pulichintala) project contemplates constructing a balancing reservoir with a storage capacity of 45.77 TMC⁵⁰ of water across river Krishna near Pulichintala (V) in Guntur district for tapping the flows from the catchment area downstream of Nagarjuna Sagar Project (NSP) to reduce dependency on the NSP and to facilitate timely transplantation of crops in the existing ayacut⁵¹ of 13.08 lakh acres of Krishna delta.

⁵⁰ Thousand million cubic feet

⁵¹ Area under irrigation

Audit examination (November 2009 and January 2010) of the records relating to the execution of the project revealed the following:

Execution of Civil Works

The scope of work to be executed consists of the following major items:

- (i) Construction of Spillway Dam including fabrication and erection of radial gates.
- (ii) Construction of Non-Over Flow (NOF) Dam on the left side and right side of the spillway.

The civil works were entrusted (September 2004) to a contractor after call of tenders (January 2004), for an agreement value of ₹ 268.87 crore with a stipulation to complete the work within 30 months. The work was in progress and an amount of ₹ 166.34 crore was paid to the contractor (January 2010).

Award of work without firming up of designs: The agreement was concluded without firming up the designs, which led to prolonged litigation over the number of vents to be constructed in the spillway. This hampered the progress of work and the department paid (January 2008) ₹ 1.76 crore towards contractor’s claims relating to idle machinery and manpower.

Undue benefit to contractor: Audit observed that no safeguards were incorporated in the agreement to ensure that the benefit of post tender reduction in quantities accrues to the Government and not to the contractors. There were substantial post tender reductions in the quantum of work as shown in Table-7 below:

Table-7

Item of work	Dimensions as per NIT	Actual work being executed
Construction of spillway ⁵²	Of a length of 754.9 meters with 33 vents	560.25 meters length with 24 vents
Erection of gates	33 gates	24 gates
Stilling basin ⁵³	754.9 meters width	560.25 meters width
Non-overflow dam ⁵⁴	Of 534.1 meters length with cement concrete	355 meters length earth dam and the remaining with concrete

However, due to absence of safeguards, the payments to contractors were not correspondingly reduced. Consequently, the benefit of the above post tender reductions valuing ₹ 56.52 crore⁵⁵ did not accrue to Government resulting in undue benefit to the contractor to that extent.

⁵² A spillway is a structure in a dam used for controlled release of flows to the downstream area, by operation of gates of the spillway

⁵³ A basin constructed on the downstream side of a spillway to dissipate energy of its rapid outflows

⁵⁴ Non-overflow dam is the portion of the dam over which water is not allowed to flow but retained

⁵⁵ Computed based on the departmental estimates and applying contractor’s tender percentage

The Government in its reply (May 2010), agreed that there was reduction of cost to the tune of ₹ 14.50 crore in NOF dam alone due to conversion of concrete dam into earth dam. It was also stated that the length of NOF dam increased due to reduction in the length/number of vents of spillway. This reply overlooks the fact that the monetary value of increase in NOF dam was significantly less than the undue benefits which accrued to the contractor due to reduction of quantities in the spillway, gates, stilling basin and NOF dam. The total amount of undue benefits was worked out by audit only after taking into account all these aspects.

The Government further replied that quantities were not relevant in Engineering, Procurement and Construction (EPC) contracts and that the contract system followed does not envisage reduction in payments for reduction in quantities. The reply is not acceptable. Irrigation projects are capital intensive in nature requiring huge sums of money. The cost of execution is directly linked to the quantities executed.

As the initial estimate is prepared without the benefit of a detailed survey and investigation, the quantities finally executed could be far less than that estimated. Had the necessary safeguards been incorporated, the benefit of these post tender reductions in quantities would have accrued to Government and not to the contractor.

While no reduction was carried out in the amounts payable to the contractor for the post tender reduction in the quantum of work in the above items, on the other hand the contractor was being paid extra amount of ₹ 46.08 crore for the other post tender changes.

Table-8

Item of work	Amount (Rupees in crore)
Increase in the length of the Stilling Basin from 50 meters to 67 meters	10.73*
Raising the trunnion level of the spillway gates	12.91
Widening the carriageway on the dam from single lane to double lane	22.44
Total	46.08

* The additional amount of ₹ 10.73 crore was being paid for the stated increase in the length of the stilling basin from 50 meters to 67 meters. Audit however observed that the department did not indicate the length of 50 meters in the NIT. The contractor also did not indicate in his bid the length of stilling basin as 50 meters

Thus, due to lack of necessary safeguarding clauses in the agreement, the benefit of reduction in the quantities did not accrue to the Government.

Sequencing of various activities of the project

The project consists of the following activities:

- (i) Obtaining Environmental Clearance
- (ii) Rehabilitation and Resettlement (R&R) of Project Affected Families (PAFs)
- (iii) Execution of Civil Works

Audit carried out an assessment of whether proper sequencing of the above activities of the project was followed.

Audit noticed that there was no correct sequencing of these three activities. The civil works were entrusted (September 2004) without obtaining prior Environmental Clearance and without ensuring that the Rehabilitation and Resettlement of Project Affected Families (PAFs) had reached advanced stage so as to enable them to vacate the land by the time civil works were completed.

Obtaining Environmental Clearance: As per the orders issued (January 1994) by GOI under Environment (Protection) Act 1986, no new project shall be undertaken in any part of India unless Environmental Clearance is accorded by the Central Government. Due to commencement of work without Environmental Clearance, in violation of these orders, the Honorable High Court of Andhra Pradesh ordered stoppage of work in November 2004. The stay was vacated only in June 2005 after getting the Environmental Clearance. A payment of ₹ 3.24 crore was made (January 2008) to the contractor on account of idle labour and machinery.

Rehabilitation and Resettlement of Project Affected Families: The project involved submergence of 24,380 acres spread over 28 villages⁵⁶ in two districts and as per records more than 10,000 families were being affected. At the time of awarding the work, the socio-economic survey of the submergence areas was not conducted and Project Affected Families not identified. Consequently, the PAFs agitated and damaged the machinery at site. The department paid (January 2008) an amount of ₹ 0.48 crore to the contractor as compensation.

Thus, due to lack of proper sequencing of the various activities under the project, the civil works were undertaken earlier than required and an amount of ₹ 607.49 crore⁵⁷ was blocked in an incomplete asset. No benefit has been derived from the project although the initial period of completion is over and an amount of ₹ 34.30 crore has been paid towards price escalation due to delay in execution.

The Government replied that though synchronization of various activities is important these activities had to be carried out in parallel instead of sequentially. The reply is not acceptable. Commencement of works without prior environmental clearance was a statutory violation which led to stoppage of work by the High Court. The R&R also is a complex and time consuming activity and it should have been ensured prior/parallel to the project formulation stage.

Thus, mere starting of execution of works carries an imminent danger of progress of works being hampered due to non-completion of the other activities resulting in blocking up of large sums in incomplete assets, instead of being spent fruitfully on other needy projects/welfare schemes.

⁵⁶Fifteen villages in Guntur District and thirteen villages in Nalgonda District

⁵⁷ Civil Works (including claims) - ₹ 166.34 crore; R&R - ₹ 67.55 crore ; Land Acquisition - ₹ 264.40 crore and Forest Land - ₹ 109.20 crore

3.4.4 Flood Flow Canal from Sriram Sagar Project

Incorrect sequencing/synchronization of various activities/works under the Flood Flow Canal (FFC) project led to incurring of huge expenditure of ₹ 1,476.30 crore on project works earlier than required, only to be blocked in an incomplete asset without any benefit till reservoirs are completed; There were deficiencies in formulation and implementation of contract clauses.

A 122 kilometers long Flood Flow Canal from Sriram Sagar Project (SRSP) was planned (November 1997), for providing irrigation facilities to 2,20,000 acres of drought prone areas of **Karimnagar** and **Warangal** Districts (with 20 TMC⁵⁸ of flood waters of river Godavari). Under the project, five reservoirs⁵⁹ were to be developed. The project was taken up in two phases – Phase-I (1,00,000 acres) in 2004 and Phase-II (1,20,000 acres) in 2008.

Phase-I of the project

For creating the ayacut of 1,00,000 acres under the phase, the components required to be completed and the details of activities involved in each segment/ component are indicated in Table-9.

Table-9

Segment	Ayacut (in acres)	Components required to be completed for achieving the ayacut	Activities involved in each component
I	20,000	(a) Formation of Mothe Reservoir (1.645 TMC)	x) Land Acquisition y) Rehabilitation & Resettlement (R&R) of Project Affected Families (PAFs) & z) Civil Works
		(b) FFC from Km 0.00 to Km 101.70	x) Land acquisition y) Civil works
II	80,000	(a) Formation of Mid Manair Reservoir (MMR) (25.873 TMC)	x) Land Acquisition y) R&R of PAFs & z) Civil Works
		(b) FFC from Km 101.70 to Km 122.00	x) Land acquisition y) Civil works
		(c) Left side canal of MMR for 14.6 Km to serve an ayacut of 10,500 acres	x) Land acquisition y) Civil works
		(d) Right side canal for 64.25 Km to serve an ayacut of 69,500 acres	x) Land acquisition y) Civil works

Sequencing of Activities: Proper sequencing of the activities involved in any project helps to ensure optimum utilisation of precious monetary resources. Audit carried out an assessment whether proper sequencing was ensured in respect of the activities involved in each component of the FFC project.

⁵⁸ Thousand million cubic feet

⁵⁹ Gandipally, Gowravelly, Mid Manair, Mothe and Thotapally

For irrigating segment-I (20,000 acres), the Mothe Reservoir and the FFC Main canal were required to be completed.

The construction of Mothe Reservoir is dependent on land acquisition (activity 'x') and R & R (activity 'y') as indicated in Table-9. Audit however noticed that at the time of award of work no land was acquired, the Project Affected Families (PAFs) were not identified and alternative sites were not identified, acquired and developed for Rehabilitation and Resettlement (R & R) of the PAFs. Without addressing the above issues for smooth progress of construction of Mothe Reservoir, the FFC main canal works were awarded in October 2004. The execution of FFC main canal works involved substantial expenditure of ₹ 1,410.92 crore whereas only ₹ 139.81 crore was required for construction of Mothe Reservoir.

Table-10

Component	Month of agreement	Value of the Work (Rupees in crore)	Expenditure as of July 2009 (Rupees in crore)	Progress of work (%)
Mothe Reservoir	July 2007/April 2009 ⁶⁰	139.81	Nil	Nil
FFC main canal	October 2004/March 2005 ⁶¹	1410.92	1321.08	93.6
Total		1550.73	1321.08	

Similarly, for irrigating segment-II (80,000 acres), the components as indicated in Table-9 were required to be completed. The formation of Mid Manair Reservoir (MMR) too was critically dependent on land acquisition and completion of R&R. The award of FFC main canal works much prior to sorting out the complex issues of land acquisition and R&R of PAFs, resulted in expenditure being incurred much earlier than required.

The execution of FFC main canal earlier than required resulted in blocking of funds to the extent of ₹ 1,321.08 crore which could have been deployed on other needy projects for the interim period. Further, the award of civil works of MMR including formation of bund without taking up the land acquisition and R&R issues, had led to abandonment (July 2009) of work midway after incurring an expenditure of ₹ 76.76 crore. The utility of semi-finished earthen bund had also become doubtful due to risk of environmental degradation.

The Government in its reply (November 2010) stated that under the agreement the detailed survey and investigation was to be carried out by the contractor and hence the prior acquisition of land and R&R was not possible before award of work. The reply indicates inappropriate approach followed for execution of the project.

⁶⁰The work initially entrusted during July 2007 was terminated and re-awarded to another firm during April 2009

⁶¹ Initial 3 packages of FFC were awarded during October 2004 while the rest during March 2005

Phase-II of the project

Phase-II of the project contemplates creation of irrigation facilities to 1,20,000 acres. The works were divided into five packages and entrusted to different agencies during April-August 2008. Smooth progress of these works also was dependent on prior acquisition of land and R&R. Despite the adverse experience from Phase-I, the department awarded Phase-II works without acquiring lands in advance and without R&R activity reaching advanced stage of completion. The status of the five packages is as shown in Table-11.

Table-11

(Rupees in crore)

Sl. No.	Name of the work	Month in which entrusted	Agreement period	Value of Work	Expenditure incurred
1	Lift from Thotapally to Gowravally reservoir	August 2008	48 months	409.71	24.05
2	Formation of Thotapally Reservoir	September 2008	36 months	131.68	0.85
3	Formation of Gowravally reservoir	May 2008	24 months	43.13	Nil
4	Gowravally right and left side canals	April 2008	24 months	166.88	47.01
5	Lift from Gowravally to Gandipalli and formation of Gandipalli reservoir & canals	May 2008	24 months	49.90	6.55
Total				801.30	78.46

The works at Sl. No. 3 to 5 were awarded during April/May 2008 and are scheduled for completion in April/May 2010 and the work at Sl. No.2 was awarded in September 2008 and was scheduled for completion in September 2011, whereas the work at Sl. No.1, which is a source of water for the remaining three packages, was awarded in August 2008 and is scheduled for completion only in August 2012. It is evident that there was no proper synchronization of the five works. The works should have been awarded in such a way that all the works get completed simultaneously.

Thus, incorrect sequencing/synchronization of various activities/works under the project led to incurring of huge expenditure of ₹ 1,476.30 crore on FFC project works earlier than required, only to be blocked in an incomplete asset without any benefit till Mothe and Mid Manair reservoirs are completed.

Execution of civil works – other points of interest

Audit scrutiny of records relating to civil works revealed the following:

Clause relating to early completion incentive: FFC Package-1 work⁶² was awarded for ₹ 165.50 crore, for completion in 30 months. The contractor completed the work five days before the stipulated date and claimed incentive of ₹ 1.64 crore.

⁶² Excavation of FFC from km 28.40 to km 43.00

Following are the observations:

- The initial scope of work included construction of a Road Bridge on existing National Highway (NH). During execution it was deleted from the scope of the work without corresponding reduction in the execution period.
- No benefit would be derived from early completion of FFC without formation of reservoirs. This clause, therefore, was unwarranted and thus resulted in an avoidable payment of ₹ 1.64 crore.

The Government while agreeing (November 2010) that a minimum of two to three months was required for construction of the road bridge did not explain why the agreement period was not reduced correspondingly. It also did not give justification for inclusion of incentive clause in the agreement when no benefit could be achieved by early completion of the work. Thus, the payment of ₹ 1.64 crore as incentive was avoidable.

Clause relating to Operation & Maintenance: As per tender notice and agreement conditions of Package-1, the contractor was to maintain the canal for a period of 24 months after completion of civil works. An amount of ₹ 3.31 crore at two *per cent* of the value of work was earmarked for this purpose. However, the department failed to make percentage deductions from the interim payments made to the contractor and the amount meant for O&M got released along with the payments made for execution of work.

The obligation on the part of contractor towards O&M would arise only when the main canal was complete and water was let into the canal. Due to lack of synchronization in award of other works, the contractor got undue benefit of ₹ 3.21 crore as water was not let into the canal and the necessity to fulfill the obligation on his part towards O&M did not arise.

The Government agreed (November 2010) that water was not drawn into the canal and that there was no direct irrigation in this portion of canal. As a safeguard the relevant clause should have been formulated to ensure that the amount towards O&M gets released to the contractor only when he fulfils his obligation in this regard, to avoid undue benefit to the contractor.

Clause relating to reimbursement of Value Added Tax (VAT): Tender notice of Package-15⁶³ stipulated that the price bid should be inclusive of all taxes and duties, but failed to specify that the bidder should furnish a separate break up of various tax elements. Non-furnishing of such break up is fraught with the risk of incorrect regulation of payments in the event of incorrect inclusion of taxes and duties in the price bid and/or post tender changes in the taxes and duties. It was observed that ₹ 1.04 crore initially deducted towards VAT was subsequently refunded.

The Government replied (November 2010) that the contract is of composite nature and the bid price is inclusive of taxes. With regard to the same issue raised in performance audit review of Mahatma Gandhi (Kalwakurthy) Lift

⁶³ Excavation of FFC from km 70 to km 86

Irrigation scheme, the Government was receptive to the need to furnish the details of tax components separately.

Clause relating to sub-letting of work: No work is awarded to contractor unless he is technically competent to do it. Further, clause 5.1 of general conditions of contract (Package-15) stipulates that prior approval should be taken before a sub-contractor is engaged on the job. To address this risk the contract should have stipulated furnishing of details of men and machinery of the main contractor to facilitate detection of unauthorised subletting of work.

In the absence of this clause a substantial part of the work amounting to ₹ 103.82 crore (47.46 per cent) was executed without detection by a sub-contractor whom the department had rejected earlier on the ground that his track record was poor.

The Government in its reply (November 2010) stated that the agreement clause did not provide for furnishing the specific details of machinery and the names of the personnel being deployed on the work. The reply overlooks the fact that in the absence of a clause prescribing furnishing of details of men and machinery, the department will not be able to detect unauthorised execution of work by a sub-contractor not having the requisite technical capacity. Besides, no action has been taken against the main contractor for breach of contract conditions.

Clause relating to payment for dewatering & blasting charges: Portions of Package-15 valuing ₹ 87.01 crore and ₹ 28.34 crore were deleted and awarded (May 2007/February 2008) as Packages-15A and 15B, with original agreement rates and conditions to two firms on nomination basis as the main contractor failed to maintain the progress.

Clause 3.3 of the conditions of the contract stipulates that blasting has to be carried out after taking due precautions to protect the persons and property. Thus, there was an obligation on the part of the contractor to undertake controlled blasting wherever necessary. Clause 10 of bill of quantities and Clause 3.1.18 of the conditions of contract stipulates that no separate payment will be made for dewatering.

During execution, contractors preferred claims towards controlled blasting and dewatering charges for which supplemental agreements were concluded (October 2008) for ₹ 39.54 crore facilitating additional payment towards controlled blasting and dewatering charges (controlled blasting: ₹ 35.27 crore; dewatering: ₹1.25 crore & under water excavation: ₹ 3.02 crore).

Since the contracts were awarded on original agreement rates and conditions, payment of extra amount towards controlled blasting and dewatering was objectionable. Further, such irregular payment led to similar claim for ₹ 23.17 crore by the main contractor. The total extra avoidable commitment on this account comes to ₹ 62.71 crore.

The Government in its reply (November 2010) stated that the FFC would pass through Nukapally and Muthyampeta villages of Mallial Mandal. As controlled blasting was done in other villages the additional payments were made. The reply is not acceptable as the information regarding villages was preliminary in nature and detailed survey and investigation was to be carried out by the contractor. Further, the clause relating to controlled blasting was not restricted to the above villages only.

As regards dewatering, the Government replied (November 2010) that payment was made as the estimate was stated to be not inclusive of cost of dewatering. The reply is not convincing. The contract clearly stipulated that dewatering should be done by the contractor without any additional payment. Further, the estimate is an internal document of the department and was not part of the agreement.

3.4.5 Rajiv Bhima Lift Irrigation Scheme

The contractors got undue benefit of ₹ 21.25 crore due to post tender reduction in quantities.

The scheme launched in 2005 envisages irrigation of 2.03 lakh acres of chronically drought affected upland areas in parts of [Mahbubnagar](#) District by lifting of Krishna water at two different places. The project works were divided into 19 packages and awarded between 2005 and 2008 as shown in [Appendix-3.9](#). The construction was in progress and the expenditure incurred on the project was ₹ 1,334.13 crore as of March 2010.

Audit scrutiny of the execution of the project revealed the following:

Execution of works

There were substantial post tender reductions in quantities as shown below:

Main Canal packages (19, 22 and 27): The cost of cement concrete lining depends on the thickness of lining and area to be covered. In the estimates, the department provided for lining with 100 mm thickness. However, the thickness and area were not indicated in the NIT. It was observed that the thickness of lining as executed was 60 - 75 mm. The monetary value of the reduction in quantities was ₹ 13.22 crore.

Lift-II package: Similarly, in Lift-II package, the estimate was prepared considering 2,808 meters length of pipeline with 14 - 16 mm thick steel. But, during execution only 740 meters length of pipeline using 14 mm thick steel plates was being laid. The value of reduction in the quantity of steel was ₹ 8.03 crore.

Audit observed that requisite safeguards were not incorporated in the agreements to ensure that the benefit of post tender reduction in quantities accrues to the Government and not to the contractors. As a result, the payments to contractors were not correspondingly reduced. Consequently, the benefit of the above post tender reduction in quantities valuing ₹ 21.25 crore⁶⁴ did not accrue to Government and the contractors were unduly benefited to that extent.

It was also observed that:

- The critical task of measuring the work and recording in the Measurement Books (MBs) was not done by departmental engineers, which would have ensured their independent assessment. Instead, this task was left to the contractors.
- The cost of excavation work depends on the ‘quantities’ of various ‘types of soil’ to be excavated. However, the soil wise quantities were not being measured and recorded in the MBs.

The Government replied (June 2010) that the estimate provisions were only tentative and that variation in the quantities was not relevant in the Engineering, Procurement and Construction (EPC) contracts. The reply is not tenable. As the irrigation projects require huge sums of money, cost control assumes significance. Since the cost of irrigation projects is directly dependent on the quantities executed, quantities can not be ignored. Had the requisite terms and conditions (already available in the Unit Price Contract system) been incorporated, the benefit of post tender reduction in quantities would have accrued to Government and not to the contractors.

Formulation/implementation of agreement clauses

Audit noticed defective formulation of/non-adherence to contract clauses as detailed below:

Clause relating to Blasting work: The agreement condition relating to Sangambanda spillway work stipulated that blasting would be permitted wherever necessary only when proper precautions are taken by the contractor for protection of the persons and property. In violation of this clause, open blasting was carried out near Sangambanda village leading to protests by the villagers and the Government was forced to sanction (January 2007) Rehabilitation and Resettlement (R&R) package amounting to ₹ 7.20 crore to them. Further, the department also paid an amount of ₹ 2 crore to the contractor towards controlled blasting.

Government in its reply (June 2010) agreed that the village was located within 150 - 200 meters which was within required zone of precautionary measures (400 meters) and that the villagers demanded shifting of the village to avoid the effect of open blasting. The reply confirms the fact that sanction of R&R package could have been avoided had controlled blasting been resorted to in the initial stages itself.

⁶⁴ Departmental estimate rates X tender percentage quoted by the contractors

Clauses relating to taxes and duties: The estimate of Lift-II package which was technically sanctioned (December 2004) for ₹ 377.59 crore included an amount of ₹ 21.96 crore towards Central Excise Duty (CED) on Electro Mechanical and Hydro Mechanical equipment. The work was awarded to M/s NEC-NCC-Maytas (JV) in March 2005. As CED on Electro & Hydro Mechanical equipment used in water supply schemes had been exempted since January 2004, i.e. before according the technical sanction, inclusion of CED element was not in order and led to incorrect acceptance of bids, despite exceeding the 105 per cent limit⁶⁵ stipulated by Government. The correct estimate value excluding CED element works out to ₹ 355.63 crore and 105 per cent of this works out to ₹ 373.41 crore. The works was awarded for ₹ 391.55 crore, i.e. excess by ₹ 18.14 crore.

Table-12

(Rupees in crore)

Package	Estimate value	Amount of CED provided in the estimate	Correct estimate value if CED is not included	Maximum permissible award value	Actual award value	Excess over 105% limit
Lift-II	377.59	21.96	355.63	373.41	391.55	18.14

It was further observed that while bidding M/s NEC-NCC-Maytas (JV) quoted ₹ 391.55 crore and M/s Patel Engineering Limited quoted ₹ 397.71 crore. Both the agencies included the CED elements in their bids but at different rates.

Table-13

(Rupees in crore)

Bidder	Price bid including CED element	Percentage of CED indicated in the bid	CED component	Price bid excluding CED element
Patel Engineering Limited	397.71 (L-2)	16.32%	26.62	371.09 (L-1)
NEC-NCC-Maytas	391.55 (L-1)	8.16%	13.31	378.24 (L-2)

In view of CED exemption, the department should have evaluated the bids duly excluding the CED elements. Had the CED element been excluded while comparing the bids, M/s Patel Engineering Limited would have emerged as the lowest bidder. Failure to do so resulted in incorrect award of work to M/s NEC-NCC-Maytas (JV) at a value higher by ₹ 20.46 crore.

Government replied (June 2010) that the fact of exemption of CED was not known to the department while preparing the estimates. It was further replied that as per the tender conditions the bid price was inclusive of all taxes and duties and that the bidders would have quoted based on the prevailing taxes and duties. The reply is not tenable as both the bidders loaded CED in their bids as evidenced from the above table. Even if the department was ignorant of the CED exemption at the time of preparation of estimates, it should have acquainted itself with the latest taxation position before finalising the tenders,

⁶⁵ Government of AP in G.O. Ms. No.133 of Irrigation & Command Area Development (PW Reforms) Department dated 20 November 2004 ordered that works shall be awarded only if the bid value does not exceed 105 per cent of the estimate value

especially after having noticed that the two bidders considered two different rates (16.32 per cent and 8.16 per cent) of CED in their bids.

Clause relating to stage-wise payment: In respect of Electro-Mechanical and Hydro-Mechanical components, the agreements stipulated stage-wise percentages of payment. Audit observed that the payment methodology was changed after entrusting the works, to the advantage of the contractors:

Table-14

Stage of payment	As per agreement	Revised
for supply	70 %	85 %
for erection	20 %	10 %
for testing and commissioning	5 %	
at the time of final bill	Nil	5 %
on expiry of guarantee period	5 %	Nil

Government replied (June 2010) that the payment methodology was modified duly ensuring that the payment for supply is below the true value of the components. The reply is not tenable. Changing the methodology of payment and releasing major portion of the payment (85 per cent) upfront was a clear violation of the agreement condition and that notified in the NIT. Besides, erection, testing and commissioning are important activities and control points and reducing the quantum of releases in respect of these control points is fraught with risk. Further, the guarantee period was compromised as in the revised scenario no percentage was kept with the department. The change of payment methodology vitiated the sanctity of tenders and resulted in release of payments in advance in each bill, a clear undue benefit to contractors. An illustration of such advance payments noticed in one bill is given in Table-15 in respect of Lifts-I and II packages.

Table-15

Package	Item	Bill no & Date	Amount paid (Rupees in crore)	Amount payable (Rupees in crore)	Difference (Rupees in crore)
(1)	(2)	(3)	(4)	(5)	(6) = 4 -5
Lift-I	Supply and Erection	42 nd & part bill 23 January 2009	185.42	161.92	23.50
Lift-II	Supply and Erection	42 nd & part bill 20 November 2008	131.22	119.96	11.26
Total					34.76

Clause relating to rate of interest on Mobilisation Advance: The Agreement of Lift-II package (March 2005) stipulated recovery of interest at 12 per cent per annum on mobilisation advance of ₹ 19.58 crore paid to contractors. Subsequently (October 2007), the rate of interest was reduced to 8 per cent retrospectively resulting in undue benefit of ₹ 0.68 crore to the contractor, another evidence of post tender changes and depicting asymmetry of information to other bidders.

Government replied (June 2010) that the interest rate of 12 *per cent* provided in the agreement was reduced to bring it on par with the prevailing interest rate. The reply is not tenable. Since there was no clause in the agreement for changing the interest rate from time to time, post tender reduction in the interest rate is a clear undue benefit to contractor.

Sequencing of activities of the project/Synchronization of components of works

The execution of project broadly involves the following activities:

- (a) Land acquisition; and
- (b) Execution of Civil and Electro-mechanical works

Land acquisition: Scrutiny revealed that the lands on which components of work were critically dependent were not identified and lands were not acquired prior to award of works. The total extent of lands required for the project was 25,364 acres. The project works commenced in February 2005. Even though the period stipulated for completion of the project works is over, the lands are yet to be acquired in full after five years since commencement of the works. The status of land acquisition as of March 2010 was as shown in Table-16.

Table-16

Total lands required	Proposals sent to LAO	Land acquired as of March 2010	Balance to be acquired	Balance for which proposals to be sent
25,364 acres	23,830 acres	20,212 acres	5,152 acres	1,534 acres

The department was (March 2010) yet to send land acquisition proposals in respect of 1,534 acres to the Land Acquisition authorities. To ensure smooth progress of execution, the works should have been awarded only after the land acquisition was completed or had reached advanced stage of completion. Failure to do so resulted in non completion of works within the stipulated period.

The Government replied (June 2010) that the process of Land Acquisition can be initiated only after completion of investigation and finalisation of alignments. The reply overlooks the fact that such an approach is beset with the risk of progress of works getting hampered and substantial amounts getting blocked in an incomplete asset without any benefit for prolonged periods, depriving other needy projects/welfare schemes of these precious funds in the meanwhile.

Synchronization among works: As seen from the [Appendix-3.9](#), there was lack of synchronization in award of various packages. The execution of lift works, reservoirs and main canals were scheduled for completion in 2007, whereas the works relating to the approach channel and the parallel canal, which form the critical link between the source of water and the project, were scheduled for completion in May 2008/December 2009. The works should have been scheduled in such a way that the completion date of each of the

packages synchronizes with the project completion date, so that works are not taken up earlier than required and precious funds are not blocked up in an incomplete project.

Due to non observance of correct sequencing of various activities of the project and non synchronization of work packages, the department has not provided irrigation facility to even a single acre of land as against the contemplated ayacut⁶⁶ of 2.03 lakh acres even after lapse of five years and a huge amount of ₹ 1,334.13 crore incurred on this project has remained blocked in an incomplete asset, depriving these precious funds to other needy projects/welfare schemes.

3.4.6 Kandula Obula Reddy Gundlakamma Project

Undue benefits of ₹ 22.43 crore to contractor in execution of Kandula Obula Reddy Gundlakamma Project due to lack of safeguards.

The Kandula Obula Reddy Gundlakamma Project envisages utilisation of 12.845 TMC⁶⁷ of water, from Gundlakamma Reservoir formed across Gundlakamma River near Chinamallavaram village of Maddipadu Mandal in [Prakasam](#) District, to provide irrigation facilities to 62,368 acres for Khariff and 80,060 acres for Rabi seasons besides augmenting drinking water facilities to Ongole town and 43 villages. The civil works were divided into three packages and awarded to contractors (January 2006 – May 2007) and execution of the project was in progress.

Audit scrutiny of the project revealed the following:

Undue benefits to contractor

Audit noticed that undue benefits to the tune of ₹ 24.66 crore accrued to the contractor in Package-2 as detailed below:

- The agreement did not contain any safeguarding mechanism to protect Government interest by ensuring that payments are linked to the quantities actually executed by the contractor. It was observed that the amounts scheduled for payment to the contractor for the following components were higher by ₹ 22.43 crore than the value payable⁶⁸.

Table-17

(Rupees in crore)

Name of component	Estimate value	Amount payable if control were present	Amount scheduled for payment	Percentage	Excess
Right and Left main canals	9.65	9.16	18.80	205.24%	9.64
Cement Concrete Structures	17.00	16.13	28.92	179.29%	12.79
Total					22.43

⁶⁶ Area to be brought under irrigation

⁶⁷ Thousand million cubic feet

⁶⁸ Value as per departmental estimate X tender percentage quoted by the contractor

The Government replied (August 2010) that in EPC mode payments are not linked to quantities and that the payment schedules are approved as submitted by the contractor. The reply is not acceptable. In irrigation projects the cost of execution is dependent on the quantities executed. For ascertaining the reasonableness of the price quoted by the contractor the bid value is compared with the cost of the estimated quantities. In the instant case, there was no documentation to show that the contractor has executed 105.24 *per cent* and 79.29 *per cent* over and above the estimated quantities in canal excavation and concrete structures respectively to make the contractor eligible to get higher payments. If controls were present the undue benefits would not have arisen.

- During execution of Package-2, an additional work of 'Construction of two Railway crossings' was entrusted to M/s Maytas- NCC (JV) who was executing the main work. Audit noticed that when quotations for the additional work were invited, M/s Maytas-NCC initially quoted (21 May 2008) its rate for ₹ 9.14 crore. Subsequently (28 May 2008), the firm offered a further discount of 5.13 *per cent*. Thus, the actual quoted rate worked out to ₹ 8.67 crore. Audit scrutiny however revealed that the work was awarded (October 2008) for ₹ 9.11 crore ignoring the discount resulting in an undue benefit of ₹ 0.44 crore to the firm.

Government replied that the additional work was awarded based on quotations and that tender discount was not applicable. The reply is not acceptable. Ignoring the discount voluntarily offered by the contractor caused a loss of ₹ 0.44 crore to Government and undue benefit to contractor to that extent.

- Clause 12 of the agreement (Package-2) stipulated that a temporary diversion channel shall be formed by the contractor at his cost where necessary and no extra payment shall be made for this work. However, an amount of ₹ 1.07 crore was paid to the agency for excavation of diversion channel, in violation of the agreement condition.
- Clause 9 of the agreement (Package-2) stipulated that the contractor shall provide insurance coverage for the work from the start date to the end of the defects liability period. Thus, any damages that occur were to be made good by the Contractor at his own cost. The diversion channel executed earlier (August - September 2006) was damaged due to rains/floods in September 2006. As the work was covered under insurance, the contractor should have made good the cost of the damages at his own cost. Instead, a sum of ₹ 0.72 crore was paid to the agency for restoring the damages, which was clearly an undue benefit to the contractor.

It was replied that the diversion channel was excavated at the instance of the department. The reply is not acceptable. Since the scope of agreement included excavation of diversion channel, no additional payment was admissible. The Government did not give any reply regarding payments for the damages which were already covered under insurance.

Synchronization of activities/works packages

The project consists of three activities - (a) Acquiring land; (b) Rehabilitation and Resettlement of Project Affected Families (PAFs); and (c) Execution of Civil Works.

Acquisition of Land: Codal provisions/Government orders stipulate that the land required for execution/completion of the Project should be acquired before award of work to ensure smooth progress of work. However, these provisions were not adhered to in the instant case. The status of land acquisition (LA) was as shown in Table-18.

Table-18

At the time of start of work	At the time of end of agreement period	As of February 2010
Nil	9,660.33 acres	10,718 acres

Rehabilitation and Resettlement (R&R) of Project Affected Families (PAFs): The project involved submergence of 7,416 acres spread over twelve villages and 7,665 families were being affected. Given the short period of 30 months stipulated for execution of project works, smooth progress of project execution and its utilisation depended on (a) identification of PAFs prior to award of work and (b) acquisition of alternative sites and development of R&R colonies before completion of the project works.

It was however observed that without sorting out these critical issues, the department awarded the civil works. As a result, even after five years, out of 17 R&R colonies only 4 were completed and the work in respect of 13 R&R colonies was in progress (February 2010). Out of 778.57 acres of land required for development of R&R colonies, an extent of 350.18 acres only was acquired.

Synchronization of works packages: There was no synchronization of the different works under the project. Package-1 (cost: ₹ 25.98 crore) was awarded in July 2004 and was scheduled for completion in January 2006 whereas Package-2 (cost: ₹ 212.49 crore) was awarded later in November 2004 and was scheduled for completion in May 2007. The works should have been awarded in such a way that they get completed simultaneously.

Incomplete ayacut

Though the project was formally inaugurated in November 2008 after incurring an expenditure of ₹ 472.80 crore, only partial benefits were derived due to non-synchronization of activities of the project. As against the total contemplated ayacut of 80,060 acres (LMC: 52,060 acres and RMC: 28,000 acres), only 42,072 acres (LMC: 21,371 acres and RMC: 20,701 acres) was developed.

Government replied (August 2010) that canal connectivity was not provided due to delay in land acquisition because of court cases. In its reply the Government also elaborated the intricacies involved in R&R process and stated that the process was in progress. The reply confirms the audit observation that land acquisition and R&R are complex issues and hence should have been addressed before award of works to ensure smooth progress of the project execution.

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects and Irrigation Wings)

3.4.7 Mobilisation Advances paid to contractors

Audit scrutiny of Mobilisation Advances paid to contractors in eight projects revealed many deficiencies including incorrect payment of advances of ₹ 111.84 crore; and loss of revenue of ₹ 33.07 crore due to incorrect stipulation of interest rate.

Audit carried out a scrutiny of agreement clauses relating to payment of mobilisation advances in respect of eight irrigation projects ([Appendix-3.10](#)).

All these contracts had a provision for payment of mobilisation advance to the contractors at the rate of (a) five *per cent* of contract value towards labour and (b) five *per cent* of contract value towards purchase of machinery.

The following are the audit observations:

Mobilisation Advances towards machinery

As per agreement conditions, payment of advance equivalent to five *per cent* of the contract amount will become due within a period of nine months from the date of agreement for local purchase of machinery and equipment and within one year in case the machinery and equipment has to be imported.

Thus, the advances were intended for purchase of machinery by the agency/joint venture (JVs) to whom the advances were given specifically for use in the same work. A scrutiny of the invoices of machinery furnished by the firms/JVs based on which the advances were paid revealed that advances amounting to ₹ 52.39 crore were incorrectly paid as shown below:

- In [Mahatma Gandhi \(Kalwakurthy\) Lift Irrigation Scheme \(MGKLIS\)](#) and [Indira Sagar Polavaram Project \(ISP\)](#), ₹ 20.41 crore⁶⁹ was paid based on the invoices which were not in the name of the agency/JV to whom the advances were given;
- In Package-4 of [Indira Sagar Polavaram Project](#) left main canal, ₹ 14.11 crore was paid for machinery purchased by the sister concerns of the agencies;

⁶⁹ [MGKLIS](#) (Package-28): ₹ 3 crore and [ISP](#) (RMC Packages 1 & 2; LMC packages 2 & 7; and Headworks Packages 63, 64 & 66): ₹ 17.41 crore

- In **ISP** and **Alimineti Madhava Reddy Project (AMRP)**, advances of ₹ 11.05 crore⁷⁰ were paid on the machinery which was pre-owned (purchased prior to the agreement date) by the agencies and used on other works;
- In **ISP**⁷¹, advances of ₹ 5.90 crore were paid on the machinery purchased for use in other projects; and
- In **ISP**⁷², an advance of ₹ 0.92 crore was paid on the machinery purchased on Hire-Purchase basis from Finance companies.

In **MGKLI** Scheme works (Lift-II and Lift-III packages) audit noticed that the department failed to incorporate a condition with regard to submission of proof of purchase of machinery by the contractors and advances amounting to ₹ 59.45 crore were paid. Since, the advances were meant for specific purpose this condition should have been incorporated.

Mobilisation Advance towards labour

While the grant of advance towards machinery is governed by a verification mechanism, no such mechanism was prescribed linking grant of advance to actual deployment of labour on the work spot.

In **ISP**, two packages⁷³ (advances of ₹ 75.87 crore paid towards labour) were pre-closed in August 2009. At the time of pre-closure, the available Bank Guarantees (BGs) which were valid upto March/July 2010 were not encashed although a total amount of ₹ 67.49 crore was outstanding from the contractors. Later, the High Court issued (June 2010) interim orders to the department not to encash the BGs including those relating to the mobilisation advance. At the time of pre-closure there was no court case. Instead of encashing the BGs, the department waited till the contractors approached the court and obtained stay orders. Thus, the outstanding advance of ₹ 67.49 crore remained unadjusted till now. Further, interest of ₹ 8.23 crore leviable from the date of payment of advance till the date of pre-closure was also not recovered.

Short recovery of interest on Mobilisation Advance

Government orders (July 2003) stipulated charging of interest on mobilisation advance at the Government borrowing rate. The department failed to incorporate suitable clauses in the agreements relating to four projects and recovered interest at the rate of 8 *per cent* instead of the applicable rate of 10 *per cent* specified by the Government for the respective years. This led to loss of revenue of ₹ 33.07 crore⁷⁴ to the Government and benefit to the contractors.

⁷⁰ **ISP** (RMC Package-6, LMC Package-1 and Headworks Packages 64 & 65): ₹ 8.68 crore and **AMRP** (Package-81): ₹ 2.37 crore

⁷¹ RMC Packages 2 & 3

⁷² Headworks Package-67

⁷³ Spillway package - ₹ 31.68 crore and in ECRF package - ₹ 44.19 crore

⁷⁴ **ISP** (ECRF package) - ₹ 2.23 crore; **AMRP** (Tunnel package, Udayasamudram LIS package & Package-80) - ₹ 16.05 crore; **MGKLI** (28, 29, 30, Lift-II & Lift-III packages) - ₹ 14.31 crore; **Modikuntavagu** - ₹ 0.48 crore

Blocking up of mobilisation advances with the contractors

As per the agreement conditions, recovery of advance commences after the value of work executed reaches 10 *per cent* of the agreement value. The recovery was to be made from running account bills at the rate of 20 *per cent* of the intermediate payments. Consequently, the full amount gets recovered when the work executed reaches 60 *per cent* of the agreement value⁷⁵. Timely realisation of advance is dependent on the smooth progress of work upto 60 *per cent* of the agreement value.

Due to starting of civil works without addressing the issues of (a) Statutory clearances like Forest and Environmental clearances, (b) Land acquisition and (c) Rehabilitation & Resettlement (R&R), the progress of works was hampered and the advances were not recovered in full even though the scheduled dates of their recovery were long over, resulting in blocking up of huge amounts to the tune of ₹ 702.70 crore (as of February 2010) with the contractors, as detailed in [Appendix-3.10](#).

It can be seen from the [Appendix-3.10](#) that:

- In six projects (Sl. No(s). 1 to 6), the advances were not fully recovered even though 90 - 270 *per cent* of the agreement period was over, as of February 2010.
- In [Modikuntavagu](#) Project (Sl. No.7), recovery of the advance did not commence even after completion of 233 *per cent* of the agreement period.
- In [Dr. B.R. Ambedkar Pranahita Chevella Sujala Sravanthi Project](#) (Sl. No.8), advance of ₹ 341.16 crore (one *per cent* of the contract value) was given towards mobilisation of men for detailed investigation. The entire amount was scheduled to be recovered in full by the time the progress of work reaches 15 *per cent*⁷⁶. However, audit noticed that recovery of advance did not commence even though 19 - 70 *per cent* of the agreement period is over.

Reply of the Government was received (August 2010) in respect of only one project. It was stated therein that mobilisation advances were secured against bank guarantees and were recoverable with interest and that there was no loss to Government. The reply was however, silent on the audit observations on the incorrect payment of advances of ₹ 111.84 crore and the loss of revenue of ₹ 33.07 crore due to incorrect stipulation of interest rate.

Lack of progress of works is thus fraught with the risk of the precious resources of the Government advanced to the contractors and/or the machinery purchased with the advances being diverted for other purposes.

⁷⁵ 10% for commencement of recovery + 50% for effecting recovery (@ 20% of each bill) = 60% of the agreement value

⁷⁶ 10% for commencement of recovery + 5% for effecting recovery (@ 20% of each bill) = 15% of the agreement value

**MUNICIPAL ADMINISTRATION AND URBAN
DEVELOPMENT DEPARTMENT
(Hyderabad Metropolitan Development Authority)**

3.4.8 Undue benefit to contractor

Due to non-incorporation of the safeguards in the agreements the benefit of post tender reduction in quantities did not accrue to Government in the construction work of PVNR Elevated Expressway Corridor. This resulted in an undue benefit of ₹ 86.67 crore to the contractor.

PVNR⁷⁷ Elevated Expressway Corridor (elongated flyover) provides connectivity from Sarojini Devi (SD) Hospital in [Hyderabad](#) city to Aramgarh Junction, which is 12 km from Rajiv Gandhi International Airport (RGIA) at Shamshabad. The work was awarded (October 2006) to a Kolkata based firm⁷⁸ for ₹ 439 crore.

The scope of work consists of the following major items.

- (a) Elevated Expressway Corridor (EEC)
- (b) Underpass at Aramgarh junction
- (c) Trumpet Interchange near RGIA and
- (d) Improvement of Inner Ring Road (IRR)

Audit noticed that the State Government, while awarding the above work under Engineering, Procurement and Construction (EPC) contract system (AP EPC) did not incorporate safeguards to the effect that, in the event of reduction in the scope of work/quantities, payments would be restricted to the actually executed works. Consequently, undue benefit of ₹ 86.67 crore was passed on to a contractor in the execution of EEC (₹ 83.46 crore) and Trumpet Interchange (₹ 3.21 crore) as follows:

Elevated Expressway Corridor (EEC)

The amount estimated for this component was ₹ 344.13 crore. After adjusting towards tender percentage (i.e. 2.44 *per cent* less to the estimated value) the amount payable works out to ₹ 335.73 crore provided the estimated quantities are executed in full. However, there were major post tender reductions in the quantities executed as detailed in Table-19.

⁷⁷ Pamulaparathi Venkata Narasimha Rao

⁷⁸ M/s Simplex Infrastructures Limited – Somdatt Builders Private Limited (JV)

Table-19

Item	As per Internal Bench Mark (IBM)		Value (Rupees in crore)	As per execution/utilisation		Value payable (Rupees in crore)	Difference (Rupees in crore) (Col. 4-7)
	Quantity	Average Rate (Rupees)		Quantity	Rate ⁷⁹ (Rupees)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Concrete	168921 Cum	6565.77	110.91	161265 Cum	6405.55	103.30	7.61
Steel	40583 MT	32146.25	130.46	29591 MT	31361.88	92.80	37.66
HTS strands	3880 MT	81912.95	31.78	2538 MT	79914.27	20.28	11.50
Total							56.77

Hence, the amount payable to the contractor works out to ₹ 278.96 crore (₹ 335.73 crore – ₹ 56.77 crore). As against this, the amount scheduled for payment was ₹ 362.42 crore⁸⁰ resulting in an undue benefit of ₹ 83.46 crore (₹ 362.42 crore – ₹ 278.96 crore) to the contractor for this component.

Trumpet Interchange

When the estimate was initially prepared, it was envisaged in the scope of work that Trumpet Interchange would be constructed for a length of 115 metres at a cost of ₹ 16.72 crore. Subsequently, the estimate was revised taking the length as 1,992 metres⁸¹ at a cost of ₹ 59.32 crore, thus boosting up the estimate by ₹ 42.60 crore. In the NIT the executable length was mentioned as 115 metres only and the contractor also executed accordingly. Therefore, after adjusting the tender percentage (i.e. 2.44 per cent less to the estimated value) towards the initial estimated value of ₹ 16.72 crore (for 115 metres length) the value of Trumpet Interchange works out to ₹ 16.31 crore. However, for this component the amount scheduled for payment was ₹ 19.52 crore⁸². This resulted in an undue benefit of ₹ 3.21 crore (₹ 19.52 crore - ₹ 16.31 crore) to the contractor.

Thus, in the above works, the benefit of post tender reduction in quantities did not accrue to the Government and thereby undue benefit of ₹ 86.67 crore was passed on to the contractor.

Government in their reply (June 2010) stated that bill of quantities (BOQ) were not given as it was an EPC contract. It also stated that, only scope of work and basic parameters would be defined in the bid documents. Besides, arriving of IBM had no bearing on the financial bids and in any case was not the criteria for selection and that it can also be construed that the amount quoted for the work by the successful bidder was quite competitive.

⁷⁹ Rate adjusted for tender percentage (-) 2.44 per cent

⁸⁰ ₹ 349.22 crore paid as on June 2010

⁸¹ Area (34257.51 Sq metres)/breadth (17.2 metres)

⁸² ₹ 19.48 crore paid as on June 2010

The reply is not acceptable for the following reasons:

- (i) Correct computation of IBM value assumes significance as this serves as the internal bench mark for arriving at the five *per cent* ceiling limit stipulated by the Government. But the work was awarded to the contractor for a value of 15.82 *per cent* in excess⁸³ of five *per cent* ceiling prescribed by the Government due to inflated estimates.
- (ii) While for the non-disclosure of BOQ in NIT, the Government cited EPC guidelines, it has violated the same guidelines of EPC with regard to price adjustment clause. Though EPC guidelines specifically prohibited price adjustment during the operation of the contract, Government had incorporated this clause in the agreement towards price rise in steel, cement, fuel, etc. While EPC turnkey guidelines prescribe that the fixed price contract is free from variation of market prices, the insertion of price variation clause in the agreement confers undue benefit of ₹ 43.02 crore (as of March 2010) to the contractor and is detrimental to the Government's interest.
- (iii) In this connection Audit had already recommended⁸⁴ that all conditions/ clauses in tender schedules and agreements in EPC contracts should be examined in consultation with the Law Department and suitable changes/ provisions may be made to safeguard the Government interest in EPC system of contract. But this was not taken into account by the Government while replying to the audit observation.

83

IBM value arrived at by the HMDA	₹ 450.00 crore
<i>Less:</i> Undue benefit	₹ 86.67 crore
Realistic IBM value works out to	₹ 363.33 crore
Bid amount quoted by the contractor	₹ 439.00 crore
Difference between IBM and bid value	₹ 75.67 crore
Percentage of bid value over IBM	20.82

⁸⁴ Para 3.2.13 – Performance review on ‘Godavari Water Utilisation Authority’ which featured in the CAG’s Audit Report (Civil) for the year ended 31 March 2007

3.4.9 Undue favour to bidders due to non-adherence to tender conditions

Non-adherence to the tender conditions resulted in undue favour of ₹ 239.88 crore to the bidders.

For development of land in the adjoining area of Hyderabad city i.e. Miyapur and Kokapet villages, Hyderabad Metropolitan Development Authority auctioned land admeasuring 23.11 acres (September 2007) and 75 acres (February 2008) to the highest bidders i.e. Mantri Developers and DLF Home Developers Limited for a total sale consideration of ₹ 168 crore and ₹ 751.50 crore respectively. As per the bidding conditions, 25 per cent of sale consideration was to be paid as initial deposit (ID) and the balance 75 per cent of total sale consideration was payable within 30 days. In case the bidder failed to pay the balance sale consideration within the stipulated time, the ID amount in full and Earnest Money Deposit (EMD) were to be forfeited.

In the above two cases, though the bidders failed to pay the balance sale consideration within stipulated time of 30 days, the EMD and the ID amounts were not forfeited resulting in loss of revenue as detailed in Table-20.

Table-20

(Rupees in crore)

Name of the bidder	Extent of land	Initial deposit of 25% + EMD	Date by which balance 75% is to be paid	75% of sale consideration to be paid	Total sale consideration payable
Mantri Developers Pvt. Ltd.	Ac 23.11	41 + 1	16.10.2007	126.00	168.00
DLF Home Developers Ltd.	Ac 75.00	187.88 + 10	18.03.2008	563.62	751.50
Total		239.88			

DLF Home Developers, instead of paying the balance amount, represented (May 2008) for handing over the possession of land equivalent to the value of 25 per cent of sale consideration already paid. Similarly, Mantri Developers also represented (May 2010) to adjust the initial deposit in their future projects. The Metropolitan Commissioner, HMDA consenting to both the requests, allotted 18.75 acres land to the DLF Home Developers Limited and the initial deposit (₹ 42 crore) of Mantri Developers was treated as an advance for future projects.

Forfeiture clause meant that the amounts already paid would accrue to the Government with no obligation to give any land or adjust against any other transaction. The purpose of the clause was to bring about seriousness on the part of the bidders and to avoid speculation. This was however, not enforced resulting in vitiation of the tender process. Thus, non-adherence to the tender conditions resulted in granting of undue favour of ₹ 239.88 crore (₹ 42 crore + ₹ 197.88 crore) to the two bidders.

The matter was reported to Government in June 2010 (also reminded in August 2010); reply had not been received (November 2010).

3.4.10 Award of work at higher than lowest bidder's price

Deficient bidding procedure led to award of work for a value higher than the lowest quoted value by ₹ 23.68 crore in Package-II of Phase-I of Outer Ring Road project in Hyderabad.

With a view to decongesting the traffic within the city of Hyderabad and for the development of well connected urban settlements around the Hyderabad Metropolitan area, Hyderabad Metropolitan Development Authority (HMDA) took up the construction of 162 km long outer ring road (ORR) project. The project is being executed in two phases⁸⁵.

Phase-I of the work was divided into two packages⁸⁶ and awarded (June 2006) to two international firms for an aggregate contract value of ₹ 514.83 crore⁸⁷, with the stipulation to complete the works within 30 months. Phase-I works are in progress.

The Notice Inviting Tender (NIT) prescribed that if the same party emerges as L1 in both the packages, the contract will be awarded for only one package to the party and the other package would be awarded to another party. This clause had the following deficiencies:

- (i) Restricting the award of work to only one contractor deprived HMDA of the best price through competitive bids.
- (ii) In case HMDA was keen to restrict the award of one package to one contractor, the NIT should have stipulated automatic matching with L1 price to be eligible for award of contract. Such a clause would have ensured that packages are awarded only at the L1 price. Such a condition was missing. This resulted in award of work for a value higher than the lowest quoted value by ₹ 23.68 crore. The details are given below:

Ten firms submitted their bids for Phase-I works. The contract for Package-I was awarded to Corporation Transstroy OSJC, Russia as it offered the lowest price (L1). In the case of Package-II also, Corporation Transstroy OSJC, Russia was the lowest and Continental Engineering Corporation, Taiwan was the second lowest (L2). The package was awarded (June 2006) to L2 despite quoting a value higher than L1 by ₹ 23.68 crore as detailed in Table-21.

Table-21

Package No.	Contractor	Quoted value (Rupees in crore)	
II	Corporation Transstroy OSJC, Russia	(L1)	271.41
	Continental Engineering Corporation, Taiwan	(L2)	295.09
Difference			23.68

⁸⁵ Phase-I: 24.380 km and Phase-II: 138 km

⁸⁶ Package-I: 11 km (from Gachibowli to AP Police Academy) and Package-II: 13.380 km (from AP Police Academy to Shamshabad)

⁸⁷ Package-I: ₹ 219.74 crore and Package-II: ₹ 295.09 crore

It was replied (July 2009) that, with a view to ensuring timely completion of the project the work was awarded to the second lowest bidder (L2) as mobilisation of adequate resources including technical personnel by the same agency (L1) may not be possible.

The reply is not acceptable in view of the following:

- Corporation Transstroy OSJC, Russia (L1) was short listed from technical angle in both the packages before opening the price bids. As firms execute several projects at a time at various places, the restrictive clause lacked justification. Nothing prevents the party from executing projects elsewhere.
- If it is still felt necessary to restrict the package to only one party, the NIT should have taken care of the deficiencies pointed out above.

Thus, due to award of work in Package-II at L2 price of ₹ 295.09 crore which was higher than L1 price of ₹ 271.41 crore HMDA had to incur extra expenditure of ₹ 23.68 crore.

The matter was reported to Government in June 2010 (also reminded in August 2010); reply had not been received (November 2010).

3.4.11 Additional financial burden

Utilisation of loan amounting to ₹ 500 crore by the HMDA was not in pursuance of its objectives and functions, which also resulted in additional financial burden of ₹ 95.17 crore towards interest on the loan.

Section 6 of [Hyderabad](#) Metropolitan Development Authority (HMDA) Act *inter alia* includes the following objectives/functions of HMDA:

- prepare and prioritise the implementation of Metropolitan Development and Investment Plan;
- undertake execution of projects and schemes as per the Plan;
- coordinate execution of various projects or schemes for planned development with local bodies as an apex body;
- approve land acquisition programme/proposals of the local authorities; and
- acquire movable and immovable property.

Audit observed that the HMDA raised (July 2008) a short term loan of ₹ 500 crore from a bank⁸⁸ at 11.75 *per cent* interest per annum by pledging land⁸⁹ alienated to it. The amount was remitted (July 2008) to Government Account under the head Miscellaneous Receipts. Since the HMDA could not repay the loan, at the request (December 2008) of the HMDA the bank rescheduled (March 2009) the loan duly revising the rate of interest to 12.50 *per cent* per

⁸⁸ Indian Overseas Bank, Himayatnagar Branch, Hyderabad

⁸⁹ 400 acres in Sultanpur and 200 acres in Ameenpur of HMDA jurisdiction

annum. As of January 2010, HMDA did not repay the loan amount but an amount of ₹ 95.17 crore had to be paid from its own revenues towards interest on the loan when its own financial condition⁹⁰ was precarious.

When the utilisation of loan by the HMDA for purposes not connected with its core objectives/functions was pointed out, it was replied (April 2010) that the loan was raised to support finances of the State Government. As per the guidelines (July 2006) of Reserve Bank of India (RBI), the banks should ensure that the loans/investments are not used for financing of the State Governments. To circumvent this requirement, the HMDA gave incorrect declaration to the bank that the loan would be utilised for meeting the short-term liquidity mismatch. The raising of loan by HMDA was not in consonance with its objectives and functions and also resulted in additional financial burden of ₹ 95.17 crore (as of January 2010) towards interest cost on the loan.

The matter was reported to Government in June 2010 (also reminded in August 2010); reply had not been received (November 2010).

**MUNICIPAL ADMINISTRATION AND URBAN
DEVELOPMENT DEPARTMENT
(Tirupati Urban Development Authority)**

3.4.12 Tirupati Integrated Temple Tourism Township Project

Undue favours to M/s Emmar MGF Land Limited resulted in entering into a revised agreement which assures revenue of ₹ 580 crore less than the initial offer.

Tirupati Urban Development Authority (TUDA) took (March 2006) possession of Government lands (145.61 acres⁹¹) in Surappakasam village for setting up a Satellite Township. Even before proposals from private parties were invited, M/s Emmar MGF Land Private Limited (Developer)⁹² submitted (May 2006) within a short span of a month a *suo-motu* proposal for development of Integrated Temple Tourism Township (Project) on Swiss Challenge Method⁹³ under Public Private Partnership Mode as per the AP Infrastructure Development Enabling Act, 2001 (Act). The Developer offered 25 *per cent* share of the gross revenues of ₹ 3,287 crore which works out to ₹ 821.76 crore over eight years in addition to the development fee of ₹ 15 crore payable upfront. TUDA entered into (June 2006) a Memorandum of Understanding (MoU) with the Developer for taking up the Project by treating him as the Original Project Proponent (OPP).

⁹⁰ Outstanding loan amount (excluding the loan): ₹ 466.21 crore

Excess expenditure over income: in 2007-08 - ₹ 1.61 crore; in 2008-09 - ₹ 26.83 crore

⁹¹ at the market rate of ₹ one lakh per acre, as assessed by the District Collector

⁹² The Company was subsequently converted into Public Limited company

⁹³ Means when a private sector participant submits an unsolicited or *suo-motu* proposal for undertaking a project, not already initiated by the Authority

In terms of the provisions of the Act, TUDA called (July 2006) for counter proposals. An extremely short period of 13 days in two short spells was given which was grossly inadequate for any party to submit an offer given the substantial size and volume of the project. Consequently, there was no response. The Development Agreement-cum-General Power of Attorney was concluded (August 2006) with the Developer. A small sum of ₹ 4 crore was collected as against the token amount of ₹ 15 crore which the party had offered to pay. On the plea of not having taken prior approval of the Government, the advance of ₹ 4 crore was also refunded to the party and the agreement was cancelled (October 2006). The party was given the benefit of submitting a fresh offer instead of calling for open bids. While Government approval was necessary, the contractual relationship was between TUDA and the Developer. Apparently, the Developer was not keen to persist with the initial offer else he would have challenged this cancellation.

In response to the invitation of TUDA to submit a fresh offer the Developer submitted (March 2007) a revised proposal offering 15 *per cent* share of the gross revenues of ₹ 1,610 crore which works out to ₹ 241.61 crore over eight years in addition to the development fee of ₹ 15 crore and ₹ 5 crore as advance payment to be adjusted against the revenues payable to TUDA in the first year of the development period. TUDA again invited (May 2007) counter proposals giving a time limit of 60 days (by 9 July 2007). Two companies⁹⁴ submitted their counter proposals. The Consultant reportedly evaluated the two commercial offers and the offer of the OPP according to the Evaluation Financial Model (a model calculation sheet included in the Request for Proposal) and ranked the commercial offer in terms of net present value (NPV) of the OPP as the highest and recommended to issue the 'letter of award' to OPP. As per the Central Vigilance Commission's (CVC) guidelines of September 2003, pre-qualification criteria, performance criteria and evaluation criteria should be incorporated in the bid documents in clear and unambiguous terms for evaluation of bids in a transparent manner. In the instant case, to arrive at the NPV and to evaluate the commercial offer, yearly returns offered by the two companies were required to be considered in accordance with the Evaluation Financial Model. The competing counter offers did not indicate the yearly cash flows to TUDA as they were asked to offer revenue only in percentage terms. TUDA too did not have this information as well as the basis for such evaluation made by its consultant. Thus, there was no transparency in arriving at the NPV of each of the competitors by the consultant and hence the rates were not comparable. As full particulars of the offers made by the parties were not made available by TUDA, Audit could not assess the correctness of evaluation of the offers.

TUDA entered into a Development Agreement with the Developer in September 2007. It received (September 2007) ₹ 4 crore as advance instead of ₹ 20 crore. The Developer submitted (November 2007) a BG for ₹ 16 crore which was valid upto 12 November 2008. The currency of the BG was extended (12 November 2008) by one more year.

⁹⁴ Larsen & Toubro Limited and Ramky Infrastructure Limited (a consortium)

As the Developer did not pay the balance development fee and failed to fulfil contractual obligations even as of September 2009, TUDA realised (September 2009) the amount of ₹ 16 crore by invoking the BG after issue of notices to the Developer. The Government, however, directed (January 2010) TUDA to return the BG amount and approve the Detailed Project Report (DPR) submitted by the Developer. The DPR submitted in November 2009 promised revenues of only ₹ 191.81 crore as against the already reduced offer of ₹ 256.61 crore.

As of June 2010, the BG amount of ₹ 16 crore was returned to the Developer. The agreement for the revenues of ₹ 256.61 crore was not cancelled and instead Government fixed (July 2010) the Drop Dead Date⁹⁵ (DDD) as 15 July 2010 as against the request of the Developer to extend the DDD upto 31 May 2010 (an unsolicited additional time of 45 days). This led to the party holding the precious land raising the potential risk of fuelling speculation with very little of its funds being blocked. As a result, although the offer was received way back in May 2006, the land remains to be developed (June 2010).

Thus, lack of transparency and undue favours to M/s Emmar MGF Land Limited resulted in the TUDA entering into a revised agreement which assures revenue of ₹ 580 crore less than the initial offer.

The matter was reported to Government in June 2010 (also reminded in August 2010); reply had not been received (November 2010).

REVENUE DEPARTMENT

3.4.13 Alienation of Government lands

Undue benefit of ₹ 101.43 crore was passed on to parties under various categories and there was lack of transparency and fairness in allotment of lands.

Policy guidelines⁹⁶ (February 2005) stipulate that land shall be alienated at basic value for Accredited Journalists from recognised and registered newspapers and at market value for educational/charitable institutions, etc. A scrutiny (October – December 2009) of 50⁹⁷ out of 77 transactions⁹⁸ in [Chittoor](#) (18), [East Godavari](#) (12), [Karimnagar](#) (7) and [Visakhapatnam](#) (13) Districts relating to cases of land transferred⁹⁹ by Government during the period 2006-09 revealed the following.

⁹⁵ The date occurring upon the expiry of six months from the agreement date or such other date as may be agreed to in writing by the parties

⁹⁶ G.O. Ms. No. 243 of Revenue (Assignment-1) Department, dated 24 February 2005

⁹⁷ 627.84 acres

⁹⁸ 5208.72 acres

⁹⁹ Housing, Institutional and Commercial purpose

Fixation of land cost

Audit observed that, Government, in violation of the orders, alienated lands at rates much less than the basic value/market value. There were wide variations in the ratio of allotment price to the market price even though the purpose of utilisation of the land was the same. Scrutiny of cases of lands alienated during 2006-09 in the four districts revealed that a total undue benefit of ₹ 101.43 crore was extended to 12 beneficiaries (extent of land involved: 159 acres) in allotment of Government land as discussed below category-wise.

- In three cases where land was allotted for housing purposes Government alienated land at 64 to 93 *per cent* less than the basic value. The total undue benefit in the three cases was ₹ 61.10 crore.
- In three other cases where land was allotted for educational purposes, Government alienated land at 83 to 85 *per cent* less than the market value. The total undue benefit in the three cases amounted to ₹ 21.58 crore.
- In three other cases, land was allotted for infrastructure purposes at rates less than the market value as detailed below. The total undue benefit amounted to ₹ 18.64 crore.

Details are given in [Appendix-3.11](#). Some of the significant cases for each category are illustrated below:

Details of land allotted	Audit findings
<p>Purpose: Housing plots</p> <p>Beneficiary: The Accredited Journalist Sangham-2005, Visakhapatnam</p> <p>Extent/Village/Mandal: 14 acres of land in Sy. No. 336 and 337 of Madhurawada village of Visakhapatnam (Rural) Mandal</p> <p>Price charged (P): ₹ 740 per Sq yard</p> <p>Basic value (M): ₹ 9,000 per Sq yard</p> <p>P/M: 0.08</p>	<p>The land was alienated (February 2009) only for ₹ 5.01 crore (eight <i>per cent</i> of the basic value) instead of ₹ 60.98 crore, thus extending undue benefit of ₹ 55.97 crore to the party.</p>
<p>Purpose: Setting up of Educational institutions</p> <p>Beneficiary: Ambedkar Educational and Welfare Society, Srikakulam</p> <p>Extent/Village/Mandal: 15 acres in Bakkannapalem village of Visakhapatnam (Rural) Mandal</p> <p>Price charged (P): ₹ 6 lakh per acre</p> <p>Market value (M): ₹ 40 lakh per acre (which is not arrived through auction route)</p> <p>P/M: 0.15</p>	

<p>Best practices:</p> <p>For ascertaining the best practices, Audit checked up the procedure followed by ‘City and Industrial Development Corporation of Maharashtra Limited’ (CIDCO). As per this procedure, plots are allotted to educational institutions from the lands reserved for the purpose and at a predetermined discounted rate generally applicable to any allottee for a similar purpose.</p> <p>Further, the institute is required to fulfill certain pre-determined conditions like (a) having a minimum of ten years experience in running an educational institute, (b) above 85 <i>per cent</i> pass percentage in the past three years and (c) sound financial position to complete the project within the stipulated time period.</p> <p>The above procedure would ensure that the land is utilised for setting up of institutions only by eminent educational institutions ensuring quality education.</p>	<ul style="list-style-type: none"> • Government alienated (August 2007) the land to the Society for ₹ 90 lakh much less than the market value (₹ 6 crore) extending an undue benefit of ₹ 5.10 crore to the beneficiary. • While alienating the land, Government had not examined the past experience of the allottee in running educational institutions. The Society was established in 2005 and there was no evidence of this Society running any educational institution. <p>The Collector did not specify the purpose of construction activity to be taken up and did not also prescribe the time period before which the construction activity should be completed.</p> <p>Though the land was alienated at a rate much less than the market value, the Collector did not prescribe any conditions to the Society in connection with passing on the benefit like reduction of fees, etc. to the students.</p> <p>The Society was permitted (April 2008) to mortgage the land to a bank for taking up construction. Thus, it is evident that the Society was not financially capable to complete the proposed project on its own. There is no assurance that amount so raised would be fully utilised for setting up the educational institution.</p>
<p>Purpose: Construction of a cluster cottages for aged people and orphans</p>	<p>Government alienated the land at a rate (₹ 5.63 crore) much less than the market value (₹ 18.76 crore) thereby extending an undue benefit of ₹ 13.13 crore to the beneficiary.</p>
<p>Beneficiary: Hayagreeva¹⁰⁰ Farms and Developers, Visakhapatnam</p> <p>Extent/Village/Mandal: 12.51 acres in Sy. No. 92/3 of Endada village of Visakhapatnam (Rural) Mandal.</p> <p>Price charged (P): ₹ 45 lakh per acre</p> <p>Market value (M): ₹ 1.50 crore per acre (which is not arrived through auction route)</p> <p>P/M: 0.3</p>	<p>Land was to be alienated only after full realisation of the cost. In the above case however, the beneficiary was yet to pay ₹ 4.86 crore (February 2010).</p>

¹⁰⁰Land yet to be handed over to the firm

<p>Purpose: Industrial/Business</p> <p>Beneficiary: M/s Sudarshan Steels Limited, Visakhapatnam</p> <p>Extent/Village/Mandal: Five acres in Visakhapatnam</p> <p>Price charged (P): ₹ 25,000 per acre</p> <p>Market value (M): ₹ 75.00 lakh per acre (which is not arrived through auction route)</p> <p>P/M: 0.003</p>	<p>In violation of the AP Assigned Lands (Prohibition of Transfer) Act, 1977, the beneficiary purchased (1981) five acres of assigned land and applied (October 1986) for its alienation in their favour for establishment of steel industry. Though the area falls under residential zone, Government alienated the land (1988) at ₹ 25,000 per acre for setting up of industry which had never taken place.</p> <p>Government issued (April 2000) notice to the firm for cancellation of alienation. The firm again approached (December 2005) for alienation of the same land for Tourism project and Government alienated (September 2008) the land to the same defaulted company at the old rate of ₹ 25,000 per acre instead of at the prevailing market value thereby extending an undue benefit of ₹ 3.74 crore to the firm.</p> <p>Thus, undue favour was extended to the firm at every stage and the beneficiary was allowed to keep the land idle which has the risk of fuelling speculation.</p>
<p>Purpose: Construction of community projects</p> <p>Beneficiary: AMG India International, Kakinada</p> <p>Extent/Village/Mandal: 7066 Sq yard of land in Kakinada</p> <p>Price charged (P): ₹ 500 per Sq yard</p> <p>Market value (M): ₹ 3,000^s (which is not arrived through auction route)</p> <p>P/M: 0.17</p>	<p>Rules prescribe that alienation of State land shall be made after collecting the market value of the land.</p> <p>Government alienated the land at a rate (₹ 35.33 lakh) much less than the market value (₹ 2.12 crore) thus extending an undue benefit of ₹ 1.77 crore to the beneficiary. Interestingly, in this case, the beneficiary expressed his willingness (November 2005) to pay ₹ 1,400 per Sq yard for the land and even this rate was not charged.</p>

- In three other cases (details in [Appendix-3.11](#)) where land was alienated for community halls, the land was alienated at 73 *per cent* less than the market value. Government collected a meagre amount of ₹ 30,000 from the allottees against the market value of ₹ 10.98 lakh. Thus, undue benefit of ₹ 10.68 lakh was passed on to the parties.
- In another three cases where lands were allotted for religious purposes, there were wide variations in the ratio of allotment price to market price (from zero to twenty five *per cent*).

Non- utilisation of land for several years

Scrutiny of seven cases where Government alienated 25.48 acres of land between 1988 and 2008 (details are given in [Appendix-3.12](#)) revealed that the allottees had utilised only 0.46 acres (January 2010).

Non-finalisation of alienation proposals and non-realisation of land cost

Scrutiny revealed that, in 168 cases¹⁰¹ (extent of land: 4,839.17 acres) in the four districts, advance possession of the land was made during 1981 to 2009 but the allottees were utilising the land without making payment of the land cost.

Thus, even in the test checked cases alone, the Government not only did not observe the principles of transparency and fairness in alienation/allotment of land but also fixed the prices much below the basic/market price. This led to a total undue benefit of ₹ 101.43 crore to the parties as pointed out in above paras. Further, there was a failure on the part of the Government to prescribe a definite timeframe for utilisation of allotted lands and in case of default, repossessing the land for allotment to other parties which led to parties holding the precious land raising the potential risk of fuelling speculation besides the land not being available for use by other parties.

The matter was reported to Government in March 2010 (also reminded in May 2010); reply had not been received (November 2010).

REVENUE, ENERGY AND MINORITY WELFARE DEPARTMENTS

3.4.14 Power Project not set up even after 10 years

Despite facing serious power shortage, Government failed to cancel the allotment of land to a private party which failed to set up power plant and allot it to other parties willing to supply power at competitive rates.

Government alienated (April - May 1999) 1,122.38 acres of land in Devada Village of [Visakhapatnam](#) District to Hinduja National Power Corporation Limited (M/s HNPCL) for ₹ 26.63 crore¹⁰² for setting up a 'Thermal Power Station'. M/s HNPCL was however, given possession of the land without realisation (short collected: ₹ 16.42 crore) of the full amount.

Audit scrutiny (January - February 2010) revealed that the power plant proposed by M/s HNPCL had not come up and the prime source of the land remained unutilised as of February 2010. The agreement entered into with the M/s HNPCL stipulated that financial closure of the project should be achieved within 12 months of the date of agreement (15 April 1998). The project shall be completed within a period of 44 months from the date of financial closure. The date of financial closure was extended from time to time upto 31 March 2001. As per the undertaking furnished by M/s HNPCL, the balance amount towards the cost of the land was to be paid not later than six weeks from the date of financial closure. One basic flaw in the terms relating to handing over the land to M/s HNPCL was that it linked payment of the balance amount with

¹⁰¹ Chittoor – 53 cases (Ac 242.26), East Godavari - 4 cases (Ac 181.91),
Karimnagar - 103 cases (Ac 729.12) and Visakhapatnam - 8 cases (Ac 3685.88)

¹⁰² Land cost ₹ 25.25 crore (₹ 2.25 lakh per acre) plus developmental charges of ₹ 1.38 crore

financial closure of the project which never took place as the time limit was not enforced. In 2007, there were claims from Government Corporations like APGENCO¹⁰³/NTPC¹⁰⁴ for allotting the same land for the purpose of power generation. Requests were also made to the Government by APTRANSCO¹⁰⁵ for inviting open bids from private companies to fetch competitive lower power tariffs as against the supply of power by the M/s HNPCL on non-competitive rates. APTRANSCO also informed (February 2007) the Government that four DISCOMS¹⁰⁶ in the State had already signed power purchase agreements with NTPC in February 2007 for supply of power and NTPC had requested the Government to provide part of this land for expansion (Simhadri Extension project). APTRANSCO further informed that NTPC had proven track record of setting up of power plants and supply of power at low costs. Government did not explore these options but allowed the land to remain with the same private company (M/s HNPCL).

The legal advice given to the Government categorically stated (June 2005) that as M/s HNPCL had not paid the cost of land in full to the Government and also not fulfilled the condition of financial closure within the stipulated time, the contract with M/s HNPCL was no longer subsisting and deemed to have been closed as there was gross breach of contract by M/s HNPCL. However, this advice was ignored.

At this stage, the title of the land was vested with the AP Wakf Board as per the Judgment¹⁰⁷ (February 2004) of the Hon'ble High Court of Andhra Pradesh. The Government directed the Wakf Board to sell the land to M/s HNPCL at rates prevailing in the year 1999. The AP Wakf Board accordingly sold away (April 2008) their land to M/s HNPCL at old rates (1999) for a total consideration of ₹ 47.55 crore¹⁰⁸ as against the market value (January 2007) of ₹ 224.47 crore¹⁰⁹. On this being pointed out, the Principal Secretary to Government, Minorities Welfare Department, stated (March 2010) that this was done as per the orders of the Government as per Section 97 of the Act.

The reply of the Government is not acceptable as Section 51 of the Act clearly stipulates that sale of property shall be effected by public auction only. Section 97 read in conjunction with Section 96 deals with regulation of secular activities. Further, the whole Devada village was an Inam village granted by the former muslim rulers for purely religious and charitable service purpose. The action of the Government directing the Wakf Board to sell the land to M/s HNPCL at rates prevailing in the year 1999 without resorting to public auction was inappropriate and was in violation of the provisions of the Wakf

¹⁰³ AP Power Generation Corporation Limited

¹⁰⁴ National Thermal Power Corporation Limited

¹⁰⁵ Transmission Corporation of Andhra Pradesh Limited

¹⁰⁶ Distribution Companies

¹⁰⁷ WP No. 2364 of 2004

¹⁰⁸ including the interest amount of ₹ 20.93 crore payable @ 9 per cent for the first year and 15 per cent from the second year onwards till the date of payment from the date of taking possession of the land on the balance amount i.e. ₹ 16,41,48,075

¹⁰⁹ ₹ 20 lakh per acre (January 2007) (as assessed by the District Collector) X 1,122.38 acres

Act 1995. Conferring such a benefit is further objectionable as there is no condition stipulating supply of power at rates matching that of APGENCO/ NTPC.

Reply had not been received from Revenue and Energy Departments (November 2010).

3.5 General

Follow-up on Audit Reports

3.5.1 Non-submission of Explanatory (Action taken) Notes

As per the instructions issued by the Finance and Planning Department in November 1993, the administrative departments are required to submit Explanatory Notes on paragraphs and reviews included in the Audit Reports within three months of presentation of the Audit Reports to the Legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken.

However, as of October 2010, 16 departments had not submitted Explanatory Notes in respect of 68 paragraphs/reviews which featured in the Audit Reports for the years 1997-98 to 2008-09. The details are given in [Appendix-3.13](#).

3.5.2 Action not taken on recommendations of the Public Accounts Committee

The Finance and Planning Department issued (May 1995) instructions to all administrative departments and the Heads of Departments to submit the Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) within six months from the date(s) of receipt of recommendations. As of October 2010, the administrative departments concerned are yet to submit ATNs for 352 recommendations pertaining to the years 1962 to 2001-02. Of these, 213 ATNs (61 *per cent*) were due from Irrigation and Command Area Development Department alone. Details are given in [Appendix-3.14](#).

3.5.3 Lack of response to Audit

The Principal Accountant General (Civil Audit) (PAG) arranges to conduct periodical audit inspection of the Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). The Hand Book of Instructions for speedy settlement of audit observations/IRs issued (1995) by the Government in Finance and Planning Department also provides for prompt response by the Executive to the IRs issued by the PAG to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies and lapses noticed during inspection. A half-yearly report of pending IRs is sent to the Secretary of the department concerned to facilitate monitoring of the audit observations and its disposal. The Heads of offices and

the next higher authorities are required to comply with the observations contained in the IRs and rectify the defects promptly and report their compliance to the PAG.

The status of pendency of IRs/Paragraphs as at the end of June 2008, June 2009 and June 2010 is shown in Table-22.

Table-22

	Pending as at the end of		
	June 2008	June 2009	June 2010
Number of IRs	13669	11600	9970
Number of Paragraphs	47345	43267	41037

Of the 9,970 IRs containing 41,037 paragraphs pending as on 30 June 2010, even first replies had not been received in the case of 914 IRs and 6,157 paragraphs. The year-wise and department-wise break-up of these IRs and paragraphs is indicated in [Appendices 3.15](#) and [3.16](#) respectively. The Principal Secretaries/Secretaries, who were also informed of the position through half yearly reports, did not ensure prompt and timely action by the officers concerned. Lack of action on audit IRs and paras facilitate continuation of serious financial irregularities and loss to Government.

Constitution of Audit Committees

Government while accepting the recommendations of Shakhder Committee (High Powered Committee) instructed (November 1993) all the departments to nominate a designated Officer within the department for monitoring the follow-up action on audit observations. For regular review at higher levels, the departments were instructed to ensure that there should be a monitoring committee consisting of the Secretary of the Department and the Finance Secretary. Government also reformulated (June 2004) constitution of Audit Committees at three levels i.e. Apex level, Departmental level and District level for speedy settlement of audit observations. These three Committees are required to meet twice in a year (i.e. January and July), once in three months and once in two months respectively. The audit observations communicated in the Inspection Reports (IRs) are also discussed in the meetings at district level by the officers of the departments with the officers of the PAG's office.

The status of audit committee meetings held during 2009-10 is as discussed below:

- Though the Apex level State Audit and Accounts Committee is required to meet twice during the year 2009-10, it did not meet even once.
- Out of 34 departments, State level Departmental Audit Committee meeting was conducted during 2009-10 in Tribal Welfare Department (15 May 2009) only. No State level Departmental Audit and Accounts Committee meeting was held since reconstitution of the Committees in June 2004 in respect of 20 departments. The details are given in [Appendix-3.17](#).

- No District level Audit and Accounts and Monitoring Committee meeting was held in eight districts (Adilabad, East Godavari, Hyderabad, Mahbubnagar, Medak, Nalgonda, Nizamabad and Ranga Reddy). In the remaining districts, as against six meetings to be held in a year in each district, meetings were held only once in nine districts (Guntur, Karimnagar, Khammam, Krishna, Srikakulam, Visakhapatnam, Vizianagaram, Warangal and West Godavari), twice in five districts (Anantapur, Chittoor, YSR, Kurnool and Prakasam) and four meetings in SPS Nellore District.

This indicates lack of seriousness on the part of these departments in rectifying the deficiencies pointed out by Audit.

It is recommended that Government should (i) ensure timely and proper response to the IRs of the PAG, (ii) conduct Audit Committee meetings regularly for speedy settlement of pending IRs and paras and (iii) effect recoveries pointed out in the Inspection Reports, promptly.

Hyderabad
The

(G. N. SUNDER RAJA)
Principal Accountant General (Civil Audit)
Andhra Pradesh

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India