

PUBLIC ACCOUNTS COMMITTEE

(2007-2008)

XII LA

TWELFTH LEGISLATIVE ASSEMBLY

EIGHTH REPORT

ON

THE REPORTS OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA (CIVIL & REVENUE RECEIPTS) AND
APPROPRIATION ACCOUNTS FOR THE YEARS 1996-97,
1997-98 AND 1998-99 AND THE REPORT OF THE C & A G
OF INDIA (CIVIL) AND APPROPRIATION ACCOUNTS FOR
THE YEAR 1999-2000 PERTAINING TO IRRIGATION & CAD
DEPARTMENT

(Presented to the Legislature on **27 MAR 2008**)

(24 copies)

ANDHRA PRADESH LEGISLATIVE (P.A.C.) SECRETARIAT,
PUBLIC GARDENS, HYDERABAD-500004.

**ANDHRA PRADESH LEGISLATIVE ASSEMBLY
COMMITTEE ON PUBLIC ACCOUNTS
(2007-2008)**

(Constituted on 1ST August, 2007)

CHAIRMAN:

Sri Yanamala Ramakrishnudu

MEMBERS : (from Assembly)

2. Sri Gudibandi Venkata Reddy
3. Sri Gali Muddukrishnama Naidu
4. Sri Pithani Satyanarayana
5. Sri Bajireddy Goverdhan
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7. Sri Malreddy Ranga Reddy
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9. Sri S.C.V. Naidu
10. Sri Adala Prabhakara Reddy
11. Sri R. Venkata Reddy
12. Dr. Nagam Janardhan Reddy
13. Sri Kommuri Prathap Reddy
14. Sri Chada Venkat Reddy
15. Sri T. Veerabhadram

MEMBERS: (from Council)

16. Smt. M. Lakshmi Devi
17. Sri K. Bapi Raju
18. Sri Palvai Govardhan Reddy
19. Sri Ch. Sudhakar Rao
20. Sri D. Rami Reddy

SPECIAL INVITEES:

1. Sri Devineni Uma Maheswara Rao
2. Sri T. Jaya Prakash Reddy
3. Sri M. Venkataramana
4. Sri Komoreddi Ramlu
5. Sri Mohd. Moazam Khan
6. Sri G. Kishan Reddy
7. Sri M.A. Galoor
8. Sri Payyavula Keshav
9. Sri G.S.S. Sivaji
10. Sri N. Subrahmanyam
11. Sri Gangula Pratap Reddy
12. Sri G. Mukunda Reddy
13. Sri Sudarshan Reddy
14. Sri Mandadi Satyanarayana Reddy
15. Sri K. Premsagar Rao (from Council)
16. Sri R. Venkatram Reddy (from Council)

LEGISLATURE SECRETARIAT:

1. Sri K. Tuljanand Singh, Secretary
2. Sri K.A. Narasimha Raju, Deputy Secretary
3. Sri Mohd. Zaheeruddin, Assistant Secretary

INTRODUCTION

1. I, the Chairman of the Committee on Public Accounts (2007-2008) having been authorized by the Committee to present the Report, on their behalf, do present this Eighth Report on the Reports of the Comptroller and Auditor General of India (Civil & Revenue Receipts) and Appropriation Accounts for the years 1996-97, 1997-98 and 1998-99 and the Report of the C & A G of India (Civil) and Appropriation Accounts for the year 1999-2000 pertaining to Irrigation & C.A.D. Department.

2. The Reports of the Comptroller and Auditor General of India (Civil & Revenue Receipts) and Appropriation Accounts for the years 1996-97, 1997-98, 1998-99 and 1999-2000 were laid on the Table of the House on 29-04-1998, 19-03-1998; 27-03-1999, 26-02-1999 03-04-2000, 22-03-2000, 31-03-2001 and 28-02-2001 respectively.

3. The Committee examined the Reports of the Comptroller and Auditor General of India (Civil & Revenue Receipts) and Appropriation Accounts for the years 1996-97, 1997-98, 1998-99 and 1999-2000 pertaining to Irrigation & CAD Department at their sittings held on 8th, 9th Nov. 2004; 12th, 31st Jan; 9th Feb. and 9th Nov. 2005.

4. The Committee adopted the draft Report at its meeting held on 07-02-2008.

5. A statement showing the summary of Observations/ Recommendations of the Committee is appended to this Report.

6. A record of proceedings of the sittings of the Committee, which has been maintained from part of this Report.

7. The Committee place on record their appreciation of the assistance rendered to them by the Principal Accountant General (Civil Audit), Accountant General (C & R A), Andhra Pradesh and their Officers and Staff; Secretary to State Legislature and their Officers and Staff in the examination and preparation of the Report. The Committee would like to express their thanks to the officers of Irrigation & C.A.D. Department and other Officers and Staff of the Government of Andhra Pradesh for the co-operation in giving information to the Committee.

Hyderabad,
Dated: 07-02-2008.

YANAMALA RAMAKRISHNUDU,
CHAIRMAN,
Committee on Public Accounts.

REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS ON
THE REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA FOR THE YEAR ENDED 31 MARCH 1997
(CIVIL)

IRRIGATION AND COMMAND AREA DEVELOPMENT
DEPARTMENT

1. Avoidable payment of penal charges to Andhra Pradesh
State Electricity Board.

(Para 4.10/Pages 176 to 177 of Audit Report)

1.1 Mechanical and Stores Division, Nagarjunasagar Dam, Hill colony was availing High Tension (HT) power supply from Andhra Pradesh State Electricity Board (APSEB) with a Contracted Maximum Demand (CMD) of 1,300 KVA from July 1985 for the requirement on works and buildings situated at Camp Colony of Nagarjunasagar Project. According to the tariff conditions of the APSEB, the recorded maximum demand during a month in excess of CMD would be billed at twice the normal charges.

1.2 In view of the increased power requirements, the APSEB agreed to revise the CMD from 1,300 KVA to 1,500 KVA in August 1994 subject to payment of Rs. 1.40 lakh towards non-refundable development charges. The department, however, did not pay the development charges on grounds of paucity of funds inspite of availability of adequate savings in the maintenance estimates.

1.3 From August, 1994 onwards, the actual consumption further increased to a range of 1,564 KVA to 2,056 KVA. The department, however, did not approach APSEB for further enhancement of CMD till March, 1997. The department had to pay penal charges of Rs. 16.28 lakh due to its failure to avail itself of the additional CMD sanctioned by APSEB in August, 1994 for the period from August, 1994 to February 1997, which was avoidable.

1.4 Government replied that as per the approval given by the Member Secretary, APSEB, the amount of Rs. 1.40 lakh had to be remitted within 6 months. Immediately on receipt of the letter from the APSEB, Superintending Engineer, N.S. Dam Circle, addressed the Chief

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Engineer to authorise the Director of Accounts, N.S. Project, to pay Rs. 1,40,000/- for additional CMD of 200 K.V.A. over and above 1,300 K.V.A. The Chief Engineer, N.S. Project, Hill Colony, desired to know the reasons for the enhancement of CMD from 1,300 K.V.A. to 1,500 K.V.A. It was also replied that due to paucity of funds the payment could not be made within six months.

1.5 During oral evidence, the department had maintained that paucity of funds was the cause for non-payment of the developmental charges.

1.6 The Committee viewed the whole issue with utmost displeasure and expressed anguish over the department and the concerned officials for their carelessness, lethargy and lacking of ordinary financial prudence.

1.7 The Committee directed the Government to take action against the concerned officials and submit a report to the Committee.

2. Wasteful expenditure on Remote control equipment at Srirang Sagar Dam (Para 4.14/Pages 183 to 185 of Audit Report)

2.1 The work design, manufacture, supply and erection of Remote Control Equipment (RCE), a part of the work of manufacture, supply and erection of 42 sets of radial gates for spillway of Sriramsagar Dam, was entrusted (January 1980) to a contractor. The RCE costing Rs. 11.26 lakh was supplied in June, 1983 and erected at an additional cost of Rs. 1.00 lakh in September, 1984. The power supply was originally provided from both flanks of masonry dam and the radial crest gates were designed for operation alternatively from left and right flanks (i.e., 21 alternate gates from right flank and others from left flank). However, the department concluded the agreement with contractor for supply of RCE with arrangement for operation of all the gates from one side only without changing the existing power supply to suit the RCE. As a result, the contractor tested (June 1986) the RCE for 21 alternate gates from the right flank and requested the department to provide power source from right flank for testing the balance 21 gates also.

2.2 Though the department made available the power source from right flank of the dam for the balance 21 gates also in May, 1989 the contractor did not test the RCE for the balance gates even by the extended date i.e., 18 March, 1992. Meanwhile, an inspection of the equipment conducted in August 1992 revealed that the equipment got rusted and signal generators and command cables of all the gates were missing. The Department finally determined the contract in June, 1993 at the risk and cost of the contractor.

2.3 On the department's request one agency stated (November 1995) that the existing equipment was obsolete due to old technology and quoted (April, 1996) Rs. 71.40 lakh for supply of new equipment with latest technology. As the rates were abnormally high, the offer of the agency was not accepted. Thus, the expenditure of Rs. 12.26 lakh on RCE remained wasteful.

2.4 Government replied that inspite of countless notices issued to the firm requesting them to take up the balance work, the firm did not attend to the work. The testing of gates by remote control was not yet done. The assessment of this balance work was being done in consultation of other agencies.

2.5 The original firm furnished Bank Guarantees (BG) obtained from State Bank of India, Hospet for Rs. 7.81 lakhs towards the EMD. The BG was valid up to 20-05-1989. The validity of the BG was not extended by the firm beyond 20 May, 1989 even after relentless and vigorous pursuance made. When the department approached the Manager, SBI, Hospet for encashment of B.G., he expressed his inability to encash B.G. since the B.G. had not been extended by the firm. All the payments and deposits of the firm with Sriramsagar project were frozen.

2.6 It is proposed to get the work done either by private agencies or through mechanical organisation. Whatever the extra cost involved was to have been recovered from the original firm.

2.7 During oral evidence, Secretary deposed that they had withheld the payment. However, he stated that they would recover the amount and would inform the Committee accordingly.

2.8 The Committee viewed the whole issue with utmost displeasure and expressed surprise over non-recovery of the amount from the concerned contractor.

2.9 The Committee directed the Government to take immediate action in this regard and inform them accordingly.

3. Excess over reserve stock limits (Para 5.1 (ii)/Page 214 of Audit Report)

3.1 In two divisions of Nagarjuna Sagar Project (Mechanical Division, Hill Colony and Mechanical Stores Division, Tekulapally), the Reserve Stock Limits (RSLs) fixed by Government had exceeded by Rs. 29.03 lakh and Rs. 30.42 lakh. This was mainly due to holding surplus mechanical stores valued at Rs. 41.43 lakh and Rs. 55.72 lakh which were awaiting disposal from 1980 and 1973 respectively. In SRBC Division-I, Karivena, while the overall excess was Rs. 35.09 lakh, the excess under two out of six individual sub-heads was Rs. 33.64 lakh (Cement) and Rs. 11.25 lakh (Steel).

3.2 As regards surplus spares in Nagarjuna Sagar Project Mechanical Stores Division, Tekulapally, Government replied that action was being taken to dispose them off. As regards the excess material in SRBC Division, Karivena, it was stated that all efforts were being taken to issue them to the needy divisions.

3.3. During oral evidence, Secretary (P) deposed that he would examine the issue and take action.

3.4 The Committee directed the Government to take uniform policy applicable to all departments on the disposal of surplus/excess stores as there are lot of materials lying in the Government depots.

4. Surplus and obsolete stores (Para 5.1 (v)(a)&(b)/Pages 215 of Audit Report)

4.1 As per the Codal provisions, all stores which are not likely to be utilised during the 12 months following should be considered surplus and action should be taken to transfer the said surplus stores to other Divisions/Circles. If the stores could not be drawn by other

Divisions etc. in another one year the same should be disposed in public auction. However, 4 Divisions held surplus and obsolete machinery/spares valued at Rs. 1.29 crore declared surplus/obsolete between 1973 and 1993.

4.2 Mechanical Stores Division, Tekulapally had machinery spares valued at Rs. 57.81 lakh pertaining to heavy machinery procured in 1980 but was neither used nor declared surplus as of July, 1997. Division stated that the concerned works on which the machinery was to be used were closed and that the spares would not be required. It was further stated that the spares would be declared surplus after clearance by Survey Committee.

4.3 Government replied that in respect of N.S. Canals Division, Miryalaguda the Survey Committee had declared these spares as obsolete and fixed their release values. Accordingly, tenders had been floated for disposal of these spares through tender-cum-auction system and the action was in progress. In respect of NSP Mechanical Stores Division, Tekulapally spares worth of Rs. 56.39 lakh were disposed off. Tenders had been invited for disposing the balance spares worth of Rs. 96.00 lakh but there was no response. It was added in the reply that these spares would be disposed of treating them as scrap. In respect of NSP O & M Division, Tekulapally the Chief Engineer, Nagarjuna Sagar Project had instructed his Executive Engineers in May 1998 to circulate the list of surplus/dead stock to all the Superintending Engineers/Executive Engineers in the State for its disposal. In respect of Stores Division, NSRSP, Srisailam, the Chief Engineer, NSRSP Srisailam had informed that out of Rs. 124.00 lakhs of surplus reserve stock, where there was a surplus stock of a total value of Rs. 124.00 lakh, the Chief Engineer, NSRSP, Srisailam had stated that tenders were invited in March 2000 for disposal of stock valued Rs. 92.66 lakhs.

4.4 During oral evidence, the respective Chief Engineers stated that while some materials could be disposed off, there were certain difficulties in disposing of the others.

4.5 The Committee directed the Government to take appropriate action in this regard and submit action taken report in a short time.

REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS ON THE
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF
INDIA FOR THE YEAR ENDED 31 MARCH 2000 (CIVIL)

**IRRIGATION AND COMMAND AREA DEVELOPMENT
DEPARTMENT**

**5. Unproductive expenditure on surplus work charged staff
(Para 4.1/Page 113 to 114 of Audit Report)**

5.1 According to the ENC 3100 work charged employees were surplus in the department as of December, 1995. Although ENC stated (in reply to audit observation) that action was being taken to redeploy the surplus staff. It was noticed in audit that even as of June 2000 as many as 2429 employees remained surplus in 5 major irrigation projects, 25 medium irrigation projects and other organisations under the control of C.E., Mechanical, Administrator-cum-Chief Engineer, Command Area Development Authority and Chief Engineer, Investigation. An expenditure of at least Rs. 34.78 crore was incurred between November, 1995 and June, 2000 on the wages of these surplus staff, computed at the average of the prevailing scales of pay. Despite existence of this surplus staff, 11 Executive Engineers in TGP engaged personnel, separately on daily/hourly basis and incurred expenditure aggregating to Rs. 31.43 lakh during 1995-96 to 1999-2000 on their salaries.

5.2 Thus, there was a continuing liability of over Rs. 11.41 crore per annum to Government on the surplus establishment. No serious attempts were made to prune down this unproductive expenditure by re-deploying the entire surplus work-charged staff where their services could be utilized fruitfully.

5.3 Government replied that as of 31-03-2001, the surplus work-charged establishment personnel in Irrigation and CAD Department had been considerably reduced to 2009.

5.4 During discussion, the Chief Engineer replied that over a period of five years staff was redeployed to other units and other departments. As on 30 September 2005 the same was reduced to 936.

5.5 The Committee, while recommending redeployment of the surplus work-charged staff to needy units/new projects coming up suggested not to recruit work-charged staff in future.

**6. Avoidable expenditure due to by passing the Commissioner,
Information and Public Relations in publication of
notifications
(Para 4.4/Page 117 of Audit Report)**

6.1 Scrutiny in audit of the expenditure of Rs. 1.30 crore incurred by Special Deputy Collector (SDC), Land Acquisition, LMD Colony, SRSP, Karimnagar between March, 1997 and March, 1999 on publication of 306 notifications in 16 newspapers revealed that the layout (size of the font, spacing between lines, etc.) in print in respect of 262 cases was blown up out of all proportion to the pattern generally adopted by the newspapers. The Commissioner to whom a reference was made by audit for his comments opined (May, 2000) that the sample notification referred to which occupied 596 sq. cm. could have been printed in a space of 68 sq. cm. (in 11 per cent of the space actually occupied). There was thus a failure on the part of the SDC/SC to specify the size and specifications of the notifications to the newspapers. The SDC also failed to check the reasonableness of the disproportionately larger layouts at least before making payment to the press and in stopping release of further advertisements with that blown up size. This was indicative of lack of even ordinary prudence on the part of the SDC in spending public money.

6.2 Reckoned at 89 per cent of the unwarranted space as opined even by the Commissioner in the sample case referred to him the avoidable expenditure in all the 262 notifications released at a total cost of Rs. 1.19 crore (March, 1997 to March, 1999) worked out to Rs. 1.06 crore.

6.3 Government in their Explanatory Note to the audit para stated that this case was entrusted to the Director General, Anti-Corruption Bureau (ACB) with a request to investigate the issue with reference to all the publications issued by the Special Deputy Collector, LA Unit, LMD Colony, Karimnagar during the period from March, 1997

to March, 1999 and for submission of a detailed report for taking action against the persons/ officers responsible for the lapse.

6.4 During discussions, the Secretary to Government in the I & CAD Department reiterated that the case was referred to ACB and action would be taken on receipt of Report from the ACB.

6.5 The Committee viewed the whole issue with utmost displeasure and urged the concerned to take immediate action in this regard.

SRISAILAM RIGHT BANK CANAL SCHEME

7. Unfruitful outlay on incomplete buildings (Para 4.9/Page 123 of Audit Report)

7.1 The SE, SRBC Circle-3, Nandyal entrusted certain building works relating to five estimates of the SLBC scheme to a contractor (the lowest tender in all the cases) in March 1994 for an aggregated contract value of Rs. 30.36 lakh, for completion in 10 months. The contractor abandoned the works between April, 1994 and August, 1995 at different stages like lintel, basement etc., and did not resume. The quality of the work would have seriously deteriorated due to long years of exposure. The Executive Engineer, SRBC division 3-2, Banganapalli (EE), however, closed the contracts only in February, 1999 (after a lapse of more than 3 years) with forfeiture of the deposits (Rs. 0.86 lakh) of the contractor. The works were not re-tendered as of May, 2000. While the value of works executed by the contractor was Rs. 5.11 lakh, a quantity of 145.66 metric tones (MT) of cement and 18.297 M.T. of steel costing Rs. 5.45 lakh in all supplied by the Department was left with him. The EE did not either get back the materials or recover the cost thereof which worked out to Rs. 12.87 lakh at penal rates. As a result, the expenditure of Rs. 10.56 lakh (value of work done Rs. 5.11 lakh plus Rs. 5.45 lakh cost of materials) was rendered wasteful owing to the desertion of work for over six years. EE took no action to fix responsibility for issue of materials in excess of immediate requirement.

7.2 Government replied that concerned field officers had issued excess materials over and above the theoretical requirement in anticipation that the contractor would carry out the works without

any break. The contractor neither resumed the work nor handed over the excess materials. An amount of Rs. 5.75 lakh was withheld from the final bills of other works of same contractor. The contracts for the works in question were terminated under clause 61 of PS to APDSS in May, 2001. The cost of excess materials issued to the contractor worked out to Rs. 10,44,554/-. At this juncture, it was found that one Sri S. Munivelu, Assistant Executive Engineer who was in-charge of the building works had mismanaged the issues of materials by issuing fake USRs for cement costing Rs. 1,52,410. After verifying the calculations, the recovery from the contractor in issuing excess materials with 10% storage charges and 100% surcharge worked out to Rs. 7,24,502/-. An amount of Rs. 7,63,373/- (Rs. 5,90,000/- from works bills + Rs. 1,73,373/- deposits) was adjusted from the work bills and deposits of the contractor. As such no amount was due from the contractor towards the cost of excess materials issued. It was added in the reply that the balance building works were not taken up by the department as the project works pertaining to SRBC divisions Nos. I & II were nearing completion at the time of termination of contracts. It was also added in the reply that the contention of Audit that the "Expenditure of Rs. 10.56 lakh on the works remained unfruitful and cost of the excess materials worth Rs. 12.87 lakh issued to the contractor was not recovered" was not maintainable. For audit's further contention that the "Executive Engineer, SRBC Division No. 3-2, Banganapally delayed by 3 years the closure of contracts for works abandoned by contractor and failed to re-entrust the balance works" it was stated that 10 officers were identified responsible for the lapse, that necessary disciplinary action had already been initiated against them, that show cause notices were issued, replies also received and that the replies were under examination at Government level.

7.3 Subsequently, based on a written examination of defence submitted by some of the officers and after examination of the written statements of defence, the Government dropped further action against the officers (except Sri K. Munivelu, AEE) vide their orders issued in G.O.Rt. No. 1289, Irrigation & CAD (Cad, Ser. II-I) Department, dated 26-10-2004.

7.4 During oral evidence, Principal Secretary deposed that they would verify the case pending with APAT and take action to get the stay vacated and to complete the enquiry as also to get the amount recovered from the Assistant Engineer.

7.5 The Committee viewed the whole issue with utmost displeasure and urged to take action on the case pending with APAT as also in the matter of recovery from Assistant Engineer.

**8. Advance payments pending recovery from suppliers
(Para 4.18.4 (b)/ Page 134 of Audit Report)**

8.1 Seventeen public works divisions placed orders on M/s AP Steels Limited (a State Government Undertaking) during 1982 to 1994 for supply of steel. The Undertaking was wound up during 1994-95, when Rs. 1.51 crore advanced to it remained unadjusted. The Hon'ble High Court of Andhra Pradesh had appointed an Official Liquidator in April 1996. Out of seventeen divisions one division only (TGP Division, Somasila at Kothur) had lodged a claim with the Official Liquidator for Rs. 1.83 lakh in October, 1996. No action was initiated by the other Executive Engineers in respect of advances paid by them.

8.2 During oral enquiry the Principal Secretary, while stating that liquidator was appointed, promised that further action would be taken basing on the report of the liquidator.

8.3 The Committee viewed the whole issue with utmost displeasure and expressed anguish over the abnormal delay of 6 years. They came to the conclusion that the Department was not initiating proper action and was not taking any responsibility.

8.4 The Committee directed the Government to give a Report on this issue within one month. The Committee also directed to summon the official liquidator to attend the meeting.

SUMMARY OF RECOMMENDATIONS :

1. The Committee viewed the whole issue with utmost displeasure and expressed anguish over the department and the concerned officials for their carelessness, lethargy and lacking of ordinary financial prudence. (1.6)
2. The Committee directed the Government to take action against the concerned officials and submit a report to the Committee. (1.7)
3. The Committee viewed the whole issue with utmost displeasure and expressed surprise over non-recovery of the amount from the concerned contractor. (2.8)
4. The Committee directed the Government to take immediate action in this regard and inform them accordingly. (2.9)
5. The Committee directed the Government to take uniform policy applicable to all departments on the disposal of surplus/excess stores as there are lot of materials lying in the Government depots. (3.4)
6. The Committee directed the Government to take appropriate action in this regard and submit action taken report in a short time. (4.5)
7. The Committee, while recommending redeployment of the surplus work-charged staff to needy units/new projects coming up, suggested not to recruit work charged staff in future. (5.5)
8. The Committee viewed the whole issue with utmost displeasure and urged the concerned to take immediate action in this regard. (6.5)
9. The Committee viewed the whole issue with utmost displeasure and urged to take action on the case pending with APAT as also in the matter of recovery from Assistant Engineer. (7.5)

10. The Committee directed the Government to give a Report on this issue within one month. The Committee also directed to summon the official liquidator to attend the meeting. (8.4)