

PUBLIC ACCOUNTS COMMITTEE

2-2

(2014-2015)

ANDHRA PRADESH LEGISLATURE

REPORT (THIRD)

10

XIV LA

ON

THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL
OF INDIA (CIVIL) FOR THE YEAR 2007-08 PERTAINING TO
AGRICULTURE AND
CO-OPERATION DEPARTMENT

(Presented to the Legislature on 30.03.2016)

ANDHRA PRADESH LEGISLATURE (PAC) SECRETARIAT
PUBLIC GARDENS, HYDERABAD-500 004.

**Report of the Public Accounts Committee on the Report of the
Comptroller and Auditor General of India for the year
2007-08 (Civil) – Government of Andhra Pradesh**

AGRICULTURE AND COOPERATION DEPARTMENT

1. Para 4.2.1 – page 112 of Audit Report 2007-08

Unnecessary interest burden

Drawal of loan of Rs. 20 crore from a bank without immediate requirement and without even formulating guidelines for implementation of expansion of area under Integrated Development of Kuppam Project, resulted in unnecessary interest burden of Rs. 5.36 crore.

1.1 For implementation of two projects viz., Expansion of area¹ under Integrated development of Kuppam Project in Chittoor District (outlay: Rs. 20 crore) and special package of providing additional subsidy to drip system under AP Micro Irrigation Project (APMIP) in Anantapur District (outlay: Rs. 20 crore), Government raised (December 2003) a loan of Rs. 40 crore from ICICI Bank through Horticulture Development Agency (HDA)². The loan carries interest³ at the rate of 6.5 per cent per annum with tenure of five years with one year moratorium from the date of drawal of the amount. The loan amount was deposited (January 2004) in the Personal Deposit Account of HDA. The Secretary, HDA drew the amount in January 2004 on the instructions of the Government and released (February 2004 and June 2006) to the District Collectors, Chittoor

¹ by 20,000 acres

² designated as Special Purpose Vehicle (SPV) – headed by the Commissioner of Horticulture

³ to be paid quarterly

⁴ along with the interest of Rs. 51.11

(Rs. 10 crore) and Anantapur (Rs. 16 crore) through cheques, Personal Deposit Account of HDA. The Project Officer, Kuppi Area Development Authority and the Project Director, District Welfare Management Agency respectively were to implement the project.

Scrutiny of the records of the Commissioner of Horticulture revealed (January 2008) that the full amount of Rs. 40 crore was drawn in advance without finalising the guidelines for implementation of Kuppam Project. An amount of only Rs. 16 crore was utilised for envisaged purpose under the special package (APMIP) in Ananta District. An amount of Rs. 20 crore was refunded⁴ (January 2007 and March 2007) by HDA (Rs. 10 crore) and by the District Collector Chittoor (Rs. 10 crore) to the Commissioner of Horticulture. The balance (Rs. 4 crore) was still lying unutilised in Personal Deposit account of HDA (March 2008). It was also observed that the Collector Chittoor, did not utilise the amount of Rs. 10 crore for want of guidelines from the Government on the implementation of Kuppam Project and the entire amount had to be returned (February 2007) to the Commissioner. As of March 2008, interest of Rs. 8.61 crore was paid⁵ to ICICI Bank on the loan outstanding from time to time. This, interest payment of Rs. 5.36 crore on the unutilised portion (Rs. 24 crore) of the loan amount was wasteful and could have been avoided.

Thus, drawal of loan of Rs. 20 crore without even formulation of guidelines in respect of the Kuppam Project indicated ineffectiveness in financial management. On the whole, it resulted in unnecessary interest burden of at least Rs. 5.36 crore. Besides, the intended objective of expansion of area of 20,000 acres under Kuppam Project also remained unachieved. The Commissioner accepted (April 2008) the audit observation.

1.2 The Agriculture and Cooperation Department, in its Explanatory Notes, replied that the District Collector of Chittoor district had informed that the guidelines and CIF portion of subsidy under Velugu MIP (SERP Scheme) were not approved by Government and hence, the amount of ^{Rs} 10.00 crore was not utilized and returned under instructions from the Finance Department.

1.3 Initiating the discussion on the paragraph, the Committee expressed displeasure on the delay in furnishing replies to the Audit para by the Department. Referring to the audit observation, the Committee questioned as to why the District Collector had kept the loan amount of ^{Rs} 10 crore and kept the amount idle for three years when there were no guidelines.

1.4 The Committee also questioned as to why only Rs. 16 crore was given to Anantapur District while the requirement was Rs. 20 crore and why the balance amount of Rs. 4 Crore was kept with the Horticulture Development Agency. The Committee stated that Government had to pay an interest of Rs. 5 crore to ICICI bank due to this and questioned as to who would take responsibility for the unnecessary interest burden on Government.

1.5 The Commissioner, Horticulture Department replied that the District Collector, Chittoor wrote a letter to Government regarding guidelines to implement Kuppam project. But, there was no response from the Government even after two years. The unspent amount

⁵ by making budgetary provisions from time to time

Rs. 4 crore (balance amount of Anantapur Project) was kept with the treasury and the District Collector, Chittoor deposited Rs. 10 crore in a nationalized bank only and that the interest of Rs. 0.51 crore accrued on the deposit was also paid back to Government. Commissioner further replied that there is no misutilisation of the amount.

1.6 The Committee stated that it never opined that the money was misutilised but, here the case is that the amount was taken from a Private Bank (ICICI) and kept idle in PD account without immediate necessity. This resulted in unnecessary interest but on the Government.

1.7 The Commissioner replied that after drawing the loan, there was a change in the ruling Government and the project was deleted due to non receipt of guidelines during this transition period.

1.8 The Committee opined that even though there were guidelines, it was irresponsible for the Collector to keep the amount in PD Account despite knowing that the amount was taken as per the guidelines. The Committee stated that instead of waiting for guidelines, the Collector should have returned the money.

1.9 The Commissioner, Horticulture replied that when the Government came to power in the year 2004, all the ongoing development programmes were stopped and an enquiry was initiated on Kuppam project. The Commissioner further stated that it was a mistake of the Collector and that the Collector was not allowed to spend the amount.

1.10 The Committee questioned whether it was not the responsibility of the Commissioner to review the expenditure from time to time.

1.11 The Commissioner replied that Government had taken Rs. 4 crore loan for spending in two districts but it implemented the programme in one district and did not implement it in the other district.

1.12 The Committee asked as to was it not the District Collector who was responsible for what happened in the district.

1.13 The Commissioner replied that the Collector had written to Government. The Commissioner further added that there was a loss of interest on Rs. 10 crores, but it was not due to anyone's mistake and it was due to change in the Government.

1.14 The Committee felt that this was a case of ineffective financial management and that the officers should have utilized the resources properly. The Committee stated that since the amount was taken as per the guidelines, proper care should have been taken by senior officials and Collectors should review the amounts from time to time. The Committee stated that there was loss of interest due to keeping the loan amount idle in PD account instead of repaying the loan.

1.15 The Commissioner replied that the amount was drawn as per Government Orders. The Commissioner further stated that the

amounts kept in PD account are with Government only and amounts would have been used for other welfare activities.

1.16 The Committee directed the Commissioner to show evidence proof that this money kept in PD account for two years had not been used for public purpose.

1.17 The Committee questioned as to how the Collector had kept the amount with him when the project was cancelled..

1.18 The Commissioner replied that the project was not cancelled nor continued and the Collector did not return the money because on paper the project was not cancelled.

1.19 The Committee stated that the Collector was not an ordinary officer but was head of the district and the project and that he should not have kept the money with him.

1.20 The Commissioner replied that Government had not asked to remit back the balance amount to treasury.

1.21 The Committee concluded that it was the responsibility of the Collector to remit back the unspent money.

1.22 *After careful consideration of the Audit observations and the replies given by the Department, the Committee decided to recommend the following:*

- *The Committee is of the opinion that there was justification in withdrawing the amount first and then seeking guidelines from the Government by the District Collector, Chittoor. The Committee therefore recommends that Government conduct an enquiry into the issue and responsibility on the officers who are found to be responsible for the avoidable loss of Rs. 5.36 crore to Government and to keeping of loan amount in PD account with proper utilization.*

- *Government/Finance Department should issue instructions to all the Departments that the amounts taken on loan from any institution/agency should not be drawn without immediate requirement/possibility of spending and while formulating guidelines for the scheme/project for which the loan is being taken.*

Summary of Observation and recommendations

After careful consideration of the Audit observation and the replies given by the Department, the Committee decided to recommend the following:

- *The Committee is of the opinion that there was no justification in withdrawing the amount first and then seeking guidelines from the Government by the District Collector, Chittoor. The Committee therefore recommended that Government conduct an enquiry into the issue and fix responsibility on the officers who are found to be responsible for the avoidable loss of ^{Rs} 5.36 crore to Government due to keeping of loan amount in PD account without utilization.*
- *Government/Finance Department should issue instructions to all the Departments that the amounts taken on loan from any institution/agency should not be drawn without immediate requirement/possibility of spending and without formulating guidelines for the scheme/project for which the loan is being taken.*

(1.22)
