

Chapter-4

Compliance Audit Observations

Transport, Roads and Buildings Department

4.1 Thematic Audit of Road Over Bridges (ROBs) and Road Under Bridges (RUBs) at Rail Crossings

Executive Summary

Road Over Bridges (ROBs) and Road Under Bridges (RUBs) at rail crossings represent important safety measures, besides reducing traffic congestion. At Level Crossings (LCs) where the traffic density is one lakh Train Vehicle Units per day (TVU) or more, the Railways share the cost of construction of ROBs and RUBs, in lieu of the LC, with the State Government on a 50:50 basis. The State Government can also propose construction of ROBs/RUBs on 100 per cent funding basis. The construction of the bridge proper over or under the railway track is undertaken by the Railways, while the approaches are constructed by the Roads & Buildings (R&B) Department of the State Government. The process for planning and execution of ROBs/RUBs is elaborate and effective and efficient co-ordination between the Railways and the R&B Department is essential for smooth and timely completion of ROBs and RUBs.

An audit was conducted covering 43 out of 123 ROBs/RUBs (as per outcome budget 2011 of AP) and one ROB fully Railway funded; of these, 14 had been completed, 20 were in progress and 10 were in their initial stages. The main findings and recommendations arising from audit are summarized below:

- There were instances where the bridge proper was completed by the Railways, but the approaches (to be completed by the R&B Department) were incomplete and vice-versa; thus, the objectives of free flow of traffic and elimination of LC (with concomitant railway safety issues) were not achieved. In two test-checked cases, the ROBs were stalled/not usable due to non-shifting of HT Transmission Lines obstructing the ROB. In two other cases, although the ROBs were completed, the LCs were not closed. Other instances of lack of effective co-ordination between the R&B Department and Railways were non-matching of the levels of the approaches and the bridge proper, change from ROB to RUB and back to ROB, addition of an extra pier and non-pursuance of widened four-lane ROB.*

- *Delayed/non-acquisition of land and non-shifting of utilities, differences/deficiencies in alignment, change in degree of skew, alignment/location not along the current LC and other design issues with an adverse impact on traffic congestion were noticed, resulting in delayed completion/non-completion/non-utilisation of ROB/RUBs.*
- *Award on single bids and limited competition at the bidding stage were noticed. In most of these cases, the winning bid was at a premium close to the ceiling of 5 per cent over Estimate Contract Value (ECV). This not only affected the transparency of the bidding process but also adversely affected Government's financial interests.*
- *There were instances of undue favours to contractors by revision of rates, allotment of substantial additional works on nomination basis, reduction of interest rate on mobilisation advance etc.*
- *Audit also noticed several instances of deficient quality control mainly relating to non-compliance with the Departmental/MORTH¹ instructions on procurement of steel from original manufacturers etc.*

4.1.1 Background

4.1.1.1 Need for ROB and RUB at railroad intersections

The intersection of a railway line with a road or a path either culminates in a Level Crossing (LC), or, in lieu of an LC, either a Road Over Bridge (ROB) or a Road Under Bridge (RUB). LCs present a significant risk of collision between trains and road vehicles, especially with the development of the road network and increase in road and rail traffic. They also increase traffic congestion, due to frequent closure of the LC gates, thus resulting in inconvenience to the general public and vehicular traffic.

As per the existing policy of the Indian Railways, provision of an LC is made in consultation with the State Government at the time of laying a new line or within 10 years of the date of its commissioning to traffic. After the 10 year period, the Railways share the cost of construction of ROB/RUBs in replacement of busy LCs with the State Government on a 50:50² basis.

The Railways adopts a general criterion of minimum traffic density of one lakh Train Vehicle Units per day³ (TVU) for provision of ROB/ RUBs on cost-sharing basis; this traffic density condition is relaxed in cases of suburban sections with high frequency of train services and near stations where detentions to road traffic are high due to Railway operations. Also, since January 2003,

¹ MORTH: Ministry of Road Transport and Highways, Government of India

² Excluding the cost of land acquisition and cost of structures thereon, which is to be borne by the State Government

³ The product of number of trains and number of road vehicles passing the LC per day e.g. if an LC has 20 trains passing per day [24 hours], and the total number of vehicle units crossing the LC is 6,000, the TVU is 1,20,000

- The Railways share 50 *per cent* of new four lane ROBs/RUBs, if the TVU is at least 3 lakh, with at least 6000 road vehicle units, and the State Government agrees for four laning of the approach roads;
- The Railways also share 50 *per cent* of the cost of widening of existing two lane ROBs/RUBs to four lane, if the TVU is at least 5 lakh, comprising of at least 10000 vehicle units; an incremental increase of 2 lakh TVU and 4000 road vehicle units must have taken place since the construction of the two lane ROB/ RUB.

In addition to ROBs/RUBs on cost-sharing basis, the State Government can also propose construction of ROBs/ RUBs with 100 *per cent* funding.

For the ROB/ RUBs, the construction of the “bridge proper” over or under the railway track (i.e. within Railway limits) is undertaken by the Railways, while the construction of the approach roads up to the ‘bridge proper’ (including land acquisition, construction of service roads, shifting of utilities etc.) is undertaken by the Roads & Buildings (R&B) Department of the State Government.

4.1.1.2 Process for planning and execution of ROBs/RUBs

The process for planning and execution of ROBs/RUBs is elaborate, involving multiple stages:

- Proposal for ROBs/RUBs are included in the Railway Budget; the alignment is finalised and the General Arrangement Drawing (GAD) approved;
- The Combined Estimate of Railways and R&B Department is finalised, and administrative and technical sanction of works accorded; simultaneously, the process of land acquisition for construction of the approaches is initiated in consultation with Revenue authorities. The acquisition of private land is a sensitive and time-consuming process, and is also open to the possibility of land owners seeking legal recourse.
- Tendering, contracting and work execution takes place; LC is closed after opening of ROBs/RUBs.

Details of different stages in this process are summarized in *Annexure-4.1*.

4.1.1.3 Profile of planned ROBs/RUBs in Andhra Pradesh

As per the outcome budget for 2011-2012 of the GoAP, under the Railway Safety Works (RSW) scheme, 112 ROBs/RUBs have been approved by the Railway Board on cost sharing basis. In addition, 11 ROBs/RUBs, which fall below the threshold of one lakh TVU, have been taken up with 100 *per cent* funding from GoAP. Details of cost of ROBs/RUBs as well as stage of execution is given below.

Table 4.1 – ROBs and RUBs planned by Government of Andhra Pradesh

Funding Pattern	No of ROBs/RUBs	Cost (₹ in crore)	Stage of execution
Cost Sharing	49	633.18	Completed
	29	662.75	In progress
	5	146.00	Tender stage
	16	506.20	Estimation stage
	10	330.00	Administrative sanction stage
	3	102.50	Investigation stage
Fully funded by GoAP	4	53.43	In progress
	7	129.42	Estimation stage
Total	123	2563.48	

Source: Outcome Budget of R&B Department 2011-12

4.1.1.4 Budget and Expenditure

A provision in the annual budget is made towards Railway Safety Works under Major Head - 5054 Plan. A summary of budget provision and actual expenditure under 'Railway Safety Works' for construction of ROBs/RUBs in Andhra Pradesh during the period 2007-2012 is given below:

Table 4.2 – Budget and Expenditure for Railway Safety Works

Year	Budget	Expenditure	Excess(+) / Savings(-)
2007-08	80.00	40.79	(-) 39.21
2008-09	130.00	137.33	(+) 7.33
2009-10	300.00	189.22	(-) 110.78
2010-11	300.00	124.58	(-) 175.42
2011-12	300.00	162.25	(-) 137.75

Source: Accounts data from Pr. AG (A&E), AP, Hyderabad

4.1.2 Organisational setup

The Engineer-in-chief (Administration & NH) in the R&B Department (ENC) is in-charge of maintenance of National Highway (NH) Roads and construction of ROBs and RUBs. He is assisted at the field level by Superintending Engineers (SEs) at the circle level, Executive Engineers (EEs) at the divisional level, and Deputy EEs/ Assistant EEs at the sub-divisional/sectional level.

4.1.3 Audit Approach

4.1.3.1 Audit Scope/Objectives

The objectives of the thematic audit were to ascertain whether:

- There was proper and effective coordination by GoAP with Railways at the planning and execution stages (including finalising of alignments);
- Pre-requisites (viz. land acquisition, shifting of utilities etc.) were fulfilled effectively and in time;

- Tendering and contract management, and works execution (including quality control) were adequate, timely and effective; and
- The intended objectives of providing free flow of traffic and permanent elimination of LC were achieved.

4.1.3.2 Sources of Audit Criteria

The main sources of audit criteria were circulars of Railways and Roads & Buildings (R&B) Department/GoAP; General Arrangement Drawings (GAD), Combined Estimates of Railways and R&B Department, detailed designs and drawings of R&B/technical sanction, and other related records.

4.1.3.3 Audit Sample and Methodology

Out of the 112 ROBs/RUBs involving cost-sharing and 11 ROBs/ RUBs with 100 *per cent* GoAP funding, 43 ROBs/RUBs were selected for detailed audit examination. Further, one ROB, which was 100 *per cent* Railway funded, was also selected for detailed examination. Details of the 44 ROBs/RUBs selected for detailed audit scrutiny are indicated in *Annexure - 4.2*.

Field audit involved scrutiny of the records of the R&B Department, as well as joint field visits to the sites along with the Departmental officials, which also involved collection of photographic evidence.

The draft findings were issued to GoAP in August 2012; despite issue of a reminder (September 2012), their response was yet to be received (December 2012).

4.1.3.4 Acknowledgement

We acknowledge the co-operation extended by the R&B Department and its officials in the conduct of this thematic audit.

Audit Findings

4.1.4 Profile of execution/completion of test-checked ROBs/RUBs

Of the 44 test-checked ROBs/RUBs, 14 had been completed⁴, 20 were in progress, and 10 were in their initial stages. Expenditure of ₹203.08 crore and ₹195.72 crore had been incurred on completed ROBs/RUBs and ROBs/RUBs in progress respectively, as detailed in *Annexure – 4.2*. A scrutiny of records relating to execution of works for these ROBs/RUBs revealed various deficiencies with respect to deficient planning, delayed completion, deficient contract management and quality related issues, as discussed in *paragraphs 4.1.5 to 4.1.8*.

4.1.5 Deficient planning of ROBs/RUBs

Audit scrutiny revealed the following instances of deficient planning leading to delayed commencement/non commencement of the work for long periods, as detailed below:

⁴ Including one ROB (Bhalabhadrapuram) completed, but not opened for traffic

- Although the work of **ROB at Bhanugudi Junction** was included in the Railway Works Programme (RWP) for 2008-09 and administrative sanction accorded in February 2009, the work designs and estimates were under approval, due to delay in finalization of alignment. The work had not yet commenced (April 2012).
- Although the work of **ROB at Battala Bazar** was included in the RWP for 2007-08, administrative sanction and technical sanction were accorded only in August 2011 and March 2012 respectively. The finalization of the alignment was delayed due to its location in built up area, and tenders were invited only in April 2012.
- The original proposal for construction of **ROB at Muddanur** at the existing LC, which was included in the RWP for 2008-09, was subsequently changed twice; finally an alignment at 540 metres from the existing LC was approved by GoAP (April 2012). The approval of GAD by Railways was still pending.
- Although the **ROB at Kazipet Yard** was included in the RWP for 1992-93, correspondence on the ROB location went on till August 2001, when the originally proposed location was accepted. However, the administrative sanction was accorded only in February 2002. The technical sanction was delayed (September 2002) and tenders issued only in December 2003. The work was completed in April 2006.

4.1.6 Delay in completion/non-completion of ROBs/RUBs

The execution of ROBs/RUBs was delayed substantially, as summarised below:

- Out of 14 test-checked ROBs/RUBs which were completed, none was completed within the original agreement period; the delay ranged between 183 days and 960 days. In the case of one **ROB (at Bhalabhadrapuram)**, though the work was completed in November 2011, the ROB was not yet opened for traffic for want of shifting of High Tension (HT) transmission lines.
- Out of 20 test-checked ROBs/RUBs in progress, the original agreement period of 14 ROBs/RUBs was already over as of July 2012; the delay ranged between 75 days (**ROB at Dwarapudi**) and 4265 days (**ROB at Palakol**). The expenditure on these 14 ROBs/RUBs upto July/August 2012 was ₹180.49 crore.
- In case of two **RUBs (at RIMS-Kapada and Nandalur)**, the work of approaches was not even taken up, although the bridge proper by the Railways was nearing completion (July 2012). The expenditure upto July 2012 on these two RUBs was ₹5.52 crore.

The main reason for delayed completion/ non completion of ROB/RUBs was either the bridge proper completed but approaches were incomplete or vice versa and lack of coordination in planning and execution etc. as discussed in the succeeding paragraphs.

4.1.6.1 Bridge proper complete but approaches incomplete and vice versa

It is imperative on the part of the Railways as well as the R&B Department to complete their portion of work (i.e., bridge proper/approach) by synchronisation of work in such a way that both works are completed simultaneously. A scrutiny of records of 44 test checked ROBs/RUBs revealed that such synchronisation was missing in the following cases:

- The approaches for six **ROBs (at Dwarapudi, Rajampet, Tummikapalli, Tadepalligudem (2nd ROB), Puttur, and SH 30 at Renigunta)** and two **RUBs at Nandalur and RIMS – Kadapa** (with total expenditure of ₹76.31 crore upto July 2012) were incomplete or yet to be grounded, although the bridge proper had been completed by the Railways. These were largely on account of land acquisition problems. Before proceeding with tendering and award of contracts, the Department failed to ensure physical possession of the land.



Bridge proper at Tummikapalli completed, but approaches incomplete

- One **RUB at Puttur Town** and one **ROB at Milk Project, Vijayawada** (with total expenditure of ₹21.28 crore upto July 2012) were open to traffic but with certain incomplete facilities (i.e non completion of service roads approaching the ROB/RUB, drainage, sump well for collecting rainwater and pumping the water). Thus, the benefit as envisaged could not be achieved.



Photograph showing water stagnation resulting in obstruction to traffic at RUB at Puttur Town

- In respect of two **ROBs at Tuni and Yerraguntla** (with total expenditure of ₹27.18 crore upto July 2012), the approaches were complete or nearly complete, while the bridge proper was incomplete.

- Two **ROBs at Bhalabhadrapuram and Bonakal Yard** (with total expenditure of ₹28.47 crore upto July 2012) were obstructed by HT transmission lines crossing the ROBs, which had not been shifted.
- Two **ROBs at Anaparthi and Lankelapalem** (with estimated cost/Revised Estimate (RE) cost of ₹23.49 crore, against which total expenditure upto July 2012 was ₹33.15 crore) were completed and opened for traffic, but the LCs had not been closed. Consequently, the safety objectives of LC closure through construction of ROBs have not been achieved.

ROB/RUB-wise details, including details of undue haste in tendering and awarding of contracts, without completion of pre-requisites, are given in **Annexure – 4.3**.



Approach for ROB on SH 30 at Renigunta affected due to land acquisition problem



Perilous state of ROB at Bhalabhadrapuram vis-à-vis 220KV and 400KV HT lines

Thus, despite expenditure of ₹186.39 crore by the R&B Department on 16 ROBs/RUBs (excluding the expenditure incurred by the Railways), the benefits to the public of reduced traffic congestion and safety were not achieved.

4.1.6.2 Lack of effective co-ordination in planning and execution

Audit scrutiny also revealed that in six cases, there was lack of effective co-ordination in planning and execution between the R&B Department and Railways, which are summarised below.

- In respect of the **ROB at Anaparthi** (expenditure of ₹9.87 crore up to July 2012) the R&B Department changed the designs of the ROB superstructure from T beam slab (as per jointly agreed GAD) to deck slab for the approach portion, without intimating modified designs to the Railways. Consequently, the approach levels did not match that of the bridge proper; this had to be rectified by the Railways providing extra height of bed blocks on the common piers to match the level of the deck slab.



Extra height of bed blocks added by Railways to match height of deck slabs at ROB at Anaparthi

- In respect of the **ROB at Eluru** (expenditure of ₹14.56 crore up to July 2012), although the RCL⁵ of 22.725 metres of the Railways and R&B should have been identical, there was a difference of 0.415 metre in levels. During a joint meeting, it was decided that a difference of 0.385 metre would be rectified; the Railway deck would be lowered by 0.18 metre, and the R&B slab would be raised by 0.105 metre. However, ENC noted (October 2011) that there was still 10cm difference in levels.
- In respect of the **ROB at Ghanpur** (Expenditure of ₹3.35 crore up to July 2012), although construction of an ROB at the LC was sanctioned by the Railways and included in the RWP for 2005-06, R&B Department proposed conversion to an RUB (on grounds of economy and less land acquisition), issued the technical sanction for RUB in September 2007, and awarded contracts for RUB in April 2008. However, the Railways found that the construction of RUB was not feasible on technical and safety grounds⁶, and the R&B Department had to revert back to the ROB; the re-tendered contract for ROB was awarded only in June 2011. This change from ROB to RUB and back to ROB resulted in substantial delays, besides expenditure of ₹3.45 lakh incurred by the R&B Department on preliminaries.
- In respect of the **ROB at Milk Project, Vijayawada** (expenditure of ₹18.98 crore up to July 2012), a two lane ROB was sanctioned in the 2005-06 Railway Budget. However, even in March 2003, the TVU was five lakh. According to the R&B Department, the proposal was initiated by the VGTM Urban Development Authority (VGTMUDA), and subsequently included in the R&B Department's budget due to lack of sufficient funds with VGTMUDA.
- In respect of the **ROB at Yerraguntla** (Expenditure of ₹15.91 crore up to July 2012), due to change in spacing of piers by the Railways, an additional pier has to be added to the approach.
- In respect of the **ROB at Rayavaram** (Expenditure of ₹12.06 crore up to July 2012), the distance between adjoining spans of the ROB pertaining to the R&B Department on either side of the Railway piers were 10.76 metres apart (10.37 metres effective), and accordingly alignment was fixed and the work executed. However, R&B Department reported that the Railways shifted the centre line towards Markapur side, resulting in reduced span of 7.85 metres. On Podili side, it was increased to 13.170 metres against the original 10.76 metres. This necessitated one extra pier indicating lack of effective co-ordination between the Railways and the R&B Department.

4.1.6.3 Differences/Deficiencies in Alignment and/or location

Audit scrutiny also revealed instances of differences/deficiencies in alignment and location, which are summarised below.

⁵ Road Crest Level

⁶ Due to presence of rocky strata

- In respect of the **ROB at Tuni**, the combined estimate of the Railways proposed a 27 degrees skew at the track centre, as against 44 degrees skew in the countersigned GAD. This was settled in January 2008 at 44 degrees, while the R&B Department had awarded the works contract in June 2007 itself. Further, field inspection by the audit team revealed an extremely unusual alignment of piers between the bridge proper and the approaches, as depicted in the photograph below:



- In respect of the **ROB at Dwarapudi**, the work could not be started even after ten months of the agreement time was over, due to change in alignment of the approaches by the R&B Department. Further, the design of the approaches involves two arms on one side, but only one arm on the other side⁷, which may result in congestion of traffic and sub-optimal utilisation.
- In respect of the **ROB at Palakol**, the ROB is 800 metres away from the existing LC. The GoAP has not responded to the Railways' insistence again (February 2011) for assurance for closure of LC.
- In respect of the **ROB at Yerraguntla**, during the initial joint inspection (May/June 2006), an alignment of 45 degrees skew was decided. However, in February 2007, the skew angle was changed to 5 degrees at the R&B Department's request (on account of difficulties in acquisition of structures). This alignment was changed to 11 degrees after opening of tenders. Also, the gradients on both sides were changed, post-award. In its current shape, the ROB may be unusable for heavy vehicles for want of formation of a link road, as well as land acquisition issues.
- In respect of the **ROB at Kovur Gate**, in addition to modification of designs after work award (but before commencement), numerous changes in alignment were made at the execution stage (viz. shifting of alignment from left edge to centre of the old NH; reducing the gradient from 1 in 35 to 1 in 30 on Chennai side;

⁷ Two arms on the Kakinada- Rajahmundry side and one arm on the Rajanagaram side (all of two lane width)

redesigning of abutments; providing cross drainage on Kolkata side; modification in retaining wall sections on Kolkata side; change in super structure designs of T junction).

Further, the design of the ROB approaches is such that even direct traffic (on the Vijayawada - Nellore route) not crossing the railway track is forced to use the ROB approaches, which could result in avoidable congestion/ safety issues at the elevated T-junction on the ROB.



Direct traffic (bus) forced to take elevated T-junction at ROB at Kovur Gate

- In respect of the **RUB at RIMS (Kadapa)**, a vertical clearance of only 4 metres (against the IRC⁸ requirement of 5.5 metres) was provided, which may result in restricted movement of traffic.
- In respect of the **RUB at Puttur Town**, the RCL of the RUB proper was revised to (+) 95.310m against the approved RCL of (+) 94.880m in the GAD. Due to change of RCL, the vertical clearance of the RUB was also reduced from 3.66 metres to 3.23 metres, which may result in restricted movement of traffic.
- In respect of the **ROB at Matwada**, the original estimate provided for 'Y' junction on the Fort Road side. One side arm was, however, removed in September 2006, but reinstated in January 2008 after protests from the people and public representatives.
- In respect of the **ROB at Milk Project, Vijayawada**, the width of service roads was not uniform. At some places, it was as narrow as 2.65 metres against the required 5.5 metres. Further, there was already a drain constructed on the right side edge, rendering any further improvements unlikely. According to the Department, this was due to the Municipal Corporation's not taking up under ground drainage (UGD) work for the existing drain.

⁸ IRC: Indian Roads Congress

- In respect of the **ROB at Kadium**, the original alignment for the ROB did not follow the existing road, and involved extensive land acquisition. Pursuant to the matter being taken to the High Court, the alignment was amended after negotiation with a private party to reduce the amount of land acquisition, and the approach now falls in the existing road area. This delay, which resulted in additional costs due to SSR⁹ revision, could have been avoided through more logical planning.
- In respect of the **ROB at Kazipet Yard**, the request of Kadipikonda villagers for construction of a ramp to the approach road was rejected on the grounds of public safety, as it would be as high as three metres from the ground level, and also since service roads were laid. However, an unauthorised ramp was laid by the villagers, which reportedly resulted in five to six serious accidents, causing two deaths.
- In respect of the **ROB at Rayavaram**, the SE, Designs & Planning (D&P) Wing, Hyderabad noted that the alignment marked on the ground was not as per the approved alignment of the ENC as the radius of the curve no. 1,2,3 was modified. Though, the deviations were approved post facto, this is an indication of inadequate planning.

4.1.6.4 Other deficiencies

In addition to lack of coordination in planning and execution; delayed/non-acquisition of land and structures and non-shifting of utilities, audit scrutiny also revealed other instances of deficiencies resulting in delayed completion/non-completion/non-utilisation of ROB/RUBs, which are summarised below:

- In respect of the **ROB at Lankelapalem**, though, a four lane ROB was constructed, yet one approach road leading to the ROB is only two lane, and was not widened. This may result in congestion of traffic.
- In respect of the **ROB at Dendukuru**, the ROB was still incomplete, with the delay due to non-shifting of utilities, revised RCL, and obstruction by local residents demanding a Limited Height Subway (LHS). Further, the technical sanction does not consider the full length of the service road. The possibility of difficulties in timely LC closure (even after completion of ROB) cannot be ruled out.
- In respect of the **ROB at Tuni**, the foundations of two piers had to be re-designed, due to inadequate soil sample testing on built-up area. According to the Commissioner, Tuni Municipality, the original ROB did not involve demolition of municipal shops, but the R&B Department changed the alignment, without advance intimation to the Municipality, involving such demolition.

Further, the surface of the service roads on both sides of the ROB were irregularly changed to Cement Concrete (CC) at a cost of ₹1.30 crore, after award of work on the basis of BM and SDBC¹⁰. The Department's reply that the existing road lies in

⁹ Standard Schedule of Rates

¹⁰ BM: Bituminous Macadam; SDBC: Semi-dense bituminous concrete

built-up area and is low lying appears to be an after-thought, since this should have been considered as part of the original estimation.

- In respect of the **ROB at Hanuman Junction**, the completion of the ROB was delayed due to non-shifting of utilities, and delay in formation of diversion road.
- In respect of the **ROB at Yerrupalem**, although the contract was awarded in March 2010, the contractor commenced work execution only in April 2011. Further, the work of diversion road was awarded only in April 2011 and does not appear to have been grounded. Strangely, although the estimate for the diversion road was for ₹5.14 crore, the technical sanction was only for ₹1.25 crore.
- In respect of the **ROB at Tanuku**, although the bridge proper was completed in January 2007, completion of ROB approaches was delayed substantially. The contract for ROB approaches was awarded only in March 2007 (after three rounds of tendering), although administrative and technical sanctions were received in December 2003 and November 2004 respectively. The approaches were finally completed only in March 2010 (three years after completion of the bridge proper).
- In respect of the **ROB at Kovur Gate**, a diversion road with Estimate Contract Value (ECV) for ₹2.91 crore, which was utilised from the ROB estimate, was entrusted (August 2007) to a contractor and was completed by August 2008, while the main ROB approach, which was entrusted in August 2005, was completed by October 2008. Thus, the expenditure on the diversion road did not serve its intended ROB-related purpose.
- In respect of the **ROB at Palakol**, the ROB involved crossing of both the railway line and the Narasapur canal, before joining Narasapur- Aswaraopeta road. While the approaches were awarded in 1999, defective/inadequate soil investigation beneath the foundations resulted in settling/depressions at various points along the ROB; rectification work is still incomplete, and the bridge proper was taken up by the Railways for reconstruction in 2011-12.
- In respect of the **ROB at Yerraguntla**, the carriage width of the service roads was reduced from 7.50m to 5.00m, thus permitting traffic in one direction only.
- In respect of the **ROB at Rayavaram**, for approaches, provision made for the crust of GSB, WBM, WMM¹¹ was changed during execution. In respect of service roads for ROB, these roads were provided with CC pavements as against BT contemplated in original estimate. This change from BT roads to CC pavements lacked justification.

4.1.7 Deficiencies in Tendering and Contract Management

Audit scrutiny also revealed numerous instances of award on single bids, as well as other instances of limited competition at the bidding stage, often through disqualification of bidders and cancellation of tenders on specious grounds. In most of

¹¹ GSB: Granular sub-base; WBM: Water bound macadam; WMM: Wet mix macadam; BT: Black top

these cases, the winning bid was at a premium close to the ceiling of 5 *per cent* over ECV, casting doubts on the robustness of the competitive bidding process. Out of 44 test checked ROBs/RUBs works, in 16 cases, the contract was awarded to a single bidder. Of these, 14 tenders received were within the range of four *per cent* and five *per cent*. This not only affected the transparency of the procurement process but also adversely affected Government's financial interests. Details are given below:

4.1.7.1 Works awarded on single/limited tender

- In respect of the **ROB at Veleru**, although three bids were received by 11 August 2011 (with stipulated validity upto 8 November 2011), the SE sought to delay the opening of the bids, and opened only two price bids on 4 November 2011, without opening the third bid on the grounds that the bidder did not extend its validity beyond 8 November 2011. The ground for delayed price opening of seeking clarification was invalid, as the clarification was received on 20 October 2011. Even after Commissionerate of Tenders (COT) directed opening of the third bid, this was not done on the grounds of the expiry of bid validity. Subsequently, the tenders were cancelled and called afresh.
- In respect of the **ROB at Kazipet Yard**, although the successful tenderer for the work of improvement of a connecting road (ECV of ₹4.34 crore) backed out at the time of agreement, only his EMD was forfeited; the tender condition of suspension of the agency's business with all GoAP Departments was not enforced. When the work was re-tendered in September 2010, three out of four bids were disqualified (two being disqualified on trivial grounds relating to the DD for EMD¹²), and the work awarded to the remaining single bidder¹³ at a premium of 4.41 *per cent* over ECV. The difference between the successful bidders in the first and second rounds was ₹0.96 crore. The triviality of errors by the two disqualified bidders is a matter of concern.
- In respect of the **ROB at Eluru**, the work was tendered four times:
 - In February 2007, and cancelled due to non-availability of encumbrance free site;
 - In August 2007, with no response;
 - In October 2007, and the single tenderer disqualified *inter alia* for not meeting the required technical qualification for well sinking¹⁴;
 - In November 2007, after removing the technical qualification for well sinking (which, however, remained part of the work items); and awarded to a single bidder¹⁵ at 4.95 *per cent* excess over ECV (the same single bidder disqualified in the third round).

¹² Demand Draft for Earnest Money Deposit drawn in favour of POA/ KCC Hanumakonda and APAO/ KCC Hanumakonda, instead of PAO/ KCC Hanumakonda

¹³ Janga Constructions Pvt. Ltd.

¹⁴ A distinct method of foundation

¹⁵ RSV Constructions Pvt. Ltd.

- In respect of the **four lane ROB at Renigunta**, two¹⁶ out of three bids received on 20 October 2008 were disqualified for furnishing invalid bank solvency certificate (which was valid upto 11 October 2008, beyond the tender publication date of 27 September 2008¹⁷) and not furnishing proof of latest Income Tax return (which was interpreted for disqualification purposes as the return for 2008-09, which was due only by 30 September 2008).
- The second disqualified bidder engaged in correspondence with the ENC in November 2008, but withdrew his request in December 2008¹⁸. The work was entrusted to a single qualified bidder at 3.44 *per cent* excess over the ECV.
- In respect of the **ROB at Milk Project, Vijayawada**, the work was awarded on a single tenderer in the first call itself at 4.99 *per cent* premium over ECV, just 0.01 *per cent* below the maximum ceiling of 5 *per cent*, citing the reasons that the Railways and local public were pressing for early grounding of the work.
- In respect of the **ROB at Dwarapudi**, in the first call for tenders (November 2008), a single bid was received, which was allowed to lapse (February 2009) after extensive correspondence between the ENC and the SE as to whether the income tax clearance certificate was mandatory but not attached.

During the second call for tenders (July 2009), five out of eight tenders received were disqualified technically; however, the stipulated time for completion was increased from 24 to 30 months.

- In respect of the **ROB at Rajampet**, in the first round of tendering (January 2007), all three bidders¹⁹ were technically disqualified due to lack of experience for reinforced soil retaining walls. In the second round (May 2007), this qualifying condition was removed, although this remained part of the work items, and the single qualified bidder²⁰ (MRKR Constructions) was awarded the contract at 4.59 *per cent* excess over ECV.
- In respect of the **ROB at Tummikapalli**, the tender was awarded on the first call (February 2006) to the single bidder (BVSR Constructions Pvt. Ltd.) at 2.90 *per cent* excess over ECV without acquiring adequate land, which was subsequently foreclosed due to non-handing over of the required land.
- In respect of the **ROB at Anaparthi**, the initially awarded contract was foreclosed due to land acquisition problems. During retendering, the contract was awarded on a single bid at 4.47 *per cent* excess over ECV to Coastal Engineering Constructions Ltd., which did not have the required experience in reinforced soil retaining walls and was thus not qualified. However, the contractor was

¹⁶ RSV Constructions Pvt. Ltd, and MRKR Constructions Pvt Ltd.

¹⁷ However, the bid could be downloaded only from 4 October 2008 onwards.

¹⁸ E-mail of 23 October 2008 sent to the bidder (referred to in the bidder's correspondence with ENC) was not made available to audit.

¹⁹ MRKR Constructions, BVSR Constructions Pvt. Ltd, East Coast Constructions and Industries

²⁰ One other bidder (not amongst the three first-time bidders) was disqualified.

irregularly termed as technically qualified, and awarded the contract. COT decided to consider the contractor's bid 'as a special case' by tying up with another party for this work item, but informed ENC not to provide such unique items under qualification criteria and, if provided, to adhere to such criteria in future.

- In respect of the **RUB in Puttur Town**, the work was awarded to the single bidder²¹ (at 4.95 *per cent* excess over ECV) on the first call itself (July 2008) on account of no hope of getting more favourable tenders and delayed entrustment possibly resulting in larger price escalation. However, the work is still incomplete.
- In respect of the **ROB at Dornakal**, the work was entrusted to a single bidder²² (4.92 *per cent* excess over ECV) in the first call itself (April 2007) on grounds of urgency, but work was completed only in October 2010, against the stipulated completion date of May 2009.
- In respect of the **ROB at Dendukuru**, the work of a diversion road (which should normally have been the responsibility of the main contractor) was awarded to a separate single bidder²³ with premium of 4.95 *per cent* over ECV (just 0.05 *per cent* below the ceiling of 5 *per cent*).
- In respect of the **ROB at Yerraguntla**, three calls for tenders were made. The first call (February 2007) was cancelled on grounds of change of work; the second call (August 2007) received only a single bidder²⁴ who was disqualified on the grounds that the bidder had not signed all the documents/statements, which appears unusual. In the third call (October 2007), the work was awarded to a single bidder²⁵ at 4.5 *per cent* over ECV. Further, the agreement was signed only in March 2008.
- In respect of the **ROB at Vallabhai Road, Kakinada**, the work was entrusted on a single bid in the first call itself (April 2007) to Tracks & Towers Infra Tech Ltd. at 4.75 *per cent* over ECV, due to pressure from the Railway authorities and local people for early grounding of work. However, the work was completed only in April 2010, against the scheduled completion date of December 2008.
- In respect of the **ROB at Gannavaram**, the work was entrusted on a single bid in the first call itself (May 2008) to Tracks & Towers Infra Tech Ltd. at 4.44 *per cent* over ECV, on account of pressure from the Railway authorities and local people for early grounding of work. However, against the scheduled completion date of July 2010, the work is still incomplete.

²¹ GVR Constructions Pvt. Ltd.

²² K Narasimha Reddy

²³ VSRK Constructions

²⁴ GVR Constructions

²⁵ BVSR Constructions

- In respect of the **2nd ROB at Tadepalligudem**, the first call for tenders was invited in August 2005, and cancelled due to erroneous nomenclature in the Tender Notice. The tender was again called in December 2005, and awarded to a single bidder²⁵ at 2.90 *per cent* over ECV. However, the work is still incomplete, due to court cases, regarding land acquisition.
- In respect of the **ROB at Rayavaram**, tenders for the work were called for in October 2007. In response, two bids were received. The tender uploaded by Sri P. Bhaskar Reddy was disqualified on the ground that the tenderer had not uploaded the well sinking quantity as per experience certificate. The second tenderer²⁵ quoted 4.99 *per cent* excess over ECV of ₹13.40 crore.

The evaluation reports of bids were forwarded to ENC in November 2007. However, the tenders were cancelled by ENC, quoting the contractor, Sri P. Bhaskar Reddy's representation of 28 November 2007 addressed to the SE (R&B) Circle, Ongole and copy marked to ENC. However, a copy of the contractor's representation dated 28 November 2007 addressed to SE, R&B Circle, Ongole, was not available from the records produced to audit.

The second call for tenders was invited in December 2007. In response, only a single qualified tender of MRKR Constructions Pvt Ltd. was received. The work was entrusted with a tender premium of 4.86 *per cent* over ECV of ₹13.40 crore in March 2008. The reasons stated by the Department for entrustment of work to a single qualified tenderer were (i) it may not possible to receive favourable tender in next call (ii) further delay would result in increase in the cost of work and (iii) early grounding of work. It was, however, observed that the work scheduled to be completed by September 2009 was actually completed in January 2012 and opened for traffic during February 2012 only.

- In respect of the **ROB on SH-30 at Renigunta**, the work was awarded to the single bidder, GVR Infra Project Ltd., on the first call itself (August 2008) at 4.54 *per cent* over ECV (₹7.15 crore) in January 2009, on account of no hope of getting more favourable tenders and delayed entrustment result in possibility of large price escalation. However, against the scheduled date of completion in all respects by January 2010, the work is still incomplete due to land acquisition problems.

4.1.7.2 **Undue favour to contractors**

Audit also noticed several instances of undue favours to contractors (involving undue revision of rates, allotment of substantial additional works on nomination basis, reduction of interest rate on mobilisation advance etc.), which are summarised below:

- In respect of the **ROBs at Tummikapalli and Anaparthi**, the contractors sought for foreclosure due to High Court stay for land losers, which was permitted by the R&B Department (without insisting on an undertaking regarding not claiming of compensation). Later, the contractors filed a suit seeking compensation due to breach of contract by the Government.

- In respect of the **ROB at Milk Project, Vijayawada**, provision for land acquisition was over-estimated, and ₹1.64 crore thereof diverted to work items. According to the R&B Department, the quantum of land acquired came down dramatically due to a modification of one approach.
- In respect of the **ROB at Hanuman Junction**, the work was entrusted to a contractor²⁶ in July 2003 stipulated completion by January 2005. However, the contractor executed only 42.30 *per cent* (valuing ₹2.18 Crore) of the work during the agreement period. The progress of work was hampered due to delays in shifting of utilities and formation of diversion road.

Further, an additional work of road widening and strengthening (not related to the ROB) amounting to ₹6.16 crore, which was 80 *per cent* of the original work cost, was awarded on nomination basis to the same contractor on 11.5 *per cent* discount and to avoid time in calling tenders for an agency. Audit scrutiny revealed that these two advantages were nullified, since, neither was the work completed in time, nor did the award of the work on nomination basis to the same contractor result in any advantage to Government. The work was delayed by more than one year and three months from the extended date of completion (December 2005) and the payments were allowed at revised quarterly SSR rates, without deducting the tender discount of 11.50 *per cent*.

The action of the Government in awarding the work on nomination basis and allowing payment of SSR rates prevailing at the time of execution, without deducting the tender discount of 11.50 *per cent*, was irregular. It may be noted that in other cases where premium was quoted, revised SSR rates were paid along with premium. This action resulted in unintended benefit of ₹1.38 crore due to waiver of the tender discount.

- In respect of the **ROB at Yerrupalem**, delayed commencement of work by the contractor by one year resulted in avoidable price escalation on account of cement and steel of ₹13.04 lakh.
- In respect of the **ROB at Kovur Gate**, by contrast to the case involving tender discount, Government allowed revision of SSR rates (with quoted tender premium of 4.50 *per cent*) to the contractor²⁷, as well as adoption of MORTH pattern²⁸. In addition, additional works for box cell culvert and service roads totalling ₹8.15 crore (35 *per cent* of the original scope of work) were entrusted on nomination basis. Also, quarry lead was irregularly increased beyond the agreement conditions.
- In respect of the **ROBs at Matwada, Kakinada and Kadium** instead of applying the price adjustment formula provided in the agreement for increases/decreases in

²⁶ VSN Benarji, Engineers and Contractors

²⁷ BVS R Constructions

²⁸ Ministry of Road Transport & Highways (MORTH) pattern involving overhead charges at 21 *per cent* for bridges and 6 *per cent* approaches, contractor's profit of 10 *per cent*, and municipal area allowance of 20 *per cent*

the rates of steel, cement, bitumen and POL beyond 5 *per cent*, the contractors were paid based on rates arrived after revising SSRs (and also overhead and contractor's profit, which were not incorporated in the original estimates, in the case of Matwada). This resulted in extra payments which could not be quantified in audit.

- In respect of the **ROB at Lankelapalem**, payment was made at revised SSRs (and not the agreement rates), including addition of overhead charges, contractor's profit, municipal area allowance. Further, interest rate on mobilisation advance was reduced from 15 *per cent* per annum to 9.5 *per cent*, resulting in undue benefit of ₹8.95 lakh.
- In respect of the **2nd ROB at Tadepalligudem**, payment was made at revised SSRs (and not the agreement rates), including addition of overhead charges, contractor's profit, municipal area allowance.
- In respect of the **ROB at Kakinada**, quantity of fill material and drainage fill was not proportionately decreased with the reduction in the area of the reinforced soil wall from 1840 sq. metres to 1427 sq. metres.
- Further, the Department irregularly proposed lead of 46 kms for sand, whereas for another ROB at LC 9 (just half a kilometre away), the corresponding lead was only 18 km.
- In respect of the **ROB on SH 30 at Renigunta**, ₹2.57 crore out of capitalized maintenance charges provided by Railways (since the ROB was fully Railway funded) was irregularly diverted for two road improvements not connected with the ROB, but entrusted to the ROB contractor (GVR Infra Projects Ltd.) without tendering. Further, mild steel railings in place of guide posts were proposed at an extra cost of ₹0.58 crore (over the original provision of ₹0.04 crore).

4.1.8 Quality related findings

Audit noticed several instances of deficient quality control (QC), mainly relating to non-compliance with the provisions for procurement of steel from original producers. As per Departmental/MORTH instructions, all steel shall be procured from the original producers/authorised dealers and no re-rolled steel shall be incorporated in the work. However, the use of steel only from original manufacturers and non-resort to 're-rolled steel' is mentioned as an agreement condition, but has not been enforced at all. This is a serious issue from the perspective of safety and long-term asset maintenance, since the brand of steel cannot, in practice, be verified after use in the work.

Detailed quality-related audit findings are summarised below:

- In respect of the **ROB at Eluru**, QC inspections revealed that various brands of steel engraved on the steel were being used in well-steining work and were available at site, and bills for used material such as cement and steel were not furnished for verification. However, no recommendations/directions for suspension

of work were made; instead, the EE was asked to verify the same and satisfy himself, before making payment.

In response to an audit enquiry, bills for steel from various traders (purportedly agents of Tata, Vizag Steel etc.) were produced to audit; audit is unable to verify whether these bills²⁹ truly represent purchases from original manufacturers or not.

- In respect of the **ROB at Kovur Gate**, records relating to log of cement, compliance for previous reports, modified design details, ground/foundation levels, and QC test results, original bills for steel, and test certificates for elastomeric neoprene rubber bearings were not produced to QC authorities.
- In respect of the **ROB at Ghanpur**, QC authorities noted the instructions for non-use of re-rolled steel, but did not indicate what was actually used.
- In respect of the **2nd ROB at Tadepalligudem**, QC inspection noted several deficiencies in the work (filler material not used in joints, berms not compacted, less height of curb, hand rail/top of hand posts not to true thread line etc.) as well as non-production of bills of cement, steel and bitumen and records pertaining to levels. QC authorities also noted that Sujana TMT and Mangal TMT were engraved on steel being used for span reinforcement work.
- In respect of the **ROB at Yerraguntla**, QC inspection pointed out non-production of logs of cement and steel bills, as well over-sized filter media, inadequate number of tests by field officers, and also recommended recovery of marginal amounts for deficiencies in weight of steel used.

Copies of steel bills from traders were produced to audit, who, however, could not verify whether these bills actually represented purchases from original manufacturers or not.

- In respect of the **ROB at Tummikapalli**, QC authorities noted use of Vinayaka TMT, and directed that use of steel from Government of India (GoI) undertaking steel plants be insisted upon. The possibility of sub standard work due to use of such brand of steel cannot be ruled out.
- In respect of the **ROB at Hanuman Junction**, QC authorities pointed out use of steel from Sujana Metal Products and Vizag Profiles Ltd, contrary to the agreement clause. While the R&B Department issued orders in April 2011 for working out financial implications thereof and recovery from field staff, action thereon was not available on record.
- In respect of the **ROB at Puttur**, QC authorities noted that Reinforced Cement Concrete (RCC) was carried out using Shalimar TMT and DILL TMT steel instead of original manufacturer steel.
- In respect of the **ROB at Kadium**, QC inspections had not been conducted since November 2010, after which 11 bills had been paid. Further, QC authorities stated

²⁹ In the absence of batch number or other unique identifier; even the brand name was not mentioned

that they were not being informed about important concrete cubes (nor were these sent for QC), and the stage of fabrication of reinforcement deck slab from time to time was not adhered to.

- In respect of the **ROB at Tuni**, the Chief Engineer (R&B), D&P noted that some piers were executed without checking/ensuring the Safe Bearing Capacity, which was a prerequisite for starting work.
- In respect of the **four lane ROB at Renigunta**, from the records it was seen that QC inspection was last done in July 2010 and no further QC inspection was conducted up to July 2012. In the absence of the QC inspection for the last two years, the details of testing quality aspects relating to concrete, steel, cement and GSB, etc were not known.

During QC inspection, it was pointed out that RCC work was carried out using DIIL, Sujana and Shalimar TMT steel; QC instructed for procurement of steel from the authorized/original manufacturers and getting it tested at Soil Research Centre before execution of the work. QC also instructed the field officials to produce original steel bills, duly noting the name of the work, and relevant test certificates. The compliance details were not available to audit. During inspection, QC authorities made 26 general remarks. The compliance report to these remarks was not available.

- In respect of the **RUB at Puttur**, QC pointed out use of steel from DIIL TMT and directed that the contractor had to purchase the steel from the original manufacturers and no rerolled steel should be used on the work as per the MORTH specifications.
- In respect of the **ROB at Rayavaram**, as per drawings, the bottom reinforcement for the slabs of the ROB, require 29 rods each for three types (i.e. a1-straight; a2 and a3-crank) of rods for each slab. Though a1 rod was provided as per drawings, the crank rods were provided with a wider spacing of 720 mm against the required spacing of 360 mm, resulting in short provision of steel reinforcement. Further, instead of obtaining separate designs from the Design & Planning wing for curved slabs, the designs for straight slabs were adopted, instead of 87 rods for each straight slab, the steel rods used for thirteen slabs (five straight and eight curved slabs) ranged between 57 and 63 per slab.

Having noticed the defective work due to inadequate quantity of steel used, the R&B Department conducted load test with 85 tonnes and restricted the usage of the ROB for vehicles upto 70 tonnes only. However, when the Department approached IIT, Madras for review, the latter stated that the load to be applied on ROB for the load test should have been 131.4 tonnes, and not 85 tonnes. IIT, Madras, further, stated that the deficient slabs had to be necessarily strengthened to achieve code compliance.



Photograph at ROB at Rayavaram showing warning board to road users for limiting weight of vehicles to 70 tonnes

The above matters were reported to the GoAP (August 2012); their reply is still awaited (December 2012).

4.1.9 Conclusion

Replacement of high traffic density Level Crossings (LCs) at rail-road intersections by Road Over Bridges (ROBs) and Road Under Bridges (RUBs) reduces traffic congestion and also increases railway safety. Such replacement of high traffic density LCs by ROBs/RUBs is funded by the Indian Railways and the State Government on a 50:50 basis.

Since construction of proper bridge over/under the railway track is handled by the Indian Railways, while the approaches to the bridge are done by the State Government, effective co-ordination is of prime importance. Audit scrutiny, however, revealed numerous instances where the bridge proper was completed by the Railways, but the approaches were incomplete (and also vice versa). Further, there were instances of differences/deficiencies in alignment and other design issues, which could have an adverse impact on traffic congestion.

Audit scrutiny also revealed numerous instances of award on single bids, as well as other instances of limited competition at the bidding stage, as also undue haste in tendering and award of contracts, without completion of pre-requisites, besides instances of deficient quality control, non-compliance with stipulated provisions for procurement of steel from original producers etc.

4.1.10 Recommendations

- *Considering the huge amount of blocked funds on incomplete projects due to lack of effective co-ordination by R&B Department with the Railways, GoAP, in association with the Railways, may consider the feasibility of entrusting of the entire work of ROBs/RUBs (both the bridge portion and the approach roads) to a single agency (e.g. SCR Construction Organisation or IRCON or other railway-related entity) on deposit works basis, so as to minimize instances of lack of co-ordination. It may be noted that the Railways had decided (October 2009) to assign such works falling in Tamil Nadu, West Bengal, Karnataka and Gujarat to a single agency on experimental basis.*
- *Frequent changes of alignment and other specifications (especially post-award) are undesirable and should be avoided, especially when the grounds on which such changes are justified could have been foreseen well in advance.*
- *Award on single financial bid should be strictly avoided. In cases, where this is necessitated and approved by higher authorities on grounds of urgency, the concerned officials should be held personally accountable for completion of such urgent works within the stipulated completion dates. The grounds of urgency should be linked not to the early grounding of work (as recorded in several cases), but to the timely completion thereof.*
- *Post-award changes to agreements should be strictly avoided.*
- *GoAP should mandatorily list out the original manufacturers from whom steel can be procured; all other manufacturers/units rolling/re-rolling steel products from billets should be automatically disqualified. In addition to QC of steel before reinforcement is undertaken, bills for steel should be admitted only if they mention the specific lot/ batch number of production from the approved original manufacturers.*

Industries and Commerce Department (Commissioner of Sugar and Cane Commissioner)

4.2 Non-recovery of loans from Co-operative Sugar Factories

Commissioner of Sugar & Cane Commissioner (CoS), Government of Andhra Pradesh (GoAP) has been entrusted with the supervision and control of Co-operative Sugar Factories (CSFs) in the State of Andhra Pradesh. There are 38 Sugar Factories in the State, of which 11 are under the cooperative sector (as detailed in *Annexure 4.4*), three under joint venture and 24 under the private sector. Each of the CSF is headed by a Managing Director, who is the executive head and supervising officer.

CSFs in Andhra Pradesh have been approaching GoAP/CoS from time to time for financial assistance. CoS has been coordinating with the Andhra Pradesh State Co-operative Bank (APCOB) for extending loans to CSFs towards working capital requirements, and also recommending to GoAP to extend guarantee in respect of

loans sanctioned by APCOB. During 2006-12, loans were sanctioned by APCOB against hypothecation of sugar stocks of CSFs and guarantee given by GoAP. In addition, CSFs also approached CoS/GoAP for financial assistance, over and above the term loans sanctioned by APCOB during 2006-2012. As per the recommendations of CoS, GoAP extended financial assistance to CSFs either directly or through State PSUs in the form of loans/grants.

An amount of ₹152.23 crore (₹92.14 crore by GoAP, ₹36.29 crore by APIIC and ₹23.80 crore by APIDC³⁰) was released to CSFs during 2006-12. The details of loans sanctioned by GoAP, repayment and outstanding balances are given in *Annexure-4.5*.

In this connection, the following audit observations are made:

- Out of the total loan amount of ₹92.14 crore released by GoAP to eight CSFs to the end of March 2012, an amount of ₹73.66 crore was due for repayment, but none of the CSFs repaid any amount towards principal or interest so far. There is nothing on record to show that the proposals for financial assistance were scrutinized by CoS for arriving at the estimated/actual requirement of CSFs, before recommending the same for approval of GoAP. Although these eight CSFs were incurring losses, loans were released by GoAP without considering their financial position. Further while releasing the loans, GoAP did not issue any instructions to CoS for pursuing the recovery of loans from CSFs.
- GoAP directed (June 2007) APIIC to release a temporary loan of ₹36.89 crore to CoS for clearing NPA³¹ of CSFs towards APCOB. APIIC expressed its inability to extend the loan, as this would violate its Memorandum & Articles of Association. However, on directions (July 2007) of GoAP to release funds to CoS, out of revenue payable by APIIC to GoAP, APIIC released an amount of ₹36.29 crore to CoS. Though, this amount was to be remitted back to Government within one month the same had not been received from CSFs.
- APIDC was directed (Sept 2008) by GoAP to release an amount of ₹23.80 crore as advance to CoS on reimbursement basis to clear cane price dues of CSFs, to be repaid after disposal of sugar stocks. It was observed that instead of paying ₹23.80 crore as advance to CoS, APIDC disbursed the loan directly to eight CSFs.

Further, APIDC requested the CoS to furnish information regarding hypothecation of sugar stocks to any other financial institution/bank, but the loan was disbursed without waiting for reply/information. Before releasing the loan, neither was the financial position evaluated nor was any security obtained by APIDC.

Thus, as on 31 May 2012, out of total loan of ₹23.80 crore, an amount of ₹21.81 crore was due from CSFs, besides interest dues of ₹7.46 crore.

³⁰ Andhra Pradesh Industrial Development Corporation Limited

³¹ Non Performing Asset i.e. outstanding over due amount

- The financial position of eight CSFs as on 31 March 2011/2012 as given in **Annexure-4.6** revealed that the eight CSFs are incurring losses and had aggregate accumulated losses of ₹429.42 crore.
- Though the equity of GoAP is more than 51 *per cent* in seven of the eight CSFs, State nominees were not appointed due to non-availability of elected bodies since 2005, resulting in lack of monitoring on working of CSFs.

Thus, extension of loans amounting to ₹152.23 crore (by GoAP, APIIC and APIDC), without taking into account the performance of CSFs, coupled with inadequate monitoring led to non-recovery of loans.

GoAP/CoS should exercise effective monitoring over the functioning of CSFs to make them viable and take steps for improving the financial position of the CSFs for their self sustenance.



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