

# Chapter - III

## Compliance Audit



## Chapter-III

### Compliance Audit

#### Environment, Forests, Science and Technology Department

### 3.1 Implementation of Biological Diversity Act, 2002 by Andhra Pradesh State Biodiversity Board

#### 3.1.1 Introduction

The Government of India enacted (February 2003) Biological Diversity Act, 2002 (Act) for conservation of biological diversity<sup>1</sup>, regulation of access to/sustainable use of biological resources, etc. Functional bodies at three different levels are responsible for implementation of the Act. They are - (1) the National Biodiversity Authority (NBA) at Central level; (2) the State Biodiversity Board at State level; and (3) Biodiversity Management Committees at Local Bodies level.

As provided in the Act, the GoI established NBA in October 2003. At the State level, the GoAP constituted the AP State Biodiversity Board (Board) in May 2006. The Board functions under the administrative control of the Environment, Forests, Science and Technology (EFS&T) Department. The Board consists of a Chairperson, five ex-officio members from the concerned departments<sup>2</sup> and five nominated members from experts in matters relating to conservation of biodiversity. The State Government appoints the Chairperson<sup>3</sup> and the members of the Board. After the bifurcation of AP State, the Board was bifurcated in March 2015. As per the Act, the main functions of the State Board are to:

- Advise the State Government on matters relating to the conservation of biodiversity, sustainable use of its components and equitable sharing of the benefits arising out of the utilization of biological resources; and
- regulate by granting of approvals or otherwise requests for commercial utilization or bio survey and bio utilization of any biological resource by Indians.

GoAP also formulated the AP Biological Diversity Rules, 2009 for implementation of the Act in the State.

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<sup>1</sup> The Act defines “Biological Diversity” as variability among living organisms from all sources and the ecological complexes of which they are part of.

<sup>2</sup> GoAP had been nominating the Principal Secretaries of the EFS&T, Animal Husbandry & Fisheries and Agriculture & Co-operation Departments; and the Director of Integrated Coastal Marine Area Management Project (of GoI) as ex-officio members of the Board.

<sup>3</sup> The Chairperson of the Board shall be an eminent person having adequate knowledge and experience in conservation/sustainable use of biological diversity.

### 3.1.2 Scope and objectives of Audit

Audit assessed the effectiveness of the role played by the Board and the Biodiversity Management Committees in carrying out the functions prescribed in the Biological Diversity Act and Rules. Audit examined (June - July 2017) records in the Secretariat and the Board covering the period from the date of bifurcation of the Board (March 2015) to end of March 2017.

## Audit findings

### 3.1.3 Constitution of Biodiversity Management Committees

The Act stipulated that every local body shall constitute a Biodiversity Management Committee (BMC)<sup>4</sup> within its area for promoting conservation, sustainable use and documentation of biological resources. As per the Act and the State Biological Diversity Rules, the BMCs have to be consulted for granting access to or imposing restrictions on access to biological resources occurring within their jurisdiction. Thus, the BMCs have a vital role in implementation of the Act. However, Audit observed that only 2908 (21 *per cent*) out of a total of 13725 local bodies in the State had formed BMCs as of June 2017, as detailed below :

*Table 3.1 – Details of BMCs formed at local bodies' level as of June 2017*

Type of Local Body	No. of Local bodies in the State	No. of BMCs formed	No of BMCs not formed	Percentage of BMCs formed
Zilla Parishads	13	1	12	7.7
Municipal Corporations	14	1	13	7
Municipalities	110	5	105	4.5
Mandal Parishads	664	30	634	4.5
Gram Panchayats	12924	2871	10053	22.2
<b>Total</b>	<b>13725</b>	<b>2908</b>	<b>10817</b>	<b>21.19</b>

(*Source:* Information furnished by Board)

Audit observed that :

- While formulating the AP State Biological Diversity Rules, the Government had not stipulated any time frame for constitution of BMCs by local bodies in the State.
- Other than engaging private personnel (appointed as District Biodiversity Coordinators - DBCs in each district to pursue with local

<sup>4</sup> As per the State Biological Diversity Rules, each local body was to nominate seven community members and six special invitees from the State Government Departments as members of the BMC. The Chairperson of the local body should be the ex-officio Chairperson of the BMC.

bodies) and addressing letters to the District Collectors once in a year, the Board had not made any effective pursuance with the local bodies for formation of BMCs.

- The Board did not pursue the issue of formation of BMCs by local bodies with the Panchayat Raj (PR) and the Municipal Administration (MA) departments.
- In the last 12 years since formation of the Board, the GoAP did not nominate any representatives from the PR and the MA departments as ex-officio members of the Board.
- The Board had not rendered any advice to the State Government on the steps to be taken to speed up the formation of BMCs by local bodies in the State.

Government replied (November 2017) that activities of the Board remained slow in initial years due to various reasons and gained pace after the State bifurcation due to appointment of DBCs. **However, Government should stipulate a timeframe for formation of BMCs and ensure active involvement of the PR and the MA departments, which would yield better results.** As regards nomination of ex-officio members from the PR and the MA departments, Government replied that this would be considered at the time of reconstitution of the Board.

- Red Sanders are scarce and high value biological resource<sup>5</sup> grown in five districts (viz., Chittoor, YSR Kadapa, Kurnool, Prakasam and SPS Nellore) in the State. As per the information furnished by the Board, Red Sanders are grown in areas under 348 villages in 47 mandals of four districts (except Prakasam district<sup>6</sup>). However, out of these 348 villages/47 mandals, only 162 Gram Panchayats and three mandals had formed BMCs. At district level, only one Zilla Parishad of YSR Kadapa district had formed BMC. Thus, the local bodies had not formed BMCs fully even in the bio-rich areas where Red Sanders were being grown.

Government replied that BMCs were formed in 1476 local bodies in these five districts which included most of the Red Sanders growing areas and the process of formation of BMCs in the rest of areas was under process. The reply is not specific to the audit observation that BMCs were not formed in all the 348 villages/47 mandals/five districts identified by the Board as Red Sanders growing areas.

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<sup>5</sup> Red Sanders were included in the negative list of exports notified (April 1998) by the GoI. The Foreign Trade Policy of GoI which is an instrument under the Customs Act, 1962 totally prohibits export of Red Sanders in any raw form. Red sanders are also classified as a 'Reserved Tree' under the AP Preservation of Private Forest Rules, 1978.

<sup>6</sup> The Board stated that in Prakasam district, red sanders were available only in forest core area where no villages were located.

Thus, due to slow pace of constitution of BMCs at local bodies' level, the State did not have the organizational set up necessary for implementing even the basic provisions of the Act.

### **3.1.4 Building database of biological resources**

As per the AP Biodiversity Rules, the Board had to build a database and create information and documentation systems for bio-resources and associated traditional knowledge through biodiversity registers and electronic databases. Audit observed that:

The BMCs were responsible for preparation of People's Biodiversity Registers (PBRs) in consultation with local people. The PBRs were to contain comprehensive information of local biological resources, their medicinal or any other use, or any other traditional knowledge associated with them. However, 10817 (i.e., 79 *per cent*) out of the 13725 local bodies in the State had not constituted BMCs, as of June 2017. Even in respect of the 2908 BMCs formed, the Board had not effectively pursued with the BMCs for preparation of PBRs. So far, a total of only 75 PBRs had been prepared in the State and 55 PBRs were under preparation. In the absence of PBRs in all the local bodies, the Board had not built any comprehensive database of biological resources despite lapse of 11 years since its formation.

The AP Biological Diversity Rules stipulated that a Technical Support Group (TSG)<sup>7</sup> shall be established at district level by the district administration to lend support to BMCs. However, as of June 2017, no TSG was constituted in any of the districts in the State.

Government replied that the budget allocation from different sources for preparation of PBRs had been very meagre and that the Board was taking initiatives to prepare PBRs based on availability of budget. **Government should ensure that TSGs are formed in each district and adequate training is to be given to BMCs to guide them in preparation of PBRs.**

### **3.1.5 Identification/notification of Biodiversity Heritage Sites**

The Act<sup>8</sup> empowered the State Government to notify the areas of biodiversity importance as Biodiversity Heritage Sites (BHS) in consultation with the local bodies. The Act provided that the State Government had to frame rules for management and conservation of BHS.

Audit observed that the Board had submitted Guidelines for Identification, Notification and Management of BHS to the State Government in July 2016.

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<sup>7</sup> TSG shall comprise of experts in the field of biodiversity drawn from Government agencies, Non-Government Organizations, academic field, community and individuals.

<sup>8</sup> Section 37 of the Act

As of June 2017, the Government was yet to approve the guidelines and to frame the rules for management/conservation of BHS in the State. Audit could not ascertain the reasons there for, as the Department did not furnish relevant records.

Audit further observed that the Board had sent proposals to State Government for notifying two sites<sup>9</sup> as BHS in September 2008 and January 2012, respectively. However, even after a lapse of nine years/five years respectively, the State Government has not notified these places as BHS so far (June 2017). After submitting the initial proposals, the Board had not pursued with the Government on this issue.

In August 2011, the President of Veerapuram BMC reported to Board that the village is famous for painted storks (Siberian birds) which move in the month of January and stay up to July every year for breeding. It was stated that the trees had become old and were drying up and requested to grow trees for safeguarding the birds. The Board had forwarded (September 2011) the representation to the Principal Chief Conservator of Forests (PCCF). However, the Board had not pursued with the PCCF on this issue. The details of action taken thereon were not available in the Board's records. The PCCF had also not furnished any information in this regard, though specifically called for by Audit.

Government replied that the proposals for notification of the guidelines and notification of proposed BHS were under consideration. The reply was silent on the action taken for plantation near Veerapuram lake to safeguard Siberian birds.

Non-framing of rules for identification, management and conservation of BHS could be a hurdle in identification and notification of BHS. On the other hand, conservation plans were not made even for the two places identified due to non-notification as BHS by the Government.

**The Government needs to expedite framing of guidelines/rules for identification, management and conservation of Biodiversity Heritage Sites.**

### **3.1.6 State Bio-diversity Conservation Strategy and Action Plans**

The Board had not prepared any long term Bio-diversity Conservation Strategy or Action Plan so far as required under the AP Biological Diversity Rules. It had also not prepared any annual action plans until 2015-16. It was only in November 2016 that the Board had approved Vision Plans for the years 2016-17 to 2018-19. However, it could not implement the vision plans

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<sup>9</sup> (1) Veerapuram lake in Chilamathur Mandal of Anantapuramu District and (2) Timmamma Marrimanu situated at Gootibayalu Village in Kadiri Taluk of Anantapuramu District.

effectively, due to non-release of adequate funds by Government, as discussed in Paragraph 3.1.8.

**The Government needs to expedite preparation of Bio-diversity Conservation Strategy and Annual Action Plans and also allocate adequate funds to the Board as per these Plans for effective implementation of the Act in the State.**

Government replied that the Board was taking action for preparation of a Biodiversity Conservation Strategy and Action plan for the present AP State.

### **3.1.7 Lack of regular staff**

The Board had submitted proposals to the Government for sanction of posts (10 scientific and 29 administrative posts) in September 2010, April 2012 and again in June 2016. The board had been expressing concerns that it was facing difficulties in implementation of the Act due to non-sanction of posts. However, the Government has not sanctioned any posts so far. The Board had no regular staff as of June 2017. It was totally dependent on outsourced staff (most of them were Data Entry Operators, office subordinates and drivers) for its day to day functions. Non-sanction of posts by Government and absence of regular staff was adversely affecting the Board's functioning. **Government should consider sanction of adequate staff to the Board on regular basis to enable it to effectively discharge its functions mandated under the Act.**

Government replied that the proposal for sanction of posts to the Board was under active consideration.

### **3.1.8 Provision of funds by Government to the Board**

As per the AP Biological Diversity Rules<sup>10</sup>, the State Government shall pay to the Board such sum of money, as it may think fit, for being utilized for the purpose of the Act. Audit observed that Government had not been providing adequate funds to the Board as shown below:

*Table 3.2 – Details of budget proposed by the Board and releases by Government during 2015-16 and 2016-17*

(₹ in crore)

Financial Year	Budget proposed		Budget provided and released		Expenditure	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-plan
2015-16	3.72	1.98	0.50	0.10	0.05	0.55
2016-17	2.15	1.62	1.00	1.00	1.00	1.00

(Source: Records of the Board)

<sup>10</sup> Rule 19(3) of the AP Biological Diversity Rules, 2009

- In the year 2015-16, due to release of meagre funds by Government, the Board had utilized the Plan funds also for payment of salaries, wages, etc. It utilized ₹ five lakh for conducting awareness programmes and had no funds for Plan activities like release of startup fund to BMCs and preparation of PBRs in that year.
- The Plan budget requirement for 2016-17 worked out by the Board as per the Vision Plan was ₹10.54 crore. However, the budget proposals already submitted to Government were for only ₹2.15 crore against which the Government released only ₹one crore during the year. Hence, the Vision Plan had lost its relevance as the Board could not implement the Plan as envisaged.
- For the year 2017-18, the Board proposed to constitute 4000 BMCs during the year. Accordingly, it submitted budget proposals for ₹36.56 crore to Government. This amount included ₹4 crore for constitution of 4000 BMCs and ₹10 crore for preparation of 5000 PBRs. However, Government allocated a meagre amount of ₹2 crore, which is barely sufficient to meet the expenditure on salaries, contractual services, etc. (₹1.97 crore) estimated by the Board.

The Government replied that after bifurcation of the State, the allocation of funds was reduced on all schemes due to financial constraints. It further replied that the Department was trying to impress upon the Finance Department to allocate more funds. Government also replied that the Board was being requested to explore other sources of funding.

Thus, inadequate provision of funds by Government was adversely affecting the implementation of the Act in the State by the Board.

### **3.1.9 Conclusion**

Government of AP had constituted the AP State Biodiversity Board (Board) in June 2006 to advise and assist the State Government in implementing the Biological Diversity Act, 2002 (Act) in the State. Even after a decade since its formation, the Board had not attained the level of preparedness necessary for undertaking conservation of biological diversity in the State. The State did not have any Bio-diversity Conservation Strategy and Action Plan. Biodiversity Management Committees (BMCs), which have a vital role to play in implementation of the Act, were not formed in 79 *per cent* of the local bodies in the State. The Board did not even build a database of biological resources available in the State. The Board did not have regular staff as the Government did not sanction any posts. Government was not providing adequate funds to the Board which was adversely affecting the Board's functioning.

## **Industries and Commerce Department**

### **3.2 Implementation of Andhra Pradesh Single Desk Policy 2015 in Industries & Commerce Department**

#### **3.2.1 Introduction**

Government of Andhra Pradesh (GoAP) formulated (April 2015) ‘Andhra Pradesh Single Desk Policy 2015’ to provide all approvals required for starting and operating an industry, within 21 working days at single point through Information Technology (IT) enabled platform. In furtherance of the Policy, the Industries and Commerce Department launched (April 2015) a web based Single Desk Portal (SDP).

An entrepreneur, both existing and new, registers with the Portal to obtain approvals online. On submission of requisite information and uploading online or sending the enclosures through courier, the competent authorities in line departments<sup>11</sup> scrutinize and accord the approval online.

Single Desk Bureau (SDB)<sup>12</sup> headed by the District Collector at district level and Empowered Committee of Secretaries chaired by Chief Secretary at State level function to monitor and review the implementation of the Policy.

#### **3.2.2 Audit scope and methodology**

As of 18 May 2017, a total number of 11,297 entrepreneurs had registered with the SDP since its launch (April 2015). As per the data furnished by the Commissioner of Industries, the portal received applications from 6,685 entrepreneurs for a total of 19,837 approvals. Out of these applications, the line departments gave 17,787 approvals, rejected/sent back 1,283 applications and 767 applications were under scrutiny as on 26 April 2017.

Audit examined (February – May 2017) the implementation and functioning of SDP since its inception (April 2015) to March 2017. It was aimed to assess whether the SDP was designed in a user-friendly manner and had been implemented effectively. Audit examined records at the Secretariat, Directorate of Industries and District Industries Centers (DICs) of six Districts<sup>13</sup>, selected through random sampling method. Out of 11,297

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<sup>11</sup> List of line Departments: 1) Energy, 2) Municipal Administration & Urban Development, 3) PR & Rural Development, 4) Irrigation & CAD, 5) Directorate of Factories, 6) Commercial Taxes, 7) APPCB, 8) Revenue & LA, 9) Registration & Stamps 10) Health, Medical & Family welfare, 11) Home (Fire Services), 12) Civil Supplies 13) Prohibition & Central Excise.

<sup>12</sup> SDB constituted by GoAP, is a State level clearance mechanism consisting of HODs of various Line Departments as members and the Commissioner of Industries as the Chairman. The SDB was to ensure that the clearances are issued within stipulated timelines.

<sup>13</sup> Anantapuramu, Chittoor, Guntur, Krishna, Prakasam and Visakhapatnam

industries registered in SDP, Audit selected a sample of 176 Industries<sup>14</sup> (100 per cent of Mega Industries, two per cent each from Large; and Micro, Small and Medium Enterprise (MSME) industries through random sampling technique for audit analysis. In addition, Audit also analysed the data dump of SDP furnished by the Department.

## Audit findings

### 3.2.3 Deficiencies in the System Processing

The line departments give approvals under respective Acts/Rules/ Regulations at two stages viz., pre-establishment and pre-operation. For existing industries, approvals are given for expansion activities. SDP facilitates online applications for all such cases.

Audit identified certain deficiencies in the systems processing in the Single Desk Portal as under:

#### 3.2.3.1 Validations for Pre-establishment and Pre-operation approvals

The line departments give pre-establishment approvals to setup an industry and pre-operation approvals to commence the operations.

The AP Pollution Control Board (APPCB) issues Consent for Establishment (CFE) at pre-establishment stage and Consent for Operation (CFO) at pre-operation stage under the Water (Prevention & Control of Pollution) Act 1976 and the Air (Prevention & Control of Pollution) Act 1982. CFOs are issued if the conditions stipulated in the CFE by the industrial unit are complied with. Thus, date of CFO cannot be prior to the date of CFE.

Audit observed that:

- APPCB rejected CFE in case of one unit<sup>15</sup> in Guntur district in June 2016 but, approved CFO in October 2016. Approval of CFO before the CFE suggests lack of validation in the system to make approval of CFE as a pre-requisite for approval of CFO.
- Similarly, the Department of Factories issues Factory Plan Approval at pre-establishment stage and Factory Registration/License at pre-operation stage. However, it was observed that in two (out of 183) cases, the date of approval of Factory Registration/License preceded the date of approval of Factory Plan, as shown in Table 3.3:

<sup>14</sup> Mega units -27; Large units - 12; and MSME units - 137

<sup>15</sup> M/s Surya Corporation, Guntur

Table 3.3 - Details of discrepancies

Sl. No.	Name of the unit	Factory Plan Approval Date	Factory Registration /License approval date
1	S V D P Industries, Visakhapatnam District	30/6/2016	28/6/2016
2	Sprint Exports Private Limited, West Godavari District	10/11/2016	24/5/2016

(Source: SDP data)

Thus, there were no validations in the SDP to ensure availability of all pre-establishment approvals with the entrepreneurs when they apply for pre-operation approvals.

Government replied (September 2017) that validations were being put in place in the Portal to ensure that pre-operation approvals are given after pre-establishment stage approvals.

### 3.2.3.2 Validation for dates of submission and receipt of applications

The data dump of the online approvals given contains “date sent” which is the date on which the registered entrepreneurs submitted information in Common Application Form (CAF) in the Portal and “date of receipt” which is the date on which the competent authority accessed the CAF through their login in the Portal.

Audit analysis of SDP data pertaining to 802 (4 per cent) out of the total 19,837 approvals given through SDP revealed that the date of receipt of application by the Department concerned was one to 347 days prior to the date of sending of application by the applicant.

Thus, there were no validations in the system to check that the dates were as per chronological events and accept only valid inputs.

Government replied that discrepancy in application sent date was being fixed.

### 3.2.4 Inadequate provision to enter details of existing approvals

The applicants (both existing and new entrepreneurs) have to fill in a Common Application Form (CAF) to obtain approvals for expansion of the existing units or approvals for fresh units respectively. Existing entrepreneurs who are already running an industrial unit with approvals and going for expansion of their units do not require all the approvals listed in the SDP.

However, in the CAF only one text box for ‘reference number’,<sup>16</sup> of approvals and one ‘date field’ for ‘date of approval’ were provided, instead of separate

<sup>16</sup> Item No. 7 of CAF

‘text boxes’ and ‘date fields’ for entering details of different approvals already obtained by entrepreneurs. Besides, there was no provision to upload copies of the existing approvals.

Thus, there was no linking of information of existing approvals with the approvals required/ applied for in the SDP.

As a result, the SDP was showing the status of already existing approvals as ‘yet to apply’. During physical verification of 18 out of 176 industrial units in the test checked districts, it was observed that 23 approvals were already obtained by these units while the SDP data showed that they were yet to apply for the same. Thus, the SDP data was not portraying the correct picture of approvals required/obtained/yet to be applied by the entrepreneurs.

Government replied that provision would be made in the user registration process to identify whether a particular industry was new/ already existing/ expansion unit. It further replied that provision would be made to upload all the clearances/ approvals/certificates/licences issued prior to launch of SDP.

### **3.2.5 Delay in resolving grievances**

The SDP had a provision for uploading of grievances, if any, by the registered entrepreneurs. Audit observed that since inception (April 2015) of SDP, the Commissionerate of Industries and six test checked Districts had received 50 grievances, out of which 28 cases were yet to be resolved. The details are shown in *Appendix 3.1*. These were pending for a period ranging from 108 to 606 days. The pending grievances related mainly to application process like permission for changing CAF details, seeking guidance to apply online, etc.

Audit observed that the SDP guidelines issued by Government initially in April 2015 did not stipulate any timelines for addressing grievances. However, in the revised guidelines issued in June 2016, Government stipulated a maximum period of 30 days within which the grievances were to be resolved. As per the guidelines, it was the responsibility of the Commissioner of Industries (COI) to dispose of the grievances. However, 27 out of the 28 grievances that were pending for more than 30 days were those that were registered after issue of revised guidelines. Pendency of grievances for long periods was due to lack of follow up/monitoring by the COI.

Government replied that instructions were issued to the concerned authorities to take action on pending grievances and progress would be reviewed through SDB meetings.

### **3.2.6 Privilege to change the Status of Clearance**

The competent authorities of line departments record their remarks viz., approved /rejected/additional information called for as the case may be. The

line departments take further action on submission of the requisite information by the applicants. Such remarks reflect the status of the applications.

Audit selected 18 Units involving 174 approvals in six districts for physical verification of status of clearances as test check. Out of these, incorrect status of clearances was reflected in SDP in one unit for two approvals. Status of these approvals was shown in the portal as 'Final Approval Pending'/'Additional information called for', though the unit had already obtained these approvals. The above discrepancy was due to lack of privileges/rights to the approval authorities in line departments to update the final action taken subsequent to entering the initial remarks in the SDP.

As a result, the status/remarks indicated initially, remained unchanged though approvals were granted subsequently.

The Government replied that necessary provision would be made in the SDP to indicate current status by the line departments.

### **3.2.7 Non-provision for display of unit-wise approvals**

The Single Desk Performance Report of SDP portrays the status of approvals (Factory plan approval, power feasibility certificate, CFE/CFO, etc.) sought by the entrepreneurs and issued by line departments.

The portal displayed that the line departments processed 19,837 approvals from April 2015 to May 2017 under the SDP.

However, the Portal does not have the provision to generate the unit-wise list of approvals applied for, approvals given and yet to be applied, so as to verify whether a unit had obtained all the required approvals to operate.

Thus, non-availability of unit-wise details in the SDP performance report in the Portal made the SDP deficient for third party verification.

The Government replied that over a period of time, comprehensive report of total approvals required/already existing/applied under SDP and approved in respect of each industry would be provided in the SDP for third party verification.

### **3.2.8 Minimizing the information input**

Government of Andhra Pradesh computerised records of Revenue and Registration Departments for issue of land documents etc., online to the public. Similarly, the location details are available online and verifiable with "Bhuvan/Field Measurement Book"<sup>17</sup>.

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<sup>17</sup> Bhuvan: ISRO's Geo-portal providing visualisation services and Earth observation data. It is an open platform being used by user community including Andhra Pradesh for various purposes.

The entrepreneurs have to provide details of location of factory etc., proposed in the online application and submit/upload land documents, site plan, Topo Plan, Layout, etc. These plans and documents are verified by the competent authorities of Factories Department, AP Pollution Control Board, etc., to confirm the location details and accord approvals.

The SDP did not integrate the sites/resources available with other departments/agencies to verify the inputs given by the entrepreneurs. Instead the Portal stipulated to upload/courier the supporting documents.

Thus, non-integration of “Bhuvan/FMB”<sup>18</sup> and revenue records with SDP resulted in unnecessary documentation by entrepreneurs.

The Government replied that steps were being taken to make the application completely online and integrate with IGRS/Meebhoomi<sup>19</sup> of Revenue Department and digitalisation of FMB was also in progress. Further, Department assured that various data maintained by the State Government shall be used to reduce the inputting by the entrepreneurs.

### 3.2.9 Conclusion

The Single Desk Portal is useful to obtain approvals for the applications made by the entrepreneurs to setup, operate and continue industrial units in the State. However, the processing of applications for approvals and display of information requires strengthening of systems to improve the performance of the Portal and availability of information to the public. There are no validations to ensure second stage (pre-operation) approvals are given only after ensuring all first stage (pre-establishment) approvals were given. In the SDP data, there were cases where the dates of receipt were before the dates submission of applications. The Common Application Form (CAF) was not designed to collect the details of approvals already available with the entrepreneurs. The grievances of entrepreneurs were not being resolved even after the prescribed period of 30 days. The portal does not display the updated status of approvals and also unit wise details of applications received/approvals given. Information already available with other departments/agencies of the Government was not integrated with the portal to strengthen the online processing of applications.

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<sup>18</sup> FMB is the Field measurement Book which will have the field measurement sketches of all individual fields with Survey Numbers.

<sup>19</sup> IGRS: Website of Registration and Stamps Department of AP which contains information relating to details of Sale/Mortgage of open lands/buildings etc.

Meebhoomi: Website of Revenue Department of AP contains information of village records and maps.

## **Water Resources Department**

### **3.3 Implementation of irrigation schemes under Accelerated Irrigation Benefits Programme**

#### **3.3.1 Introduction**

Government of India (GoI) launched the Accelerated Irrigation Benefits Programme (AIBP) in the year 1996-97 to provide Central Assistance to major/ medium irrigation projects in the country. The objective was to accelerate implementation of projects which were beyond resource capability of the States or were in advanced stage of completion. Minor Irrigation schemes were subsequently introduced from the year 2005-06. The intervention of the GoI through Central Assistance was from 25 *per cent* or more of the estimated project cost depending on the location of the project and date of its inclusion in the Programme.

Government of Andhra Pradesh (GoAP) implemented 26 projects since beginning under AIBP consisting of seven major, nine medium and ten minor irrigation projects. The Water Resources Department (WRD) is responsible for execution and maintenance of irrigation projects in the State. The Secretary, WRD at Secretariat level, Engineer-in-chief (E-in-C) (Irrigation) at State level, Chief Engineers, Commissioner of Command Area Development Authority, 50 Superintending Engineers and 266 Executive Engineers are in charge of execution of works.

#### **3.3.2 Audit objectives, scope and methodology**

Audit examined (May to August 2017) the implementation of irrigation schemes under AIBP covering the period from April 2008 to March 2017. It was to ascertain whether the projects were effectively implemented in a timely manner and objective of creation and utilization of Irrigation Potential (IP) had been achieved. Audit selected a sample of projects through random sampling method. Sample consisted of two<sup>20</sup> out of seven major irrigation projects, four<sup>21</sup> out of nine medium irrigation projects and six<sup>22</sup> out of ten minor irrigation projects. Audit test checked the records in the offices of the concerned Chief Engineers, Superintendent Engineers and Executive Engineers.

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<sup>20</sup> Gundlakamma Reservoir Project and Tadipudi Lift Irrigation Scheme

<sup>21</sup> Tarakarama Thirtha Sagaram Project, Swarnamukhi Barrage Project, Veligallu Reservoir Project and Kanupur Canal Project

<sup>22</sup> Conversion of Bhavanasi Tank into mini Reservoir, Formation of Reservoir across Isukagedda at Buchaiahpalem, Construction of new MI Tank across Maddileru vagu near Gani, Formation of new MI Tank across Chandravanka, Construction of Multi-purpose check-dam across Musi River near Ananthavaram and Construction of Pickup Anicut across Musi River near Muppavaram

## Audit findings

### Major and medium irrigation projects

The two major irrigation projects selected are still ongoing and out of four medium irrigation projects, two were completed, one is ongoing and another project is deferred.

### 3.3.3 Financial management

The GoI and the State Government have funded the AIBP projects as per the ratios (25:75, 30:70 and 90:10) agreed upon in the Memorandum of Understanding between both the Governments at the time of inclusion of the project under the scheme. The state government adjusted the funds released by the GoI to the State finances. The state government issues Letter of Credit (LoC) to the Pay and Accounts Officer, who, in turn, would book the expenditure on the project against the bills preferred by the executing agency.

The details of expenditure on the test checked AIBP Projects as of March 2017 is given in *Appendix-3.2*.

AIBP Guidelines prescribed that subsequent instalments should not be released to State Governments if audited statement of expenditure was not furnished within nine months of release of central assistance. Audit observed that in case of two projects viz., Tadipudi Lift Irrigation Scheme (TLIS) and Tarakarama Teertha Sagaram project (TRTS), the State Government could not spend the Central assistance within the stipulated period of nine months. This was because progress of works was slow due to delays in land acquisition. The Government could submit the statement of expenditure for TLIS in 2008 and TRTS in 2015 as shown below:

*Table 3.4 - Details of grants not released*

(₹ in crore)								
Sl. No.	Name of the Project	Project Cost	Revised cost	Central Grant eligible	Central Grant released	Year of release	Year of confirmation of expenditure	Amount not released
1.	Tarakarama Thirtha Sagaram Project (TRTS)	220.11	471.31	66.03	33.01	2005-06	2015	33.02
2.	Tadipudi Lift Irrigation Scheme (TLIS)	376.96	568.00	94.24	48.22	2006-07	2008	46.02
<b>Total</b>		<b>597.07</b>		<b>160.27</b>	<b>81.23</b>			<b>79.04</b>

(Source: Records of the Department)

**As a result, Government of India did not release the second instalments for these two projects and the State Government had forgone the remaining Central assistance of ₹79.04 crore.**

The Government accepted (December 2017) the above audit observation and stated that the AIBP authorities were being frequently requested for release of further Central assistance. The reply confirms that the State exchequer was burdened to a tune of ₹79.04 crore.

### **3.3.4 Project Execution and Management**

The project-wise audit observations on execution of Major and Medium projects are discussed below:

#### **3.3.4.1 Major Irrigation Projects**

##### **(i) Kandula Obula Reddy Gundlakamma Reservoir Project**

State Government had taken up Kandula Obula Reddy Gundlakamma Reservoir Project on Gundlakamma River in Prakasam District. The Government envisaged utilization of 12.84 TMC of water to irrigate 80060 acres in Prakasam District and provide drinking water to a population of 2.56 lakh of Ongole town and 43 en-route villages in the command area.

Government accorded administrative approval (October 2003) for ₹165.22 crore. It later revised the project cost to ₹453.85 crore (December 2005), ₹592.18 crore (June 2009) and then to ₹753.83 crore (November 2016). The project works consisted of formation of earth bund, construction of spillway, fabrication and erection of gates, excavation of left and right canals, distributaries and minors.

- ***Delay in completion of the project and non-achieving the objectives:*** Audit observed that, though the department awarded (2004) the works with a date of completion (30 months), the contractor did not complete the project in all respects as of June 2017. The contractor completed the construction of earth bund, spillway, fabrication & erection of gates. The progress in excavation of left and right canals, distributaries and minors were 86 *per cent*. The progress in land acquisition was 99 *per cent*. The expenditure incurred up to 2016-17 was ₹535.01 crore. The Department was required to rehabilitate 6605 families from five full and seven partial submergence villages. Till June 2017, it had rehabilitated 3567 families from only the ‘full submergence villages’. It could not rehabilitate families from ‘partial submergence villages’ due to non-completion of construction of rehabilitation and resettlement (R&R) centres.

Due to non-completion of land acquisition and R&R, the Department could create an ayacut<sup>23</sup> of 68948 acres as against the target of 80060 acres. Due to non-completion of works, envisaged benefits of the projects were achieved partially even after 13 years since commencement of works.

Government accepted that creation of about 11500 acres of ayacut was held up due to incomplete land acquisition process.

- **Extra commitment of ₹1.49 crore due to incorrect adoption of differential rate for distributary network:** Government vide order<sup>24</sup> (June 2015) increased the rate payable for distributary network from ₹9000/acre to ₹10500/acre in the ongoing contracts with effect from April 2013. Accordingly, the Department concluded (June 2016) a supplemental agreement for ₹3.21 crore for balance ayacut of 32,333 acres to be created as on April 2013 in Gundlakamma project. Audit observed that the Government orders stipulated that the Department should pay the differential rate (₹1500/acre) without applying tender discount/premium<sup>25</sup>. However, while computing the revised value of distributary network, the Department incorrectly applied tender discount of 5.13 per cent on old rate of ₹9000/acre and arrived at differential rate of ₹1962/acre (₹10500 - ₹8538), instead of ₹1500/acre that was payable. Audit pointed out that incorrect application of tender discount on old rate by the Department resulted in an extra commitment of ₹1.49 crore (₹1962- ₹1500 = ₹462 x 32,333 acres).

Government replied that the supplemental agreement would be modified after calculating the differential rate without applying tender discount.

- **Wasteful Expenditure on 20R Major on RMC:** According to the provisions laid down in Para 392 of APPWD Code, written statements from the ryots shall be obtained as part of initial investigation work before execution of the works. Audit noticed that as per the agreement conditions, under Right Main Canal of Gundlakamma Reservoir Project, 20R Major distributary canal was excavated (2012) along with structures at a cost of ₹12.97 lakh to create an ayacut of 292.46 acres. However, the farmers of the area re-filled the canal with excavated soil on the plea that the flow of water through this distributary would increase salinity in their lands.

<sup>23</sup> Command area

<sup>24</sup> G.O.Ms.No.63 dated 12.06.2015

<sup>25</sup> 'Tender discount' is the percentage of the price quoted by the bidder below the estimated cost of the work. 'Tender premium' is the percentage quoted in excess of the estimated cost.

The Government accepted (December 2017) the fact that the farmers refilled the excavated distributary. It further stated that the reason of increase in salinity put forth by farmer was far from truth and that the canal would be re-excavated in due course.

However, there was no evidence on record to show that either the Department or the EPC agency had taken concurrence of farmers before taking up and execution of the work. This rendered ₹ 12.97 lakh wasteful.

## **(ii) Tadipudi Lift Irrigation Scheme**

The Tadipudi Lift Irrigation Scheme (TLIS) envisaged creation of irrigation potential of 2,06,600 acres in 14 Mandals of West Godavari district. The work inter alia included lifting 12.14 TMC of water from the river Godavari to main canal.

Government initiated the project in 2004 with an estimated project cost of ₹ 376.96 crore. Subsequently, the Government revised it to ₹ 467.70 crore (October 2010) and to ₹ 568 crore (December 2016). The scope of work included construction of two pump houses on Godavari right bank with four pumps/motors, laying of pressure mains, excavation of main canal for 80.991 kms and construction of four second stage pump houses on main canal.

- **Cost overrun of ₹ 191.04 crore due to delay in completion of main canal and distributaries:** The work of main canal and distributaries was awarded in October 2004 with target date of completion as October 2006. The work was not completed and the target date was extended up to March 2018. As of March 2017, the Department created ayacut of 1.54 lakh acres against the target of 2.07 lakh acres. The Department, even after lapse of 11 years, could not create irrigation facilities to an extent of 53000 acres due to delays in land acquisition and could achieve only partial benefits from the project. Non-completion of the work within the stipulated period resulted in cost overrun of ₹ 191.04 crore. The Department attributed non-creation of ayacut to non-handing over of land by Revenue Authorities.
- **Electro-mechanical equipment lying idle:** The agency procured (2006-07/2007-08) Electro mechanical equipment (such as pumps, motors, power transformers, power and control cables and sub-station) for sub lift No. IV on main canal of Tadipudi LIS at a cost of ₹ 1.90 crore. Audit noticed that the equipment, though installed, had not been put to use as the works of distributaries and field channels were not completed due to non-handing over of lands by the Revenue Department. Further, the possibility of the expiry of guarantee/warranty period besides deterioration of the equipment cannot be ruled out.

Government replied that the Revenue Department handed over the land (2017) and the construction work would be commenced.

### 3.3.4.2 Medium Irrigation Projects

#### (i) Kanapur Canal Project

***Award of work without proper verification of genuineness of experience certificates of contractor:*** Government, awarded (October 2002) the work of lining from Km 0.00 to Km 7.20 of Kanapur Canal project with a cost of ₹9.78 crore under AIBP. The scheduled date of completion of work was March 2003. Vigilance and Enforcement Department pointed out that the department selected the contractor without proper verification of genuineness of experience certificates enclosed to tender documents. Accordingly, the department determined (April 2003) the work. The Department took up (June 2008) the work under Package-4 of Modernisation of Kanapur Canal System with State funds. The total expenditure from AIBP fund up to the date of termination of contract (April 2003) was ₹71 lakh. This amount included mobilization advance of ₹42 lakh paid to the contractor which was yet to be recovered. The remaining expenditure of ₹29 lakh was incurred on departmental charges on tender schedules, etc. Thus, the whole expenditure became wasteful and was a loss to the Government.

#### (ii) Tarakarama Thirtha Sagaram Project

Government accorded (2003) administrative sanction for ₹220.11 crore for construction of Tarakarama Thirtha Sagaram medium irrigation project over Champavathi river in Vizianagaram district. The Project envisaged creation of ayacut of 24710 acres in 49 villages in three Mandals utilizing 5.80 TMC of water. The Government subsequently revised (September 2015) the project cost to ₹471.31 crore.

***Delay in completion of works and non-achieving the objectives:*** The Department awarded the work (May 2006) to a contractor for ₹181.50 crore. It was scheduled for completion by May 2008, which was rescheduled (December 2017) to December 2018. The scope of the work included construction of a barrage at Kotagandredu Village across Champavathi River, excavation of diversion canal and tunnel, formation of a reservoir, excavation of right and left main canals with distributary system, etc., including maintenance for two years. The expenditure incurred as of March 2017 was ₹144.28 crore.

The contractor achieved 31 *per cent* progress on earth dam; 80 *per cent* on barrage and did not commence Right and Left Main Canal works and distributary system. Audit observed that as of May 2017, out of 3296.75 acres of total land required, the Department acquired 3031.15 acres and was yet to

acquire 265.60 acres. Further, the Department was yet to obtain Forest Clearance for diversion of 21.91 acres of forest lands required for the tunnel and right main canal works. Delays in acquisition of lands and non-obtaining of forest clearance resulted in non-completion of work even after 11 years from the date of agreement. The delay resulted in cost overrun of ₹ 251.20 crore besides non creation of ayacut despite time overrun of nine years.

The Government confirmed that the works were not completed due to non-acquisition of land and delay in obtaining forest clearance.

### **(iii) Veligallu Reservoir Project**

Government envisaged Veligallu Project across Papagni River near Veligallu village in Galiveedu mandal of Kadapa District to create ayacut of 24000 acres at a cost of ₹ 80.31 crore. Department awarded (March 2005) the work (Package-5 AIBP) for ₹ 72.90 crore to be completed by September 2006. The scope of work included fabrication, supply and fixing of radial gates; excavation of right and left main canals, distributary system with field channels including maintenance of the project for two years.

**Issue of incorrect Completion Certificate:** As per the agreement condition, the contractor shall carryout any maintenance or repairs to work during the maintenance period of two years or two Kharif crop seasons, whichever is more, from the date of issue of completion certificate. The work was completed in August 2007 and the Department issued (May 2010) Completion Certificate to the contractor. The Department, during the maintenance period, noticed (November 2010) several defects like, slippages of soil in main canal, field channels and structures not being executed fully, damages to revetment, etc. The Department had issued notices to the contractor several times (between 2010 and 2012) for rectification of these defects. However, the contractor had not rectified these defects. The Department did not make any efforts to renovate the field channels and structures for smooth flow of water to the fields. This resulted in non-flowing of water to the fields though water was released in to the canals. Audit observed that as per the latest estimates (2017-18 rates) prepared by Department, the cost of rectification of the defects was worked out at ₹ 16 crore.

The Department replied (December 2017) that Government has initiated action (September 2017) against the persons responsible for defective work. It also stated that estimate for excavation of field channels would be submitted to Government. Thus, due to poor monitoring Government is burdened to incur an avoidable expenditure of ₹ 16 crore, besides non-provision of irrigation facilities to the targeted ayacut.

### 3.3.4.3 Minor Irrigation Projects

Audit examined the records of the following six<sup>26</sup> Minor Irrigation tanks. The details are given in *Appendix 3.3*.

Department could not provide information regarding the amount it received from GoI under the AIBP for the above schemes. Audit observed that one scheme was deleted from the AIBP in 2011 due to the dissent from the farmers of the foreshore area<sup>27</sup>. This was because their lands were already receiving sufficient water from Telugu Ganga Project canals.

Audit findings on the test checked projects are discussed below:

#### (i) Minor Irrigation tank across Maddileru river

Government accorded (February 2007) administrative sanction of ₹ 3.07 crore (later revised to ₹ 9.10 crore in March 2012) for construction of minor irrigation tank across Maddileru river<sup>28</sup>. The main objective of the project was to create ayacut of 642 acres. The Department awarded (November 2009) work to a contractor for ₹ 2.78 crore with scheduled completion by November 2010. **As of March 2017, the Department incurred an expenditure of ₹ 8.25 crore (land acquisition: ₹ 5.09 crore and works: ₹ 3.16 crore) and the project was yet to be completed.**

**Non-achievement of project objectives:** For constructing the project, lands to an extent of 226 acres was needed. However, the Department awarded the works without acquiring lands. It also could not acquire and hand over the land to the contractor during the agreement period. This resulted in stoppage of work by the contractor. The Department could complete land acquisition only in May 2011. Due to delay, the cost of land acquisition also increased from ₹ 0.39 crore to ₹ 5.09 crore. After resuming the work, the contractor again stopped (August 2012) the work demanding revision of rates. The issue of allowing revised rates was under consideration with Government. As of now, the earth bund was completed and water was being stored in the tank. However, due to non-execution of head sluice and supply channel, the Department was not in a position to release water to the intended ayacut.

Thus, despite time over run of more than seven years and an expenditure of ₹ 8.25 crore (including LA), the intended benefit of providing irrigation facilities to 642 acres was not achieved. This rendered the expenditure on the

<sup>26</sup> (i) Maddileru Minor Irrigation Tank, (ii) Bhavanasi Minor Irrigation Tank, (iii) Ananthavaram Minor Irrigation Tank, (iv) Isukagedda Minor Irrigation Tank, (v) Muppavaram Irrigation Tank and (vi) Chandravanka Minor Irrigation Tank.

<sup>27</sup> Thodendlapalle, Mutyalapadu and Chakravartulapalle villages.

<sup>28</sup> Gani village (Gadivemula Mandal) in Kurnool District.

project unfruitful besides cost over run on land acquisition with further possibility of increased cost of works.

The Department replied that the work of head sluice and supply channel would be executed after obtaining approval from the Government.

## **(ii) Conversion of Bhavanasi tank into mini reservoir**

Government accorded (November 2007) administrative approval for ₹ 27 crore for conversion of Bhavanasi Tank into Mini-Reservoir in Addanki Mandal of Prakasam District. The main objective of conversion was to create new ayacut of 2036 acres and to stabilize existing ayacut of 1797 acres. The Department divided the work into three packages and awarded (February 2009) to contractors. The target date of completion was November 2011. The scope of work included (i) construction of pickup anicut<sup>29</sup> across Gundlakamma river at Velamavaripalem (Package-II); (ii) excavation of feeder channel from pickup anicut to Bhavanasi Tank (Package-IV); and (iii) raising of full tank level (FTL) of Bhavanasi tank (Package-III).

Audit observed that the total land required for execution of the project works was 465.72 acres. The Department awarded the works without acquiring lands necessary for smooth execution of works. It had failed to complete the land acquisition within stipulated date of completion of the work. It had submitted requisition for land to LA authority only in August 2012. The Department acquired only 190.29 acres (40.85 *per cent*) as of December 2016. This had resulted in non-completion of works relating to raising of FTL of Bhavanasi Tank and excavation of feeder channel from pickup anicut to Bhavanasi Tank. This had resulted in time over run and non-completion of the project till date. The work of construction of pickup anicut was completed in March 2015.

The work of raising of FTL of Bhavanasi tank was awarded (March 2009) for ₹ 1.48 crore scheduled to be completed in six months. The work was completed up to 98 *per cent* (May 2012). Raising the body wall of surplus weir<sup>30</sup> was not completed due to non-acquisition of lands in the foreshore submergence area. Department closed (July 2012) the contract and did not take up the balance work as it could not complete land acquisition even now.

Thus, non-completion of land acquisition led to non-completion of the project works despite time over run of six years. This resulted in non-creation of targeted ayacut, besides rendering the expenditure of ₹ 25.88 crore incurred on the project unfruitful.

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<sup>29</sup> A pickup anicut is a small dam constructed across river/stream to store water and divert it through a regulator into supply channel

<sup>30</sup> A surplus weir is a low barrier which is built across a river/stream/reservoir to store water up to a specific level and to facilitate overflow of the excess water.

Government replied that the LA authority had acquired only 190.29 acres in the last seven years and were now requesting the Department to submit revised land schedules as per the new LA Act, 2013. The reply was silent on the delays on part of the Department in sending the LA proposals initially.

### 3.3.5 Conclusion

The Accelerated Irrigation Benefits Programme (AIBP) is centrally sponsored scheme aimed at accelerating the execution of last mile irrigation projects to derive benefits early. Audit test checked the implementation of 12 AIBP projects (major, medium and minor) in the State. In two projects, failure of the State to utilize the Central assistance within the stipulated period resulted in non-release of further funds by GoI and the State had forgone Central assistance of ₹ 79.04 crore. Five test-checked projects had not been completed despite time overrun of six to eleven years due to delays in land acquisition, forest clearance, etc. Out of these, partial irrigation benefits were achieved in two projects. No benefits were achieved in three projects rendering the expenditure of ₹ 178.41 crore incurred so far on these projects unfruitful. The objective of taking up these projects under AIBP had not been achieved.

## 3.4 Extra expenditure on works

*In the work of 'Modernisation of Prakasam Barrage and Head works, etc.' in Krishna District (Package-1), the Department incorrectly worked out the amount to be deducted from agreement value for the portion of work deleted from the scope of contract. This resulted in extra financial burden of ₹ 22.60 crore on the public exchequer.*

As a part of modernisation of the Krishna Delta System, the Water Resources Department entrusted (July 2008) the work of 'Modernisation of Prakasam Barrage and Head works, etc.' in Krishna District (Package-1) to an agency. The contract was an Engineering, Procurement and Construction (EPC) turnkey contract for ₹ 204.67 crore (at a tender premium<sup>31</sup> of 4.3837 per cent). As per agreement, the work was to be completed by October 2012. The extension of time (EOT) was granted up to October 2017. The work is in progress and the value of work done was ₹ 179.81 crore (i.e., 88 per cent) as of May 2017.

On scrutiny of records pertaining to the above work during local audit (January 2015) of the Krishna Central Division, Vijayawada, Audit observed:

<sup>31</sup> The percentage quoted by contractor over and above the value of work estimated by the Department.

As per agreement, the scope of the work included earthwork excavation, Head Works, providing cement concrete (CC) lining to canals, construction/reconstruction of CM&CD<sup>32</sup> works, construction of retaining walls and other miscellaneous items. During the course of execution, the Department decided (December 2011) to delete 'construction of retaining walls' and 'CC lining of canals' in Vijayawada city limits from the scope of the contract due to field constraints. It also proposed to take up some new items of work in place of the deleted items. The Department worked out the cost of deletions at ₹64.45 crore and the cost of additional items at ₹63.27 crore. Government approved (June 2014) these deletions and additions to the agreement. Accordingly, the Department issued (August 2014) a 'Correction Slip' to the agreement duly changing the scope of work under the agreement.

Audit observed that the Department incorrectly worked out the cost of deleted items. As per the estimate, the cost of the deleted items worked out to ₹86.41 crore (including premium of + 4.3837 per cent), whereas ₹63.81 crore was adjusted from the contract value. The excess amount of ₹22.60 crore (as detailed in table below) retained in the agreement value was spread among the payments of various items of work under the contract and was being released to the contractor through part payments. So far (as of May 2017), 88 per cent of the inflated agreement value had already been released to the contractor. Thus, the incorrect computation of the cost of deleted items resulted in extra financial burden of ₹22.60 crore on the Department.

Item of work	Cost as per estimate (₹)	Original length (Kms)	Cost per Km as per estimate (₹)	Deleted Length (Kms)	Pro rata cost of deleted length (₹)
CC lining	195462000	13.596	14376434	13.096	188273780
RCC retaining wall	648595000	25.657	25279456	25.297	639494398
<b>Total cost as per estimate rates</b>					827768178
<b>Add tender premium @ 4.3837%</b>					36286874
<b>Total cost to be deleted from agreement</b>					864055052
<b>Cost actually deleted by Department</b>					638080700
<b>Extra expenditure to the Department</b>					225974352

Audit had brought this issue to the notice of Government in August 2015 and again in June 2017. However, the Department did not take any action to recover/adjust the excess payment. The Chief Engineer, Krishna Delta System (CE) replied (August 2017) (endorsed by Government) that in the Payment Schedule under the agreement, the Department had reduced the percentage costs allocated for CC lining and retaining walls. The CE stated that the

<sup>32</sup> Cross masonry and cross drainage

differential amount was being utilized for additional works under (i) repairs and replacement of sluice/scour gates of Prakasam Barrage and (ii) Residential and non-residential buildings.

However, Audit observed that repairs/replacement of sluice/scour gates and construction of residential/non-residential buildings were already part of the original agreement. There was no evidence in the departmental records that any additional works were taken up under these components. Further, as per the agreement conditions, the entrustment of additional items outside the scope of original contract and the price payable shall be referred to a committee constituted by Government for decision. However, the CE could not furnish the details of proposals/estimates in respect of such additional works, when called for (September 2017) by Audit.

The Department needs to recover the excess amount of ₹22.60 crore from the contractor. Government should get the matter investigated through the Vigilance Department and fix responsibility of the persons responsible.

### **3.5 Avoidable expenditure of ₹14.33 crore due to late payment of High Tension Current Consumption charges**

*In Handri Neeva Sujala Sravanthi project, the delays in payment of electricity bills of pumps and motors for the period 2012-13 to 2016-17 resulted in avoidable expenditure of ₹14.33 crore and a further liability of ₹17.90 crore towards late payment charges was incurred, which was yet to be paid.*

Handri Neeva Sujala Sravanthi (HNSS) Project, a lift irrigation project, was intended to provide irrigation to 6.03 lakh acres in four districts<sup>33</sup> in Rayalaseema region. The Water Resources Department took up the Phase-1 works of 12 pumping stations under the project in the year 2004-05. Department after completion had commissioned eight out of 12 pumping stations in Kurnool and Anantapuramu districts. These pumps commenced operations in November 2012. For lifting of water, these pumps run on high tension (HT) power provided by the Central Power Distribution Company of Andhra Pradesh Limited (APCPDCL)<sup>34</sup>. Every month, the APCPDCL issues HT current consumption (HTCC) bills for the electricity consumed by the pumps during the month. The Department was required to pay these bills before the due dates (i.e., within 15 days from the date of issue of bill). In

<sup>33</sup> Anantapuramu, Chittoor, Kadapa and Kurnool districts

<sup>34</sup> After bifurcation of the AP State, the APCPDCL is now renamed as Southern Power Distribution Company of AP Limited (APSPDCL).

case of delay in payment, late payment charges<sup>35</sup> would be levied in the subsequent bills. Upon submission of estimates for High Tension Current Consumption (HTCC) charges by the Chief Engineer, the Government accords Administrative Approval and authorizes payments to be made. Thereafter, the Executive Engineer, HNSS Division No.4, Kurnool<sup>36</sup> was required to make payments to APCPDCL.

Audit examined (September 2016) payments of HTCC charges in the office of the Executive Engineer, HNSS Division No.4, Kurnool. It was observed that the Department made the payments of HTCC bills for the years from 2012-13 to 2015-16 to the APCPDCL with delays ranging from one to nine months as detailed below :

Year of bills	Reasons for delay
2012-13	Operation of pumps commenced in November 2012. However, the CE submitted the estimates (₹62.8 crore) for HTCC charges to Government only in February 2013 (delay of more than two months). Government accorded administrative approval in March 2013. The Department paid the bills in the same month which included late payment charges of ₹0.47 crore.
2013-14	CE submitted the estimates (₹139.43 crore) to Government in May 2013. Substantial time was lost in Government seeking (July 2013) clarifications and furnishing replies (October 2013) thereto by the CE. Government finally accorded administrative approval in December 2013. The Department paid the bills for April - December 2013 in the month of January 2014. It paid the bills for January - March 2014 in the subsequent financial year (June 2014). The total late payment charges paid during the year was ₹0.82 crore.
2014-15	CE submitted the estimates (₹251.44 crore) to Government in April 2014. Government accorded administrative approval in May 2014. Department paid the bills in October/December 2014 and March 2015. The delay was due to returning of bills by the Pay and Accounts Officer, Kurnool and delays in release of funds/ authorization of payments by Finance Department. The total late payment charges paid during the year amounted to ₹8.25 crore.

<sup>35</sup> As per the Tariff Orders issued by the AP Electricity Regulatory Commission, the Discoms shall charge the delayed payment surcharge per month at the rate of 1.5 *per cent* of the bill amount or ₹550 whichever is higher.

<sup>36</sup> The Executive Engineer, HNSS Division No.4, Kurnool was responsible for payment of HTCC bills in respect of all the eight pumps. In September 2016, this responsibility was transferred to the Executive Engineer, HNSS Division No.2, Kurnool.

2015-16	CE submitted the estimates (₹633.33 crore) to Government in May 2015. Government sought clarifications thereon and the CE furnished replies in July 2015. Government accorded administrative approval in November 2015 (delay of more than three months). The Department paid the bills (up to February 2016) in February/March 2016 with late payment charges of ₹4.79 crore.
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In all, the Department had paid a total amount of ₹14.33 crore towards late payment charges for the period 2012-16.

For the HTCC bills pertaining to the year 2016-17, Audit observed that the CE had submitted estimates to Government in May 2016. Government had not accorded the administrative approval till August 2017. HTCC bills amounting to ₹468.45 crore for the year 2016-17 were pending for payment. This amount also included late payment charges of ₹17.90 crore.

Thus, the delays in payment of HTCC bills in HNSS project resulted in avoidable expenditure of ₹14.33 crore towards late payment charges paid and ₹17.90 crore for 2016-17 are to be paid.

The Government needs to frame a suitable mechanism for payment of HTCC charges in a timely manner and to avoid late payment charges.

The CE, in reply (August 2017) (endorsed by Government) stated that the Government was actively considering giving permission to the CE to accord technical sanctions for the estimates for the subsequent years based on the administrative approval already accorded by the Government to avoid delays in payment of HTCC charges. The CE further replied that the estimates for HTCC charges would be submitted well in advance in future.

### 3.6 Incomplete execution of flood protection work

*Due to failure of the Department to finalize the designs for more than seven years, the work of 'Restoration of the existing Rajukulva flood bank from Km 1.000 to Km 6.300 and formation of new flood bank from Km 6.300 to Km 9.500' was not completed. As a result, the intended objective of providing protection to the Lankevanidibba village from floods was not achieved.*

GoAP accorded (January 2008) administrative approval for the work of 'Restoration and formation of Rajukulva flood bank from Km. 1.00 to Km 9.50 of Lankevanidibba village in Guntur District for ₹2.18 crore. The

Department had proposed restoration work from Km 1.000 to Km 6.300 and formation of new flood bank from Km 6.300 to Km 9.500. The objective of the work was to protect Lankevanidibba village in Guntur district from submersion due to floods in Krishna river. The Department accorded Technical Sanction for the work in February 2008. After tender process, the Department entrusted (May 2008) the work to a contractor for ₹ 1.89 crore. As per the contract, the work was to be completed within 12 months (i.e., by May 2009).

Audit examined (May 2016) the records pertaining to the above work in the Krishna Central Division, Vijayawada. Audit observed that the work was not completed even after a time over run of more than eight years. Audit also observed the following:

In the original design, the Department had proposed to form the flood banks with 2:1 slopes on both sides of the banks. However, after awarding of work, the Department noticed that it was not possible to form the banks with 2:1 slopes on the canal side from Km 1.000 to Km 6.500. This was due to the fact that the Krishna river was flowing close to toe of Rajukalva flood bank and also since there were prawn culture tanks in farmers' lands on both sides. In view of this, the Department proposed (December 2009) to alter the slopes as 1½:1 instead of 2:1 in this reach and also to extend flood bank from Km 9.500 to Km 10.040. Superintending Engineer, Irrigation Circle, Vijayawada (SE) submitted the above deviation proposals to the Chief Engineer<sup>37</sup> (CE) in March 2010. CE had sought some clarifications (March 2010). The SE had submitted the replies to the clarification in June 2010. Thereafter, there was no correspondence on the issue from June 2010 to October 2014 and the deviations were not approved. The reasons for non-approval of the deviation proposals by CE were not on record. After four years, the SE once again requested (October 2014) the CE to approve the deviation proposals. The CE again sought (December 2014) clarifications<sup>38</sup> thereon. However, no further correspondence on the issues was available in the records of the CE/SE.

The contractor after executing work valuing ₹ 0.61 crore (June 2009) stopped due to non-approval of the revised design proposals. The Department neither extended the agreement period of completion nor closed the contract (June 2017). Due to non-approval of the deviation proposals, the work had not been resumed since June 2009.

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<sup>37</sup> CE, Flood Banks (now CE, Krishna Delta System)

<sup>38</sup> viz., the reasons for submission of deviation proposals after a long gap of five years; whether extension of time was granted to the contractor; copies of orders to extend the flood banks from Km 9.500 to Km 10.000; and details of protection works proposed with the additional quantities.

The post award deviations to the work indicate improper assessment of site conditions before award of work. Further, the Department failed to finalize the designs and complete the balance work even after a delay of eight years. As a result, the intended objective of providing protection to the Lankevanidibba village from floods was not achieved and the work done amounting ₹0.61 crore was unfruitful.

Government replied (August 2017) that the modifications to the drawings were finalized and the contractor had been requested to resume the work and required EOT for completion of work was being granted by the Department. However, Department replied (September 2017) the matter was under study.

Government needs to fix accountability on the officials responsible for non-completion of the work for eight years.



**(L. TOCHHAWNG)**  
**Principal Accountant General (Audit)**  
**Andhra Pradesh**

**Hyderabad**  
**The 28 March 2018**

**Countersigned**



**(RAJIV MEHRISHI)**  
**Comptroller and Auditor General of India**

**New Delhi**  
**The 02 April 2018**