Chapter III

Compliance Audit Observations

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Introduction

Compliance audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with the applicable laws, rules, regulations, established codes etc. and the general principles governing sound public financial management and the conduct of public officials.

Compliance Audit of the Government Departments of Government of Telangana State, their field formations, as well as the autonomous bodies functioning under these Departments, brought out instances of non-compliance with applicable rules, codes and manuals, lapses in management of public resources and failure to adhere to norms of propriety. Significant issues in this regard are discussed in the succeeding paragraphs.

Backward Classes Welfare Department

3.1 Payment of Scholarships to ineligible students

Scholarships amounting to ₹1.90 crore were paid to ineligible students among Backward Classes under 'Mahatma Jyothiba Phule BC Overseas Vidya Nidhi' scheme

State Government introduced (October 2016) 'Mahatma Jyothiba Phule BC Overseas Vidya Nidhi' scheme to support meritorious students belonging to Backward Classes (BC) to study in Foreign Universities. Every year 300 eligible BC students pursuing Post Graduate (PG)/Doctor of Philosophy (Ph.D) courses are given ₹20 lakh (in two installments of ₹10 lakh each - on production of the landing permit/I-94 (Immigration card) and production of first semester results) towards fees and living expenses. The applications with the requisite documents[1], are scrutinised by a State Level Screening Committee[2] (SLSC) which recommends the scholarships to be granted.

Eligibility criteria for sanctioning scholarship is as follows:

- family income to be less than ₹1.5 lakh per annum for rural, and ₹2 lakh per annum for urban areas (during 2016-17). In both cases the limit was later enhanced to ₹5 lakh per annum (November 2017);

[1] all mandatory documents *viz*., Caste Certificate and Income Certificate by MeeSeva; Date of Birth Certificate, Aadhaar Card, E-Pass ID no.; Residential Certificate/Nativity Certificate; Passport copy; Marks Sheet from SSC/Intermediate/ Graduate/PG level; a valid TOEFL/IELTS & GRE/GMAT with minimum prescribed scores; Admission offer letter (I-20, letter of Admission or equivalent), copy of latest Tax Assessment, copy of Bank Pass Book of a Nationalised Bank and Photograph to be scanned and uploaded

[2] Spl. Chief Secretary/Prl. Secretary, BC Welfare: Chairman; Secretary, State Council of Higher Education: Member; Vice-Chancellor, Jawaharlal Nehru Technological University (JNTU), Hyderabad: Member; Commissioner, Scheduled Castes Development Department: Member; Commissioner, Technical Education: Member; Commissioner, Backward Classes Welfare: Convenor/Member and Expert in Foreign Education: Special Invitee

- education in ten[3] identified countries;
- second PG (other than Humanities courses) is not eligible and
- financial assistance to be proportionately restricted if the course period is less than 24 months (May 2018).

During 2016-19, 1636 students applied for scholarship under the scheme and 749 students received scholarships as detailed below:

Table-3.1

Financial Year	Season	Number of Student applications	Number of students found eligible (after scrutiny of applications)	Number of students sanctioned scholarships
2016-17		393	211	192
2017-18	Fall	207	146	146
	Spring	411	293	293[4]
2018-19	Fall	625	150	118
Total		**1,636**	**800**	**749**

Source: *Data provided by Commissioner, BC Welfare Dept.*

Audit of the scheme in June 2019 showed that the Department deviated from the guidelines to provide scholarship of ₹1.90 crore to 18 students (out of 749 cases where scholarship was granted) who did not meet the eligibility criteria. The details of deviations from the guidelines are as follows:

(i) The scheme was introduced in October 2016 and was applicable for students who were admitted from fall session (August/September) of 2016-17. However, six applicants who joined PG courses prior to introduction of the scheme were sanctioned scholarships as special cases.

(ii) Scholarship was sanctioned to one applicant for Krghyzstan as a special case during 2017-18 although the country was not in the list of admissible countries for grant of scholarship.

(iii) Five applicants (2016-17: 1, 2017-18: 4) who had already completed their first PG abroad were sanctioned scholarships for pursuing second PG Course (apart from humanities) as special cases.

(iv) One applicant (2017-18) was sanctioned scholarship for pursuing graduation course.

(v) Five applicants were paid full scholarship amount in contravention of Government orders (May 2018) restricting financial assistance depending on duration (12 months: ₹10 lakh; 18 months: ₹15 lakh and 24 months: ₹20 lakh) of the course. The excess scholarship amount paid was ₹40 lakh.

Thus, the amount of ₹1.90 crore paid in respect of the above 18 ineligible applicants was irregular.

[3] USA, UK, Australia, Canada and Singapore; from November 2017 Germany, New Zealand, Japan, France and South Korea were also included

[4] including 139 students who were eligible for 2017-18 (Spring session) sanctioned as special case

Government in its reply (March 2020) stated that, six students were sanctioned scholarships as special cases. The response of the Government is not acceptable since the scheme guidelines do not provide for any exceptions. Further, although Government justified the sanction of scholarship to the remaining 12 students, documentary evidence in support of the justification was not furnished by Government.

Health, Medical and Family Welfare Department

3.2 Implementation of e-Hospital Management System in Telangana

e-Hospital Management System, an electronic record management system to capture the patient data and track their medical history, did not function effectively due to inadequate validation controls and delay/inaccuracies in capturing data

Ministry of Electronics and Information Technology (MeitY), GoI conveyed (May 2014) administrative approval for implementation of 'e-Hospital Management System' (e-HMS) in Telangana. The project was fully funded by GoI with a total outlay of ₹10.49 crore.

Consequent to the bifurcation of the erstwhile State of Andhra Pradesh into Telangana and the residuary State of Andhra Pradesh, pending its demerger, Andhra Pradesh Medical Services Infrastructural Development Corporation (APMSIDC) entered into a MoU with the Centre for Development of Advanced Computing[5] (CDAC) in July 2014 to implement a pilot project in three identified hospitals in Hyderabad *viz.*, Gandhi Hospital, District Hospital (King Koti) and Area Hospital (Malakpet). The duration of the MoU was 24 months i.e up to August 2016.

After the expiry of the MoU with APMSIDC, MeitY entered (October 2016) into a MoU with Telangana State Medical Services and Infrastructure Development Corporation (TSMSIDC) for implementation of the project. The duration of the project was initially up to June 2017 and was later (February 2019) extended up to March 2019. MeitY released an amount of ₹10.20 crore to TSMSIDC in two instalments for the project.

The project aimed at addressing the following core areas in public healthcare facilities:

(i) Creation of unique Electronic Medical Record (EMR) for each patient;

(ii) Tracking medical history during subsequent visits to the hospitals and navigation between the referred departments;

(iii) Elimination of duplication in data entry and maintenance of duplicate register; and

(iv) Generation of MIS reports and transmission of EMR to referred hospitals.

TSMSIDC procured hardware and network equipment through Telangana State Technological Services Ltd. for implementation of the pilot project.

CDAC customised its Hospital Management Information System (e-Susruth) to the requirements of the State. The pilot project went live between October 2015 and May 2016.

[5] Scientific society under Ministry of Electronics and Information Technology, GoI

3.2.1 Implementation of Modules

CDAC customized 23[6] planned modules and operationalised the e-HMS package in all the three pilot hospitals. Audit scrutiny of the modules and analysis of the data in these modules revealed that the e-HMS was not fully utilized by the pilot hospitals, as discussed below:

3.2.1.1 Registration Module

Registration of patients is done through the Registration Module which is the essential first step before consultation, investigation and treatment. In the Outpatient Department, every patient is to be allotted a unique Central Registration Number (CRN) through this module. CRN is valid through the lifetime of a patient and is used during revisit, referral and visits to Special Clinics. Registration module also records information such as demography, family/contact details, etc., which could be useful in retrieval of patient details (in case CRN is not known/forgotten).

Audit analysis of 22.47 lakh patients[7] registration records for the period from October 2015 to March 2019 revealed the following:

- Contact number was available in only 2.25 lakh (10 *per cent*) patients' records, out of which, in 2,098 patient records, invalid mobile numbers (numbers with less than ten digits) were found suggesting lack of validation controls.
- Audit observed incomplete/incorrect entries in fields such as patient name, father's name, address, date of birth, etc. For example, data in 'father's name' field (mandatory field) was either missing or filled in with single letters in respect of 31 *per cent* records. Middle name and last name were left blank in 93.54 *per cent* records.

Central Registration Number helps in identifying a patient uniquely along with his/her relevant details. Incomplete data entry and lack of validation controls resulted in ineffective functioning of the Registration module.

3.2.1.2 Admission, Discharge and Transfer (ADT) Module

This module records inpatient activities such as admission of a patient, bed management, transfer, discharge, etc.

Details of Audit analysis of 1.51 lakh[8] inpatient records in the three hospitals are discussed below.

(i) Admission

The patient is admitted into the custody of a treating Unit headed by a consultant doctor. On admission in a ward, the patient is assigned Inpatient (IP) number. Based on doctor's

[6] (1)Registration (2)Emergency & Enquiry (3)ADT and Nursing Mgmt (4)Billing (5)User Management (6)Alert Management (7)Inventory and Pharmacy (8)Doctors Desk (OPD and Emergency) (Order Mgmt) (9)IPD Desk (Order Mgmt) (10)Investigation for Labs (11)OPD Service Area (12)MRD & MIS (13)Electronic Medical Record (EMR) (14)OT and Anesthesia (15)Blood Bank (16)Diet Kitchen (17)BMED (18)Transport (19)Laundry (20)Bio-medical Waste (21)Duty Roster (22)Employee Personal details (23)Central Sterile Supply Department

[7] Gandhi Hospital: 12.68 lakh, AH, Malakpet: 5.25 lakh, DH, King Koti: 4.54 lakh

[8] Gandhi Hospital: 1.12 lakh, AH, Malakpet: 0.25 lakh, DH, King Koti: 0.14 lakh

advice, nurse accepts the patient and allocates bed in the module. Audit analysis revealed that:

- Bed allocation details were not available in respect of 1.10 lakh (73 *per cent*) records out of 1.51 lakh inpatients.
- in 25,067 cases (out of 40,940 cases) bed allocation was delayed due to data entry of bed allocation at a subsequent date instead of utilising the module for allocating beds. The extent of delay in entering the data is as follows:

Table-3.2

(No. of patients)

On the same day	1 – 7 days	8 – 14 days	15 – 30 days	More than 30 days
15,873	14,599	4,446	3,051	2,971

Source: *Data dump furnished by the Department*

Clearly, the module features were not being actively utilised for recording details of the allotment of bed for every inpatient. Hospital-wise details are given in ***Appendix-3.1***.

(ii) Discharge

An inpatient would be discharged only after preparation of a discharge note (containing details such as discharge advice, date, etc.) by the doctor. For effective operation of this functionality, doctor has to prepare the discharge note and different discharge parameters are configured in the system through templates. Once the discharge note is prepared, the system automatically checks as to whether the patient dues are settled or not and the discharge summary is generated on completion of all formalities.

Audit observed the following deficiencies in the module:

- Discharge date was not available in respect of 1.11 lakh inpatient records (74 *per cent*); and
- In 475 cases, the date of admission was after the date of discharge recorded and allotment of bed was recorded after the date of discharge in 5,706 cases (of 39,993 discharge cases) (14 *per cent*).

Hospital authorities attributed these deficiencies to lack of data entry staff and their preoccupation with the patients.

Precise capturing of data in the ADT module would facilitate accurate representation of bed availability and occupation. Lack of validation controls in the date field coupled with human resource constraints in capturing data rendered this module ineffective.

(iii) Case sheet

On admission, an inpatient gets the case sheet where in observations and treatment details are recorded by the consulting doctor. A case sheet is essentially a medical record containing a patient's clinical information.

Data analysis relating to the creation of case sheet in respect of 1,50,994 inpatients revealed that it was not generated in respect of 1,13,384 (75 *per cent*) inpatients. This indicates that the case sheet was not provided to inpatients on admission.

Case sheet contains the medical history of a patient and forms the core basis of EMR. However, case sheets were not generated in a majority of cases. Absence of case sheets results in gaps during medical reporting and the objective of improvement in quality of diagnosis remains unachieved.

3.2.1.3 User Management Module

User Management module controls access to the application and its related data. System administrator creates user access and rights are defined according to his/her role. Further, Log Management enables system administrator to view audit logs and user logs which are helpful in tracking the activity of any user or identifying the changes made to the application.

As per the MoU, CDAC provided training to users of pilot hospitals during 2015-18. The pilot project had 1,172 users in the master table. Scrutiny of data relating to user logs revealed the following:

- 144 (12 *per cent*) users (especially doctors and nurses) had not logged into e-HMS even once since the creation of their user ID;
- Further, 229 (20 *per cent*) users had accessed e-HMS only once since the creation of their user ID; and
- Information relating to designation of 744 users was not available in the user master table. Audit therefore could not verify their identity and role in the hospital.

Hospital Superintendents attributed the non-utilisation of modules to lack of adequate human resources and that, under the present heavy patient load, the users require separate Data Entry Operators for utilisation of e-HMS. Although the issue of non-availability of sufficient data entry operators was represented by the respective hospitals to TSMSIDC, they were not provided with sufficient staff for effective operation of various modules of e-HMS.

3.2.1.4 Investigation for Labs

Investigation Services module deals with the tests and investigation related activities for patients in the hospitals. The Investigation Service Module captures the process flow of tests from prescription to results.

As seen from the database, 31.34 lakh results of tests were available in respect of 1,99,085 patients[9] . Scrutiny of Lab tests reports available in respect of the configured Labs in the pilot Hospitals is given in **Table 3.3**:

[9] Gandhi Hospital: 1,92,275, AH, Malakpet: 930, DH, King Koti: 5,880

Table-3.3

Name of the Hospital	Labs configured in e-HMS	Configured Labs for which no test results were available in the Database	Inconsistencies in lab test results available in the Database
Gandhi Hospital	Biochemistry, Culture, Emergency Lab, Audiology, Microbiology, Pathology, Cardiac Catheterisation, Serology and Lab, EEG, EMG, NCV, EP Studies	Cardiac Catheterisation Lab, EEG, EMG, NCV, EP Studies, Audiology	Although Microbiology and Emergency labs have been configured in e-HMS, no test results were available in respect of Microbiology since March 2018 and in Emergency lab since June 2016.
District Hospital, King Koti	Biochemistry, Microbiology, Pathology, Radiology and Serology	Serology	No test results were available in Radiology since March 2017, Micro Biology since February 2018, Bio-chemistry since July, 2018 and Pathology since February, 2019.
Area Hospital, Malakpet	Biochemistry, Microbiology, Pathology, Radiology, Audiology, Other Non-Invasive Lab, Cardiology	Other non-invasive Lab, Cardiology	No test results were available in Bio-chemistry, Microbiology, Pathology since August 2017, in Audiology since April 2016 and in Radiology since November 2017.

***Source**: Data dump furnished by the Department*

When the issue of non-availability of test results in the configured labs was brought to notice, hospital authorities attributed it to requisitions not being raised subsequent to the formation of Telangana diagnostics.

Investigation module aids in medical diagnosis and saves crucial time. Absence of investigative reports leads to gaps in medical history of the patient.

3.2.1.5 Electronic Medical Record (EMR)

Electronic Medical Record (EMR) functions as a central source of information covering the patient's profile, history of family, clinical diagnosis, disease, treatment, investigation details, etc. It enables easy access of medical information anytime, anywhere. Creation of unique EMR is the core objective of e-HMS.

In spite of 22.47 lakh registrations in OPD in the three hospitals, 1.51 lakh inpatient records and 0.38 lakh case sheets, audit observed that EMR report was generated only in respect of one patient at Area Hospital, Malakpet. Clearly, the EMR Module was not utilised for the purpose for which it was created.

3.2.2 Financial Implication

Ministry of Electronics and Information Technology released the entire GoI contribution of ₹10.20 crore for the implementation of e-HMS with Supply Chain Management (SCM), on the condition that State Government meets future financial outlay. Of the released amount,

- Rupees 5.72 crore was paid to CDAC for provision of software and training. A further amount of ₹3.44 crore was due to it as of May 2019, for providing facility management services and other components.
- Rupees 4.48 crore was spent on hardware and networks (procured in June 2015) for implementation of pilot project in three hospitals and SCM. Of this, ₹0.65 crore worth hardware equipment was kept idle due to non-utilisation of all modules.

3.2.3 Conclusion

The e-HMS pilot project has highlighted major issues in electronic management of medical data. Certain Modules of e-HMS lacked validation controls and accepted incorrect data input. The inability/reluctance of hospital staff to capture real-time data coupled with simultaneous continuance of manual processes defeated the envisaged objective of e-HMS. Though the pilot project has been live since May 2016, the problems have not been resolved. The State wide roll out of the system has also not been implemented.

The matter was reported to Government in September 2019; reply is awaited (September 2020).

Health, Medical and Family Welfare Department

(Telangana State Medical Services & Infrastructure Development Corporation)

3.3 Maintenance of Bio-medical Equipment in the State

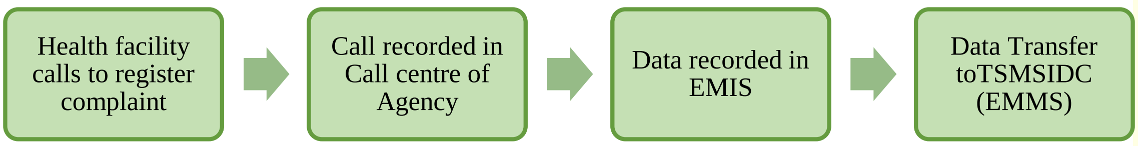
A third party service provider, who was entrusted with the management and maintenance of bio-medical equipment by the State Government, failed to meet the envisaged service levels, impacting critical medical services in the hospitals adversely

Government of India approved an amount of ₹20 crore to Telangana towards maintenance of Bio-medical Equipment in the hospitals under the National Health Mission. Maintenance of Bio-medical Equipment in the hospitals is an initiative of the Union Ministry of Health and Family Welfare, to provide support to State Governments for comprehensive maintenance of medical equipment in all public health facilities to improve the functionality and life of equipment, simultaneously improve the quality of healthcare services and reduce the cost of medicare.

With the approval of the State Government (July 2016) the Telangana State Medical Services & Infrastructure Development Corporation (TSMSIDC) outsourced (June 2017) the maintenance of medical equipment to an Agency (following a competitive bidding process) for a period of five years. The Agency was to provide preventive and corrective maintenance as per the stipulated levels of service, failing which, penalties were to be imposed. The Agency was also to co-ordinate with the manufacturers of medical equipment with regard to warranties, annual maintenance contracts etc.

The Agency mapped all the equipment (with a delay of 12 months) to the facility in which it was located. A web based application 'Equipment Management Information System (EMIS)' was used to record complaints of equipment breakdown and their resolution.

Figure-3.1: Process Flow



The EMIS was integrated with Equipment Maintenance and Management System (EMMS) of TSMSIDC. Audit examined (February 2019) the records relating to the implementation of the contract with the Agency and analysed the data in EMMS data for the period from October 2017 to June 2019. Resultant audit findings are discussed below.

3.3.1 Timeliness in resolution

The contract stipulated a maximum limit of seven days for resolution of a complaint registered through a call. Audit data analysis (Table-3.4) showed that nearly 25 *per cent* of the complaints on critical and lifesaving equipment and 21 *per cent* of the complaints on other equipment were not resolved on time.

Table-3.4: Resolution of complaints

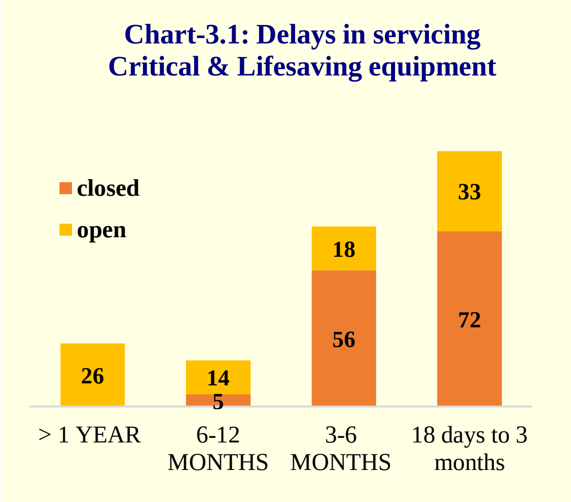
Under Agency Responsibility	Total complaints	Complaints closed within 7 days	Complaints closed beyond 7 days (*per cent* of total complaints)	Complaints open beyond 7 days (*per cent* of total complaints)
Critical & Life Saving Equipment[10]	1,001	748	159 (16)	94 (9)
Other Equipment	4,516	3,568	592 (13)	356 (8)

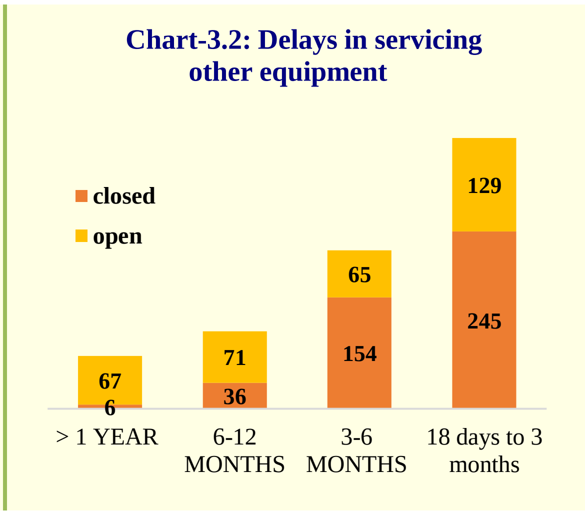
Source: *Analysis of EMMS data furnished by TSMSIDC*

The program guidelines noted that a continuous downtime of 18 days[11] for lifesaving equipment could be catastrophic for patient care. Audit found delays beyond this limit in 133 closed and 91 open complaints (Charts below) in servicing critical and lifesaving equipment. In respect of other equipment, there were delays beyond this limit in 441 closed and 332 open complaints.

[10] The tender agreement condition no. 5.2.29 categorises 5 equipment ECG Machine, Ventilator, Radiant Warmer, Defibrillator, Phototherapy unit as 'lifesaving' and the Revised maintenance of Bio-medical equipment in hospitals guidelines categorises 18 other equipment as 'critical'

[11] Five *per cent* downtime*365 days





Source: *Call data furnished by TSMSIDC*

The Agency attributed (November 2018) the prolonged downtime of equipment to lack of service support from the manufacturers/vendors, non-availability of spare parts due to obsolescence/age of equipment, etc. However, the agreement made it obligatory on the Agency to establish a well-equipped service network with adequate staffing for resolving/ fixing of the faults.

Government replied (December 2019) that the Superintendents of the Hospitals had complained that the Agency was not attending to the maintenance work and complaints promptly. They also reported that the repairs were not satisfactory as the equipment was being handled by third party service providers instead of Original Equipment Manufacturers (OEM), which resulted in inferior and substandard quality of repair works.

3.3.2 Provision of stand-by equipment

The Agency was required to provide stand-by equipment at the health facility in case of breakdown of critical and lifesaving equipment. This condition was not complied with by the Agency in any of the hospitals. TSMSIDC issued show cause notice (March 2019) belatedly to the Agency for non-compliance with contractual obligations; the Agency in a communication (June 2019) addressed to the TSMSIDC stated that, the issues relating to the stand-by equipment would be resolved once the payment from TSMSIDC was cleared/streamlined.

3.3.3 Maintenance of equipment under existing AMC/Warranty

Upon signing of the agreement, the existing maintenance contracts like Annual Maintenance Contract (AMC), Comprehensive Maintenance Contract (CMC)/Spares Agreement or under warranty were not to be extended and on closure of these contracts, such equipment were to be maintained by the Agency. Further, the Agency was to administer the contract for medical equipment already in AMC/CMC; for those under warranty, the Agency was to administer all maintenance activities. Audit examination showed that the agency could not ensure the service in respect of those equipment which were under AMC/warranty. One of the reasons for poor response from AMC agencies was because their past dues had not been cleared by the Hospitals.

Audit analysis (Table-3.5) showed that nearly 26 *per cent* of the complaints on critical and lifesaving equipment and 31 *per cent* of the complaints on other equipment were not resolved on time.

Table-3.5: Resolution of complaints in respect of equipment under AMC/CMC

Under AMC/CMC/ Warranty	Total complaints	Complaints closed within 7 days	Complaints closed beyond 7 days (*per cent* of total complaints)	Complaints open (*per cent* of total complaints)
Other Equipment	805	548	206 (25)	51 (6)
Critical & Life Saving Equipment	102	74	21 (20)	7 (6)

Source: *Analysis of EMMS data furnished by TSMSIDC*

3.3.4 Staff deployment by the Agency

The agreement provided for deployment of Agency staff at the hospitals. These included one Bio-medical Engineer (BME) for hospital bed strength more than 200 beds and 1-3 technical staff (TS) tasked with the responsibility of attending to the complaints registered by concerned Hospitals (user at the facility). In addition to this, one mobile team was to cater to the needs of medical centres (CHCs and PHCs) in each of the 10 districts.

Audit found a deficit in deployment of staff of 10 BMEs (37 *per cent*) and of 82 TS (54 *per cent*) as detailed in **Table-3.6**.

Table-3.6: Details of Staff deployment by the Agency

Sl. No	Hospital type	No. of hospitals	Staff required as per tender condition			Staff deployed by Agency			Staff deficit		
			BME	Technical staff	Total	BME	Technical staff	Total	BME	Technical staff	Total
1	Teaching Hospitals	21	21	38	59	9	19	28	12	19	31
2	District Hospitals	6	6	12	18	2	5	7	4	7	11
3	Area Hospitals	31	0	62	62	6	6	12	-6	56	50
Total No. of Employees			**27**	**112**	**139**	**17**	**30**	**47**	**10**	**82**	**92**

Source: *Information furnished in Government response*

Government stated that the shortfall in deployment of Bio-medical Engineers and Technical staff as per tender clause 5.2.7 were brought to the notice of the Agency through show cause notices (June 2018). The Agency had not complied with the tender conditions.

3.3.5 Inspections

The program guidelines envisaged surprise visits by TSMSIDC for monitoring the Agency's services in the hospitals. However, TSMSIDC inspected the facilities only once in February 2019 in Osmania General Hospital after repeated complaints by the Superintendent.

3.3.6 Payments to the Agency in respect of the contract

As per the contract with the Agency, payments are to be made @ 5.74 *per cent* of asset value as ascertained every quarter mutually agreed by the TSMSIDC and the Agency. Government in its reply (December 2019) stated that the Asset Value was finally agreed upon (October 2018) as ₹157.66 crore by both the parties. Accordingly, a sum of ₹six crore was paid to the Agency during the period September 2017 to September 2018 towards maintenance of equipment. Although the amount payable to the Agency as of August 2019 was ₹19.28 crore[12], TSMSIDC had levied a penalty[13] of ₹12.60 crore (as on 20 August 2019) against the Agency for not fulfilling the obligations and services as per provisions of the agreement. TSMSIDC informed that all further payments were stopped and that the penalty would be adjusted against pending payments.

3.3.7 Cancellation of the Contract

Since the Agency had not fulfilled its obligations under the contract, Government after careful examination accorded (December 2019) permission to TSMSIDC for termination of the contract. The contract with the Agency had been terminated (December 2019) duly blacklisting the Agency for a period of three years. Government had however, not furnished the future arrangements for maintenance of the equipment that were earlier under the agency.

3.3.8 Conclusion

Maintenance of critical equipment was not ensured on time and to the envisaged service levels by the third party service providing Agency, impacting critical medical services in the hospitals. The objective of the program to ensure uninterrupted services from bio-medical equipment, was not achieved due to poor service delivery from the Agency. Despite the Agency's poor service levels, Government gave the Agency a long rope and terminated the contract only in December 2019.

[12] Quarter 1 to Quarter 7 @ ₹2.67 crore (Asset Value ₹157.66 @ 5.74% for each quarter plus 18% of service charges); Quarter 8 @ ₹59.32 lakh

[13] Agreement provided for levy of Penalty Charges: ₹300 for assets worth below ₹10,000, ₹500 for assets worth below ₹one lakh, ₹1,000 for assets worth below ₹10 lakh; ₹3,000 for assets worth above ₹10 lakh for not confirming to the obligations and services as per provisions of the Agreement

Higher Education Department
(Kakatiya University)

3.4 Infructuous expenditure of ₹1.61 crore

Kakatiya University closed construction works after incurring an expenditure of ₹1.61 crore, due to paucity of funds, inadequate planning and poor contract management

The Executive Council of Kakatiya University (KU), Warangal approved (February 2013) construction of four works aimed at expansion of facilities in the University. Of the four approved works, the cost of three works was proposed to be met from the available funds with the University and the remaining work was to be met from General Development Assistance Grant.

The estimates, based on Standard Schedule of Rates of 2012-13 were examined by the Finance Committee which accorded its financial approval. Administrative and Technical sanctions for the works were given by the Registrar of the University (May 2013). Tenders were invited in July-September 2013. Status of the works is as detailed below:

Table-3.7

Sl. No.	Name of the work	Details of the Work	Amount spent (₹ in lakh)	Month when the work was	
				Awarded	Abandoned by the contractor
1	Store Room for Examination Branch	An agreement was entered with the Contractor (October 2013) for a Tender Contract Value (TCV) of ₹0.76 crore (at 15.86 *per cent* less than the Estimated Contract Value (ECV) of ₹0.86 crore) to complete the work within 12 months from the date of agreement.	41.14	October 2013	September 2014
2	Building for Director, Directorate of Admissions	An agreement was entered with the contractor (October 2013) for a TCV of ₹1.07 crore (at 17.90 *per cent* less than the ECV of ₹1.24 crore) to complete the work within 12 months from the date of agreement.	73.13	October 2013	October 2015
3	First floor over Administrative Building, School of Distance Learning and Continuing Education	An agreement was entered with a contractor (March 2014) for a TCV of ₹1.02 crore (at 4.91 *per cent* excess over the ECV of ₹0.92 crore) to complete the work within 12 months from the date of agreement.	17.87	March 2014	April 2016

Sl. No.	Name of the work	Details of the Work	Amount spent (₹ in lakh)	Month when the work was	
				Awarded	Abandoned by the contractor
4	Second floor over Administrative Building	An agreement was entered with a contractor (March 2014) for a TCV of ₹1.27 crore (at 4.91 *per cent* excess over the ECV of ₹1.15 crore) to complete the work within 12 months from the date of agreement.	28.61	March 2014	March 2017
Total expenditure incurred			**160.75**		

Source: *Details furnished by Kakatiya University*

During the audit of KU (November 2018) it was found that the construction works entrusted to the contractors had not been completed. Audit further observed the following:

- All the works were abandoned by the Contractor due to non-payment of dues by the University. The works were planned to be funded from the available resources of the University. Due to cash flow problems, the University delayed the payments and paid the contractors in piecemeal;
- There were delays ranging from five to seven months in handing over the site in three (Sl.no. 1, 2 and 4 in Table 3.7 above) out of four works, which consequently delayed the commencement of works. The delay in handing over the land resulted in the scheduled date of completion getting extended; and
- The University made significant modifications to all the construction plans, which resulted in grant of Extension of Time upto March 2017 and increase in costs (Details are given in ***Appendix 3.2***). The contractor's demand for change of Standard Schedule of Rates due to change in scope was not considered by the University authorities.

In view of the above, the University closed the works in March 2019 after spending ₹1.61 crore. Photographs below show the abandoned state of works:

Store Room for Examination Branch, KU Campus (abandoned since September 2014)

Building for Director, Directorate of Admissions, KU Campus (abandoned since October 2015)

First floor over Administrative Building for School of Distance Learning and Continuing Education (abandoned since April 2016)

Second floor over Administrative Building of Kakatiya University (abandoned since March 2017)

Thus, paucity of funds, inadequate planning and poor contract management led to the envisaged works being closed after incurring an expenditure of ₹1.61 crore.

Kakatiya University accepted (August 2019) the audit observations.

The matter was reported to Government in June 2019; reply is awaited (September 2020).

Irrigation and Command Area Development Department

3.5 Irregular retention and refund of Service Tax

Service tax to the tune of ₹31.69 crore was retained in Public Works Deposits Account instead of remitting to Government Account in violation of Finance Act, 2006. Further, an undue benefit was given to the contractors by releasing an amount of ₹22.88 crore out of it to them

State Government accorded (May 2007) administrative approval for Dr. BR Ambedkar Pranahitha-Chevella Sujala Sravanthi Lift Irrigation Scheme (PCSS) for ₹17,875 crore. The work of the entire project was divided into 28 packages. The work of Package 10[14] was awarded (December 2008) to M/s HCC-MEIL-BHEL (JV), Mumbai and the work of Package 12[15] (November 2008) to M/s MEIL-SEW-ABB-AAG (JV) under Engineering Procurement and Construction (EPC) system of contracting with a stipulation to complete the work within 48 months *i.e.*, by November 2012.

Government revised (December 2008) the scope of PCSS to enhance the command area from 12.21 lakh acres to 16.40 lakh acres. Consequently, the cost of the project was revised upwards to ₹38,500 crore. Extension of Time (EoT) was granted to the contractor (June 2011) up to June 2019 due to non-completion of the scheduled work. In 2016, PCSS was re-engineered and divided into two projects, *viz:* Dr. BR Ambedkar Pranahitha Project and Kaleshwaram project. Pursuant to redesign, the works forming part of packages 10 and 12 were included in Kaleshwaram project.

[14] PCSS Link-IV, investigation, designs and execution of Lift Irrigation Scheme for drawal of 88.24 TMC of water from Mid Manair to new reservoir at Anantagiri Village, Illanthakunta Mandal, Karimnagar District

[15] Lifting of 77.914 TMC of water through approach channel, Tunnel, pumping mains and ultimately delivering into the new reservoir to be formed at Tadkapally village, Siddipet Mandal

As per Section 73A(2) of Finance Act, 2006, any person who has collected any amount, which is not required to be collected, from any other person, in any manner as representing service tax, such person shall forthwith pay the amount so collected to the credit of the Central Government. While service tax is excluded on works contracts as per the Finance Act, 1994 (further clarified by Government of India in September 2009 that service tax would not be applicable for works contracts taken up in EPC mode), the Internal Bench Mark (IBM) estimates of the Department relating to packages 10 and 12 of this project included (May 2008) service tax @ 4.12 *per cent* of the value of the contract, which amounted to ₹51.30 crore and ₹51.39 crore in respect of package 10 and package 12 of Kaleswaram Project respectively. At the time of floating the tender (July 2008), the Irrigation & Command Area Development Department instructed the prospective bidders to take into consideration all taxes in their bid price while quoting for the work. Further, as per clause 18.1 of General and Special conditions of contract, the Department was to recover service tax at the rate of 4.12 *per cent* from the bills of the contractors on all engineering works (except tunnel works) and remit it to the Service Tax Department. Hence, it is apparent that the quoted price was inclusive of service tax.

After conclusion of the Agreement, payment schedules were revised (January 2013 & December 2015). Both these revisions carried a clause to the effect that service tax would be recovered on all engineering works.

Audit scrutiny of records of Executive Engineer, Kaleswaram project, Construction Division I, Siddipet relating to packages 10 and 12 revealed that an amount of ₹31.69 crore was recovered from the running account bills of the contractors towards service tax during the period March 2009 to June 2017. However, the amount recovered from the contractors was credited to Public Works Deposits Head instead of remitting to the Service Tax Department in contravention of Section 73A(2) of the Finance Act 2006.

Further audit scrutiny revealed that the contractor of package 10 requested (January 2012) the Chief Engineer, PCSS for refund of the recovered amount of service tax stating that it was not leviable on works undertaken by Government with effect from September 2009. Surprisingly, the contractor seems to be aware that the service tax was not remitted to Central Government and was kept in the Public Works Deposits Head. Based on this request, the Chief Engineer, PCSS, Hyderabad (CE) ordered (February 2012) refund of service tax to the contractor of package 10. However, the Department released (February-April 2016) an amount of ₹22.88 crore (out of ₹31.69 crore recovered as service tax and retained in Public Works Deposits account) to the contractors of both the packages.

Government accepted (December 2019) the audit observation and stated that the amount was released in view of exemption of service tax on works contracts as per Ministry of Finance circular dated 15 September 2009 and assured that it would re-recover the refunded amount of ₹22.88 crore along with the balance amount of ₹25.51 crore yet to be recovered for the period January 2016 to December 2016[16] from the contractors.

[16] ₹24.93 crore from package 10 and ₹0.58 crore from package 12

Prima facie, the Department should not have included the service tax component of 4.12 *per cent* in the IBM estimates. However, since this component was included and the contracts were awarded based on this inflated figure, it should have recovered the service tax from the contractors and remitted immediately to the Service Tax Department in terms of the provisions of the extant Act. Not doing so for prolonged period and retaining the amount in Public Works Deposits Head tantamounts to violation of the provisions of the Finance Act, 2006.

Further, refund of the recovered amount to the contractors amounts to undue benefit to them, as the contracts were awarded on the basis of the component of service tax. To that extent, the Government has incurred a loss to the public exchequer and accountability needs to be fixed on the authority responsible for depositing the amount of ₹31.69 crore in the Public Works Deposits Head instead of remitting to the Central Government, as well as releasing the recovered amount to the contractors.

Municipal Administration and Urban Development Department

3.6 Loss of potential revenue due to non-assessment and levy of vacant land tax

Non-assessment and non-levy of Vacant Land Tax on vacant lands by Greater Warangal Municipal Corporation and four Municipalities led to loss of potential revenue

The Greater Hyderabad Municipal Corporation Act, 1955 and The Telangana Municipalities Act, 1965 provide for assessment, levy and collection of property tax on vacant lands which are not used exclusively for agricultural purposes and are not occupied by, or adjacent and appurtenant to buildings. These Acts are applicable across all the Municipalities and Municipal Corporations of the State. The Government fixed the rate of Vacant Land Tax (VLT) at 0.20 *per cent* and 0.50 *per cent* on capital value fixed by Registration Department for the purpose of registration for Municipalities and Municipal Corporations respectively.

State Government issued orders in November 2015 for regularisation of unapproved and illegal layouts existing on or before 28 October 2015. This regularisation was to be done by Kakatiya Urban Development Authority (KUDA) in Warangal and respective Municipalities in their jurisdiction.

During the audit (April 2018-June 2019) of Greater Warangal Municipal Corporation (GWMC) and Municipalities of Bhainsa, Korutla, Metpally and Suryapet, it was noticed that total 32,812 applications were received from plot holders/land owners having sale deed/title deed both from KUDA (28,569) and four Municipalities (4,243) for regularisation of unapproved and illegal layouts in response to Government orders issued in November 2015.

It was further observed that despite having access to the data relating to ownership of vacant lands, GWMC did not levy (₹46.09 crore[17]) VLT on the owners of such lands as per the extant Act. Similarly, the four Municipalities had also not levied (₹1.61 crore[18]) VLT on vacant land despite availability of data on vacant lands (refer ***Appendix-3.3***).

Thus, non-assessment and non-levy of VLT on vacant land by GWMC and the four Municipalities had resulted in foregoing potential revenue to the tune of ₹47.70 crore.

The matter was reported to the Government in November 2019; reply is awaited (September 2020).

3.7 Wasteful expenditure of ₹2.53 crore

Construction of intermediate pumping station even after initiation of water supply to Sircilla Municipality under Mission Bhagiratha resulted in wasteful expenditure of ₹2.53 crore

State Government launched Mission Bhagiratha in November 2014 for supply of drinking water to rural and urban areas. Telangana Drinking Water Supply Corporation (TDWSC) was constituted for planning and execution of this project. It was decided that all ongoing water supply schemes outside the boundaries of Urban Local Bodies (ULB) shall be completed by Public Health Engineering Department and any new scheme outside the boundaries of ULBs would be executed by the TDWSC.

Sircilla Municipality draws water from Lower Manair Dam, Karimnagar as source under Sircilla Water Supply Improvement Scheme. In April 2013 the Municipality resolved to construct an intermediate pumping station with 13th Finance Commission grants near Kodurupaka village which is outside the boundaries of the ULB, at an estimated cost of ₹2.85 crore.

Audit observed (July 2018) that the work of 'Construction of Intermediate pumping station at Kodurupaka' was awarded (June 2015) to a contractor despite specific direction (November 2014) from the Government not to take up any new work outside the ULB. The work was completed in May 2016 at a cost of ₹2.53 crore. However, the pumping station was not being used, as drinking water was supplied to Sircilla Municipality under Mission Bhagiratha with effect from March 2018.

The Department did not furnish specific reply for taking up construction of pumping station after launching of Mission Bhagiratha. It however, stated (May 2019) that the pumping station has been kept as a standby for use in case of any exigency. The reply is not acceptable as the Municipality disconnected High Tension (HT) power connection of pumping station in May 2018 itself since it was not operational.

[17] Calculated for 28,472 (out of 28,569) applicants for which details of market value/extent of land were available and for six half years as prescribed under Section 225 (4) (ii) of The Greater Hyderabad Municipal Corporation Act, 1955

[18] Calculated for 3,942 (out of 4,243) applications for which the details of market value/extent of land are available and for six half years as prescribed under Section 91-A of Telangana Municipalities Act, 1965

Thus, construction of intermediate pumping station even after initiation of the proposal to supply water to the Sircilla Municipality under Mission Bhagiratha had resulted in wasteful expenditure of ₹2.53 crore.

The matter was reported to the Government in October 2019; reply is awaited (September 2020).

3.8 Unfruitful expenditure on construction of shopping complex

Construction of a shopping complex at Gunj Maidan, Sangareddy remained incomplete even after six years due to award of work ignoring a pending court case. The expenditure of ₹72.33 lakh incurred on the work remained unfruitful

Sangareddy Municipality had accorded sanction (June 2012) for 'Construction of shopping complex at Gunj Maidan, Sangareddy' for ₹1.38 crore with the available Integrated Development of Small and Medium Towns (IDSMT) scheme funds of ₹72.42 lakh. The balance fund requirement was proposed to be met from its own sources. The work was awarded to a contractor for ₹1.09 crore in January 2013 to be completed by July 2014. The Municipality had also received (November 2015) ₹25 lakh under 14th Finance Commission grants for this work.

Audit observed (January 2016) that the Municipality had awarded (January 2013) the work, despite the fact that a Court case was pending since 2011 about the land on which the shopping complex was proposed to be constructed. The work scheduled to be completed by July 2014 was suspended due to land dispute by the Municipality in May 2014, after the contractor executed work valued at ₹58.07 lakh (53 *per cent* of the cost of work). On disposal of the Court case in February 2017 in favour of the Sangareddy Municipality, extension of time was granted to the contractor up to the end of December 2017 for completion of work. The contractor resumed the work in May 2017 but suspended it again in October 2017 due to his ill health, after executing further work valued at ₹14.26 lakh (13 *per cent*). The contractor had executed work valuing ₹72.33 lakh (66 *per cent*) up to October 2017, leaving the ancillary works like plaster, flooring, internal water supply, electrical fittings, doors and windows incomplete as of August 2019.

The Department replied (September 2019) that notices were issued to the contractor for completion of work in September 2018 and January 2019. Further, it was stated that the work would be completed by December 2019 as per the extension of time granted on the request (August 2019) of the contractor. Award of the work by Sangareddy Municipality despite being aware of the pending Court case and failure in taking action as per the contractual clauses has resulted in incomplete work and the intended benefits from the shopping complex not accruing to them.

The matter was reported to the Government in November 2019; reply is awaited (September 2020).

Municipal Administration and Urban Development Department
(Kakatiya Urban Development Authority)

3.9 Blocking of Funds

A shopping complex constructed at a cost of ₹3.65 crore could not be leased for almost two years due to indecision leading to blocking of funds

Kakatiya Urban Development Authority (Authority), Warangal proposed (March 2004) to construct a shopping complex at an estimated cost of ₹4.44 crore on the land belonging to the District Sports Authority (DSA) with a view to earn rental income (to be shared equally between the Authority and DSA). The work was proposed to be executed only up to a framed structure comprising a cellar, ground and three floors, with a view to allow flexibility to the tenant to design the space as required at their own cost. The contracted value of the work was ₹3.65 crore. The work was completed in November 2016 at a total cost of ₹3.65 crore, which was completely financed from the Authority's own funds.

Audit of the Authority in August 2017 revealed that the Authority proposed (March 2016) to the Government to permit them to lease out the shopping complex with framed structures in open auction for a period of 10 years**.** The State Government directed (March 2017) the Authority to lease the building in accordance with the Hyderabad Metropolitan Development Authority (HMDA) Rental Regulations 1980 Act (Regulations), which stipulates that the period of such lease was not to exceed 3 years. The shopping complex could not be leased out because of poor response in the market due to the State Government's conditional approval for its lease.

The Authority again approached (June 2017) the Government for approval for leasing out the complex on "as-is-where-is" condition in open auction for a period of 20 years with a condition to complete all the remaining works by the bidders at their own cost. The Government's approval to this proposal was still awaited as of date of audit (May 2019).

The Authority, in the meanwhile, called (May 2018) for Expression of Interest (EoI) for lease, in response to which eight EoIs were received. As of May 2019, the Authority was yet to take a decision on the EoI.

The project was expected to boost the Authority's finances. Instead, funds amounting to ₹3.65 crore remained blocked due to indecision of the Government.

The matter was reported to Government in July 2019; reply is awaited (September 2020).

Municipal Administration and Urban Development Department (Hyderabad Metropolitan Development Authority)

3.10 Government indecision on Hyderabad Habitat Centre (HHC)

Idle expenditure of ₹62.50 lakh due to indecision of Government

Hyderabad Metropolitan Development Authority (HMDA) proposed (October 2012) to develop a Hyderabad Habitat Centre (HHC) through Public Private Partnership (PPP) mode. M/s Infrastructure Leasing & Financial Services Infrastructure Development Corporation Limited was engaged as Transaction Adviser, for this project at a professional fee of ₹18 lakh. The feasibility report prepared by the Adviser in August 2013 projected HHC to be a Centre with art galleries, open air theatres, food courts, commercial office space etc.

Government accorded 'in principle' sanction for the project in October 2013. However, the original PPP model was dropped (in December 2013) and it was designed to be a self-financing venture through a society incorporated by HMDA along with interested institutions like PSUs and multinational companies. Thereafter, HMDA appointed an architect[19] for ₹6.25 crore in January 2014 for comprehensive architectural services such as preparation of designs, working drawings, incorporating modifications, analysing tenders, etc. Conceptual Designs prepared by the Architect were approved by HMDA in July 2014, following which, payment of ₹62.50 lakh was released in September 2014. The HHC was to be constructed on the land belonging to HMDA at Izzatnagar, Rangareddy district at a total cost of ₹150 crore.

In response to the clarifications sought (April 2014) by the Government on the commercial and operational viability of the project, HMDA justified a felt need for a Centre with 'integrated one stop facilities' for the promotion of heritage, art and culture, which the existing Shilpa Kala Vedika could not meet. Project proposals were sent to the Government of Telangana in August 2014 for administrative sanction. However, as of November 2019, no decision has been taken by the Government.

In the meanwhile, the new Government initiated (April 2015) setting up of 'Telangana Kala Bharathi' a state of art centre for performing arts & culture at NTR Grounds in central zone of Hyderabad. This raised doubts on whether the HHC, designed on similar lines, may lead to duplication. Taking cognisance of this, the Transaction Advisor suggested that HHC may be redesigned as a Centre for business and economic development that will provide office space (including convention centre) for use by public institutions.

Audit scrutiny revealed (February 2019) that the project had come to a standstill since April 2015. The expenditure of ₹62.50 lakh incurred on designs of HHC remained unproductive.

[19] Architect Hafeez Contractor

Government, while confirming the audit observations, stated (November 2019) that HMDA may take further action to revive the project and that the available documentation could be revalidated and utilised. It was also stated that the material would be utilised as and when such similar projects are conceived by HMDA in future.

Thus, the indecision of the Government led to a situation where the cost of ₹62.50 lakh on designing the HHC project remained unproductive for a period of more than five years.

Municipal Administration & Urban Development Department
(Hyderabad Metropolitan Water Supply and Sewerage Board)

3.11 Undue favour to contractor

Non-enforcement of contractual provisions by HMWS&SB resulted in undue favour of ₹1.05 crore to the contractor

Government of Telangana accorded administrative approval and technical sanction (February 2015) for ₹58.96 crore for construction of a Ring Sewer Main to divert sewage from Kukatpally Nala to prevent it from flowing into the downstream of Hussainsagar lake. In April 2015, the works were divided into four packages and entrusted to two agencies (Agency 1: Package-I (₹7.23 crore), Package-III (₹7.80 crore); Agency 2: Package-II (₹7.87 crore) and Package-IV (₹4.82 crore)). As against the scheduled date of completion of October 2015, the works were completed in April 2016.

As per the contract, the responsibilities and liabilities of the contractor were as follows:

- The contractor should dig Probing Pits of specified dimensions including road-cutting at every 100 meter interval along the alignment to accurately locate and determine the position of existing utilities and obstructions;
- All utility lines and structures, whether indicated on the drawings or not, which are to remain in service shall be protected by the contractor from any damage likely to result from his operations. Any damage to any utility resulting from the contractor's operations shall be repaired at the contractor's expense; and
- All risks of loss of or damage to physical property which arises during and in consequence of the performance of the contract, other than the expected risks, were the responsibility of the Contractor.

Scrutiny of records of HMWS&SB during April 2018 revealed the following:

- During the execution of the work in July 2015, the Transmission Corporation of Telangana Limited (TRANSCO) requested HMWS&SB to take precautionary measures by maintaining sufficient clearance of minimum 3 metres between cable trench and pipe line trench to prevent collapse of cable trench for the already existing 132 KV underground (UG) power cable at Patigadda sub-station to

Hussainsagar, while excavating and laying of pipeline works. Audit did not find any evidence of these instructions being communicated to the contractors by HMWS&SB;

- In August 2015 and again in April 2016, TRANSCO discovered damages to the 132 KV UG power cable at Necklace Road. TRANSCO, in various correspondences (August & September 2015) to HMWS&SB, stated that despite repeated reminders to take precautions, the contractor was not coordinating with their field supervisors, resulting in damage of the cable. TRANSCO fixed the responsibility for rectification of power cable on HMWS&SB;
- In December 2015, HMWS&SB authorities while acknowledging the damages to the existing underground power cable during execution of work, requested TRANSCO to communicate the charges to repair the cable: and
- During joint inspection (July 2016) conducted by HMWS&SB with TRANSCO authorities, HMWS&SB requested the latter to carry out the necessary repairs and offered to pay the expenses in this regard. The repairs were carried out by TRANSCO and a claim of ₹1.05 crore was levied towards damage charges. HMWS&SB paid the amount of ₹1.05 crore (during December 2015 to July 2017) to TRANSCO towards rectification works for the damaged UG Cable at necklace road. It did not, however, invoke the contractual clauses to recover this amount from the contractor.

In response to Audit query about reasons for non-recovery of expenditure for damages from the contractor, HMWS&SB stated (April 2018) that the damages were not due to negligence of the contractor, but rather due to narrow space for execution of works and loose nature of the soil, which triggered extensive collapse beyond the width of the trench causing damage to adjacent power cables. HMWS&SB confirmed in November 2019 that it had not recovered the amount of ₹1.05 crore paid to TRANSCO from the contractor.

The reply is contrary to the contractual conditions which clearly stipulate that the responsibility of protection of utilities rests with the contractor. Any damage to any utility resulting from the contractor's operations shall be repaired at the contractor's expense.

The justification put forth by the HMWS&SB, that narrow space for execution of works and loose nature of the soil, triggered extensive collapses beyond the width of the trench causing damage to adjacent power cables and that it was not due to negligence of the contractor is only an attempt to exonerate the contractor and not enforcing contractual conditions, which amounts to extending undue favour to the contractor.

The matter was reported to Government in February 2020; reply is awaited (September 2020).

Panchayat Raj and Rural Development Department

3.12 Abnormal delay in providing road connectivity

Commencement of road works without obtaining forest clearance led to non-completion of works

The District Panchayat Raj Engineering (DPRE) Division, Mulugu took up road works under Pradhan Mantri Gram Sadak Yojana (PMGSY-II) (Central) and Construction of Rural Roads (CRR) (State) schemes for providing connectivity to Kamanpally, Mukunur, Thimmettigudem and Reddypalli villages during 2014 and 2015. Obtaining prior approval[20] of the Union Ministry of Environment and Forests for diversion of forest land to non-forestry purposes, is a pre-requisite for technical sanction of the estimate by the competent authority.

Audit observed (March 2019) that the Division proceeded with execution of works between 2014 and 2016 without obtaining forest clearance and incurred an expenditure of ₹3.02 crore. As of June 2020, the status of the works was as under:

Table-3.8

Sl. No.	Name of the work (scheme)	Extent of forest land required	Administrative sanction/ Agreement value	Length of road	Agreement date/ Scheduled date of completion	Status as of June 2020
1	2	3	4	5	6	7
1	Road from Palimela to Devadula via Kamanpally to Muknur villages (PMGSY-II)	3.935 Ha	₹10.09 crore/ ₹9.10 crore	13.57 km	19.11.2014/ 18.05.2016	BT Road completed for 8.79 kms. Balance work of 4.78 kms located in forest area is pending
2	Road from Kankunoor to Reddypalli villages (CRR)	3.178 Ha	₹3.00 crore/ ₹3.05 crore	5.20 km	30.07.2015/ 29.10.2016	BT Road not laid

Source: *Information furnished by DPRE, Mulugu*

- Road work at Sl.no. 1 was proposed to fill the missing links between the remote habitations/villages of Kamanpally, Mukunur and Thimmettigudem of Mahadevpur Mandal to meet the socio-cultural aspirations of people in these remote areas. However, the work was stopped (July 2017) by forest authorities due to lack of forest clearance; and
- Road work at Sl.no.2 was proposed for upgradation to BT standards. This was to benefit Reddypalli village, a tribal habitation with a population of around 382, to connect with Mahamutharam Mandal headquarters. It is the only road connectivity

[20] Section 2 of Forest Conservation Act, 1980

to Reddypalli tribal habitation. However, the work was stopped (November 2015) by forest authorities due to want of forest clearance.

Thus, non-compliance with Government orders with respect to obtaining forest clearance prior to commencement of work led to stoppage of works. Administrative and technical sanctions were accorded by the Department without considering this aspect.

DPRE division, Mulugu replied (August 2019) that they did not foresee the necessity of obtaining forest clearance before commencement of work and that proposals for forest clearance were mooted for the works at a later stage and Net Present Value of ₹1.66 crore was paid in April 2018 and May 2019.

The matter was reported to Government in October 2019; reply is awaited (September 2020).

(SUDHA RAJAN)
Accountant General (Audit)
Telangana

Hyderabad
The 29 JAN 2021

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 4 FEB 2021