

CHAPTER IV

AUDIT OF TRANSACTIONS

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CHAPTER IV

AUDIT OF TRANSACTIONS

4.1 Fraud/misappropriation/embezzlement/losses detected in audit

FINANCE/TRIBAL WELFARE/WOMEN DEVELOPMENT, CHILD AND DISABLED WELFARE DEPARTMENTS

4.1.1 Failure of Treasury Officers in exercising checks while admitting Bills

Treasury Officers failed in their duty to exercise adequate checks while admitting bills and to protect the financial interests of the Government, resulting in excess/inadmissible drawal of Rs 3 crore.

Treasury Rules enjoin Treasury Officers to perform prescribed checks and to exercise due care while passing a bill or other vouchers in order to ensure that the financial interests of the Government are protected against fraud, misappropriation and inadmissible claims.

The rules stipulate *inter alia* that Treasury Officer

- (i) ensure that a claim against Government be made by presenting at the treasury, a bill or other voucher in the prescribed form duly receipted and contains full details as to the amount and nature of the claim and all particulars;
- (ii) while admitting drawal of amounts on a fully vouched contingent bill, ensure that full particulars of the charges are given and all sub-vouchers for individual payments exceeding Rs 1000 are attached to it;
- (iii) correct any arithmetical inaccuracy or obvious mistakes in a bill presented to him for payment;
- (iv) return a bill or voucher bearing an erasure with instructions to present a fresh one; and
- (v) disallow any inadmissible or doubtful item which can be easily eliminated.

A test-check of the paid vouchers for the month of March 2006 relating to 'Tribal Welfare' and 'Women Development, Child Welfare and Disabled Welfare' Departments disclosed that the Treasury Officers had failed to exercise the legitimate checks in admitting the bills presented by the Drawing and Disbursing Officers (DDOs), resulting in excess/inadmissible drawal amounting to Rs 3 crore, as detailed in the following table:

Nature of Audit Observation	Gist of the irregularity
<p>Bills preferred and paid in 'Fully Vouched Contingent Bill Form' on 'advance bills'/ without full details</p>	<p>(i) The District Tribal Welfare Officer (DTWO), Bhadrachalam submitted (18 March 2006) 10 bills for a total amount of Rs 1.70 crore on fully vouched contingent bill form for supply of food provisions to the Tribal Welfare hostels and Ashram Schools by enclosing only the 'Advance Bills' issued by a supplier. However, the bills contained the stock entries even before the supplies were actually received. The Assistant Treasury Officer (ATO), Bhadrachalam admitted these bills and the amount was drawn in March 2006. Scrutiny however, revealed that the provisions were received only during September – December 2006. The DTWO could neither explain the reasons for drawal of the amounts on a fully vouched contingent bill form nor did he justify the drawals on advance bills containing stock entries.</p> <p>(ii) The Project Officer (PO), Integrated Tribal Development Agency (ITDA), Srisailam preferred (18 March 2006) six bills for a total amount of Rs 1.17 crore for supply of food provisions and materials to Tribal Welfare Ashram Schools (Rs 0.98 crore) and on other contractual services (Rs 0.19 crore) for the years 2005-06 and 2006-07. The PO submitted the bills on fully vouched contingent bill form without however, submitting the details of quantities, rates, etc. of the provisions/materials and the stock entries in proof of having received them, and the actual requirements for the maintenance of schools. The Sub-Treasury Officer (STO), Srisailam however, admitted (31 March 2006) these bills for payment.</p> <p>The PO could utilise only Rs 61.14 lakh during 2006-07, leaving a balance of Rs 55.86 lakh unspent. This unspent amount was remitted to Government account only in July 2007, at the instance of audit.</p> <p>(iii) The DTWO, Paderu submitted (18 March 2006) a bill for Rs 6.24 lakh enclosing a bill towards supply of cosmetics, on a fully vouched contingent bill form. The total amount of the invoice was Rs 6.38 lakh while the amount as per the quantities and the rates worked out to Rs 8.66 lakh. The claim was however, restricted by the DDO to Rs 6.24 lakh so as to draw the entire balance available under that particular head of account for 2005-06. As the supplies were not actually received, there were no entries for receipt of stock on the bill. However, the ATO, Paderu admitted (29 March 2006) the bill for payment.</p> <p>Scrutiny further disclosed that the amount was paid to the supplier as an advance and the entire amount of Rs 6.24 lakh was still lying with the supplier even though no supplies were made as of July 2007.</p>
<p>STOs allowed double/excess drawals</p>	<p>(i) The Executive Engineer (EE), Tribal Welfare, Srisailam had drawn (28 March 2006) an amount of Rs 11.81 lakh towards the cost of 'audio system' by submitting a bill to STO, Srisailam. The STO also irregularly allowed the EE to draw another Rs 1.18 lakh on the same day being the 10 per cent of the cost of the same item through another bill enclosing the requisition submitted by the supplier. The excess drawn amount was remitted to Government account (July 2007) at the instance of Audit.</p> <p>(ii) The PO, ITDA, Eturunagaram preferred (18 March 2006) a bill for Rs 11 lakh on STO, Eturunagaram. The claim was towards supply of electrical appliances, etc. to Government Ashram schools and hostels. It was however, observed that in the cases of invoices consisting of more than one page, page-wise totals were carried forward to last page to arrive at the grand total. However, totals of each page as well as the grand totals were claimed separately in the bill which the STO, Eturunagaram allowed to be drawn (31 March 2007). The resultant excess drawal was Rs 2.86 lakh. There was also a double drawal of Rs 0.24 lakh by allowing both the claims one on the original invoice and the other on the carbon copy of the same.</p>

<p>Arithmetical accuracy not ensured by STO/ATOs/ Tampering of bill entries</p>	<p>(i) District Tribal Welfare Officer (DTWO), RangaReddy and Hyderabad Districts preferred (28 March 2006) a bill towards post matric scholarships for Rs 27000 against the sanctioned amount of Rs 2700 and was paid (31 March 2006) by the ATO, RangaReddy District leading to an excess payment of Rs 0.24 lakh. The excess drawn amount was however, credited to Government account in November 2006 by the DTWO, only at the instance of Audit.</p> <p>(ii) The Project Director (PD), District Women and Child Development Agency, Karimnagar preferred (16 March 2006) a claim for Rs 9.01 lakh. In one of the sub-vouchers of the bill an amount of Rs 86350 was claimed against Rs 8635 towards supply of 110 Kg of Jeera at Rs 78.50 per Kg and paid by the STO, Karimnagar. It was only at the instance of Audit that the excess drawn amount of Rs 0.78 lakh was credited (July 2006) to Government account by the PD.</p> <p>(iii) The DTWO, Paderu submitted (18 March 2006) a bill for Rs 4.60 lakh along with the vouchers. It was however, observed that the vouchers submitted were not arithmetically accurate. In one of the sub-vouchers enclosed to the bill pertaining to the payment of cosmetic items for supply to Tribal Welfare Institutions, the total amount for the supplies made was initially shown as Rs 42222. This was however, altered as Rs 59893 and the quantities, rate and amount of each item were also altered with an intention to make up the altered total. The alterations for the excess claim for Rs 0.18 lakh were not attested either by the recipient of the goods or by the DDO. However, the bill was irregularly admitted by ATO, Paderu and the amount of Rs 59893 was paid.</p>
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All the above instances indicated the failure of the Treasury Officers in exercising even the basic checks while admitting the bills preferred on them, resulting in irregular drawals by the DDOs. As Audit conducted only a test-check, there is every possibility that many such cases would have escaped detection.

On the matter being pointed out (November 2006), Government instructed (February 2007) the Director of Treasuries and Accounts (DTA) to identify the treasury personnel responsible for the lapses and to initiate disciplinary action against them. The DTA accepted (August 2007) that the bills were passed by the treasuries without proper check and assured that action would be taken against the concerned for not following the procedures. Action taken against the DDOs responsible for irregular drawals is awaited from the Director, Tribal Welfare and Director, Women Development and Child Welfare Departments (August 2007).

HEALTH, MEDICAL AND FAMILY WELFARE DEPARTMENT

4.1.2 Payment of fraudulent claims by Director of Health on telecast of advertisement

Absence of a control mechanism to ensure that advertisement spots had actually been telecast before making payment, denied a majority of the targeted public the opportunity of viewing an educational documentary and led to overpayment of Rs 12.56 lakh to the producer.

The Director of Health (DOH) placed (February 2006) orders with a private firm for placing advertisements on vector borne diseases viz., Japanese Encephalitis and Dengue on Doordarshan to create public awareness. As per the terms of the offer made by the firm, for every

10 seconds of telecast, the charges would be Rs 10000 plus 10.2 per cent service tax thereon. A spot of the clip of 60 seconds duration was to be aired during 18 February - 7 March 2006 (between 3 PM and 8 PM) on DD1 channel. The Additional Director of Health (Malaria and Filaria) paid (March 2006) Rs 20.50 lakh to the firm, for 31 spots claimed to have been telecast between 18 February - 7 March 2006, and who submitted telecast certificates shown as issued by Doordarshan authorities in support of the claim.

During the test-check (May 2006) of records of the Additional Director, Medical and Health Services (Malaria and Filaria), Hyderabad it was observed that the telecast certificates furnished by the firm were defective as all the 31 spots were shown as telecast on DD8 channel instead of on DD1 channel and all the certificates shown as issued by Doordarshan were fake as confirmed by the Doordarshan authorities. Government replied (March 2007) that the amount was paid to the firm in good faith based on the bills submitted by it and that the excess payment of Rs 12.56 lakh as pointed out by Audit in respect of 19 spots not telecast was refunded by the firm in August 2006. It was also stated that the firm had been blacklisted. The Government further stated that it was decided to take preventive measures in order to avoid recurrence of such incidents in future. However, action to fix responsibility for making the payment on the fraudulent claim had not been taken as of July 2007.

Thus, the absence of a control mechanism to ensure that advertisement spots had actually been telecast resulted in denying a majority of the targeted public the opportunity of viewing the educational documentary.

4.2 Excess payment; wasteful/infructuous expenditure

AGRICULTURE AND CO-OPERATION DEPARTMENT

4.2.1 Ineffective implementation of Green Village Model Demo Project

Poor planning followed by ineffective implementation of Green Village Model Demo Project has not only rendered the expenditure of Rs 65.37 lakh incurred on 42 greenhouse units wasteful but also resulted in closure of the project midway thereby denying the benefit of the project to the whole farming community.

The Commissioner of Horticulture (COH) launched (June 2003) 'Green Village Model Demo Project' Scheme for cultivation of hybrid vegetables under protected and controlled conditions throughout the year. By increasing the production per unit area, the project was expected to bridge the gap between production and demand for vegetables and to enable the farmers to earn two-three times more returns. The scheme envisaged erection of shade net-cum-poly houses (greenhouses) along with micro-irrigation system each in a unit area of 504 sq. metres. The project was to be implemented in the entire

State in clusters. The Assistant Directors of Horticulture (ADHs) of all the districts were to identify the beneficiaries from two to three villages in identified mandals.

The fabrication work of greenhouses was awarded (August 2003) to a Pune based private firm with a stipulation that the target of erecting 400 units in the State would be completed within a year i.e. by August 2004. The cost of each unit was fixed at Rs 1.80 lakh (subsidy: Rs 1 lakh, farmers' contribution: Rs 0.80 lakh), and Rs 1.80 crore was released to ADHs towards subsidy for taking up 180 units. As of December 2006, the firm was paid Rs 1.38 crore (subsidy: Rs 0.77 crore and farmers' contribution: Rs 0.61 crore).

During test-check (January 2006) of records of COH and ADHs in 14 districts and from the information obtained subsequently, it was observed that, out of 180 units targeted, only 108 units were completed as of December 2006 (subsidy met: Rs 0.77 crore). Based on a mid-term review, 72 units had been shelved by the COH as the farmers were not showing interest because of the high investment involved and due to the inordinate delays (up to 21 months) in installation of shade nets by the firm. This was attributed by the COH to lack of coordination between the district horticulture officers and the engineers of the firm and award of work of all 400 units in the State to a single firm. While an amount of Rs 0.60 crore was remitted back to Government account, the balance Rs 0.43 crore was lying unutilised with the COH/ADHs. Again, out of the 108 greenhouses completed, 42 (39 *per cent*) units¹ had been damaged within a year of erection itself and were not functioning.

Though the firm was to provide free service for three years after sales, no repairs had been undertaken by the firm as of July 2007 in spite of the repeated requests being made by the ADHs concerned. Despite this, the COH had not taken action against the firm (July 2007). In the meantime, the entire project had to be shelved abruptly.

Thus, poor planning followed by ineffective implementation of the project by the COH has not only rendered the expenditure of Rs 65.37 lakh (farmers contribution: Rs 25.65 lakh) incurred on the 42 greenhouse units wasteful but the entire project had also to be stopped midway without fulfilling the objective of increasing the production of vegetables and enabling the farmers to earn more income.

The matter was reported to Government (May 2006); their reply had not been received (August 2007).

¹ Srikakulam (5), Visakhapatnam (11), West Godavari (1), Prakasam (3), Adilabad (12), Warangal (3), Nalgonda (3) and Anantapur (4)

FINANCE DEPARTMENT

4.2.2 Payment of excess/inadmissible claims on foreign travel

Failure to exercise the prescribed checks by the PAO, AP Hyderabad while admitting foreign travel claims, has resulted in excess/inadmissible payment of Rs 11.38 lakh on foreign travel claims.

The claims on foreign travel undertaken by Ministers of State Government, Members of Legislative Assembly and the State Government employees (including All India Services Officers), etc., are regulated by the Rules and Regulations issued by the Government of India from time to time. Foreign travel claims preferred by all the dignitaries and the State Government employees are pre-audited by the Pay and Accounts Officer (PAO), Andhra Pradesh, Hyderabad before admitting them for payment.

It was observed that the foreign travel claims were being admitted and passed for payment by the PAO without exercising the prescribed checks. Rules issued by the GOI/State Government from time to time were also not complied with. For instance, although, GOI issued orders in December 2000 reducing the rates of daily allowance (DA) on foreign travel, the State Government implemented it only from November 2002. However, the PAO admitted and paid claims at old higher rates of DA, if preferred after November 2002 also.

PAO did not raise any objection in any of the 150 cases received (2002-07). Audit however, found that in 60 cases relating to Government officials, claims had been irregularly admitted resulting in excess/ineligible payments amounting to Rs 11.38 lakh. Of this, a sum of Rs 1.95 lakh was recovered (from 2004-05 till-date) from 22 individuals at the instance of audit. As of August 2007, an amount of Rs 9.43 lakh still remains to be recovered from 38 Government officials.

The category-wise details are as under:

Sl. No.	Audit finding/Nature of irregularity	Number of cases (Irregularity-wise)*	Amount (Rs in lakh)
1	Daily Allowance (DA) paid in excess	32	6.21
2	Payments made without essential enclosures to bills	9	2.51
3	Agency charges paid without admissibility	3	0.02
4	Interest on belated remittance of unutilised advance not recovered	2	0.08
5	Other irregular/inadmissible payments	9	0.61
Total		55	9.43

*Out of 38 individual cases, in 14 cases more than one irregularity was noticed

When the cases of excess/inadmissible payments were pointed out (April 2007), Government replied (May 2007) that action had been taken to recover the excess drawn amounts. A report on the recoveries effected had not been received from PAO/Government (August 2007).

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

4.2.3 Unfruitful expenditure on diversion of road

Due to inept planning in laying the Hyderabad-Srisailam road, and later an alternate road, the end gates of the Neelam Sanjeeva Reddy Sagar dam cannot be operated resulting in continued scouring of the foundations of toe of the dam, as well as wasteful expenditure of Rs 6.56 crore.

Neelam Sanjeeva Reddy Sagar (NSRS) Project, Srisailam was designed with 12 spillway gates with maximum discharge capacity of 13.20 lakh cusecs of flood water and completed in 1984. Since the commencement of project operations, the flood water was being discharged only through 10 out of 12 gates i.e. from gate numbers two to 11. The end gate number 1 could not be used as it was discovered that discharge from this gate would wash out two lower tiers of Hyderabad-Srisailam road.

An international hydrological expert, invited by the Government to study the impact on the dam, found (December 2000) that due to non-usage of the end gate, the pool had not spread laterally much beyond the confines of the river. He opined that it was essential to produce a controlled liberal development of the pool and that if the end gates are not used it would result in continued scouring of the foundations of toe of the dam.

It was only in 2003, the department proposed to divert the road from km 188/300 to km 191/100 to a higher elevation to ensure that transport facilities are not disrupted when the end gates were operated. The Superintending Engineer, Dam Maintenance Circle, NSRS Project, Srisailam (SE) without verifying whether the land required for the alternate road belongs to the Department or not, entrusted (November 2003) the work to a firm for a contract value of Rs 5.79 crore (Revised to Rs 7.14 crore in April 2006) for completion in nine months. After completion of the work up to water bound macadam (WBM) level, the Forest Department objected (March 2006) that permission under Section 2 of Forest Conservation Act 1980 had not been taken as the road passes through the Rajiv Gandhi Wild Life Sanctuary, a tiger reserve. The Department closed the contract (May 2006) and paid (June 2006) the firm Rs 6.56 crore, leaving the work incomplete.

Government replied (March 2007) that the work was taken up presuming that the 890 acres of land, which had been requisitioned in 1966 from the Forest Department for Project works, had in fact been handed over to the Department. Government also stated that the alternate road would be useful in case of any damage to the existing road. It is not prudent to take up works involving huge outlay based on presumptions. Moreover, the reply of the Government contradicts their own proposal, which was to construct an alternate road as opening the end gates would wash out two lower tiers of the road. The road cannot be used in the absence of clearance by the Forest Department, and in the meantime, it would get eroded with the efflux of time as it has been completed only upto WBM level.

Thus, due to inept planning by Government, first in constructing a major road at a level which could get washed out by the waters of the dam and secondly in laying an alternate road on forest land without their clearance, the end gates of the dam cannot still be operated after 23 years of its construction.

4.2.4 Unfruitful expenditure due to non-completion of work

Taking up and entrusting dam protection work in the pre-monsoon seasons of 2004 and 2005 and subsequent inaction in resuming the balance work has resulted in the dam safety work remaining incomplete and the expenditure of Rs 83.27 lakh unfruitful.

The work “Repairs to old coffer dam on the down stream of Neelam Sanjeeva Reddy Sagar (NSRS) Dam at Srisailam” was taken up as part of protection works under the dam safety component. The estimate was technically sanctioned (November 2003) by the Chief Engineer (Projects), NSRS Project (CE) for Rs 1.08 crore. The Superintending Engineer, Dam Maintenance Circle, NSRS Project (SE) awarded (April 2004) the work to a contractor for Rs 1.15 crore with a stipulation to complete in four months i.e. by August 2004.

The scope of the work involved anchoring pre-fabricated shuttering to the girders of the old coffer dam and filling up the gap between old coffer dam and the shuttering with specified concrete. The work was to be executed on the downstream of the reservoir crest gates and under the water standing there and had to be completed before the gates are opened to release flood waters during monsoon. Andhra Pradesh Standard Specifications (APSS) requires that the rate for laying of concrete shall be for the finished item inclusive of all form work like shuttering etc. The department, however, in the instant case bifurcated the item of work into two, namely ‘providing shuttering’ and ‘laying of concrete’.

The contractor started the work in April 2004 and could not complete the work due to the monsoon. The department granted (September 2004) extension of time up to 31 July 2005. The contractor again started the work just before onset of monsoon in June 2005 and completed the entire shuttering work. However by 30 July 2005, he had completed only 46.58 *per cent* of concrete work when he was instructed by the department to vacate the site as the flood waters were to be released. Water was released on 2 August 2005 and since the concrete was not laid to its full designed level, the work executed till then was stated to have been damaged/washed away, by the impact of flood water released. The department has not so far assessed the exact cost of the work damaged, on the ground that the site is under submergence. The SE has neither extended the contract period nor entrusted the balance work to another contractor so far (August 2007). The total value of work done and paid was Rs 83.27 lakh.

Thus, action of the SE in taking up and entrusting dam protection work in the pre monsoon seasons of 2004 and 2005 and his subsequent inaction in assessing the extent of damage and resuming the balance work, has resulted in

the dam safety work remaining incomplete and the expenditure of Rs 83.27 lakh unfruitful. Further, instead of working out a single through rate of Rs 7122 per cubic metre for the finished item of work of concrete, it bifurcated the work into two items separately at Rs 8320 per sqm and Rs 3625 per cum respectively, against the payment procedure laid down in APSS. Thus, against the payment of Rs 52.73 lakh that the contractor was entitled to if the CE followed APSS, he was paid Rs 83.27 lakh resulting in additional expenditure of Rs 30.54 lakh.

Government replied (August 2007) that the estimate was approved with two items as the quantity of under water tremie concrete was uncertain and the objection was applicable only in case of dry/surface concrete but not for under water tremie concrete. They also stated that the defects, if any, would be got rectified by the contractor after water recedes from the site. The reply is not acceptable as the APSS clause 402.7.3.1 which deals with under water tremie concrete, read with clause 401.8 specifies a single through rate per cubic metre of concrete including all necessary form work like shuttering etc. As more than three years has elapsed, Government's assertion that the rectification would be done only after the water recedes, is not reassuring since the reply is silent about the important aspect of dam safety. As the validity of the agreement was not extended and the contractor was not responding to the notices issued by the department, the possibility of rectification of defects by the contractor is remote.

MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT (Public Health Wing)

4.2.5 Excess payment to a contractor

Government decision to allow a contractor extra lead charges in contravention of the tender conditions, led to excess payment of Rs 3.73 crore to him.

Government, while streamlining tendering procedures, dispensed (September 1997) with the practice of identifying in the tender schedules, quarries from where construction material would be procured and their leads. Instead, the contractor was allowed to procure the required material from the quarries of his choice, and to quote rates inclusive of all leads and lifts as long as it met the specifications.

The Superintending Engineer, Public Health Circle, Anantapur (SE) entrusted the work 'Construction of summer storage tank at Basapuram water works at Adoni' estimated to cost Rs 19.07 crore to a contractor in September 2004 for completion by June 2005.

A scrutiny (February 2006) of records of Executive Engineer, Public Health division, Kurnool revealed that the notice inviting tenders (NIT) required that every prospective bidder, before submitting his tender and declaring the quarries selected by him, inter alia, inspect the quarries and satisfy himself as

to the quality and availability of the material. The NIT/agreement also specifically made it clear that no extra payment would be made to the contractor either for increase in the lead or for non-availability of materials in the specified quarries. This included a lead of 0.25 km to 1.00 km for black cotton (BC) soils and gravel. However, during execution of work, the contractor pleaded (February 2005) for extra payment as the required quality/quantity of gravel, BC soils and sand were not available at the specified quarries. On the recommendation of the Engineer-in-Chief, Government permitted (July 2005) additional payment of Rs 3.73 crore to the contractor for the extra leads. Thus, the action of the Government in permitting additional payment for extra leads in respect of gravel, BC soils and sand contrary to the agreement conditions and their own instructions, resulted in excess payment to the contractor.

Government replied (March 2007) that the extra leads were allowed as quarrying of sand was prohibited by the Government and the required quality/quantity of gravel and BC soils were not available at the specified quarries. The reply is not acceptable as the ban on lifting of sand existed even before the tendering of the work, and in any case, as per the conditions of agreement, no extra payment for change in lead was permissible, under any circumstances.

4.2.6 Unfruitful expenditure on an incomplete Sewage Treatment Plant (STP)

Tardiness in commencement of a STP followed by selection of unsuitable sites for its construction has led to the project remaining unfinished even after 10 years of its approval and resulting in the continuing pollution of the Godavari river besides unfruitful expenditure of Rs 74.93 lakh.

The Government of India sanctioned (August 1995) "Godavari River Pollution Abatement Scheme" for Rs 12.13 crore under National River Conservation Programme. The Government accorded (September 1995) administrative approval for the scheme and the Chief Engineer, Public Health Engineering Department (PHED) accorded (October 1995) technical sanction for the same amount.

During the audit (July 2006) of Public Health Circle, Hanumakonda it was observed that after a delay of about five years, in April 2001, a Sewage Treatment Plant (STP) with a capacity of 14 million litres per day, was proposed for construction at Ramagundam as the sewage from the town was polluting the river Godavari. PHED identified (April 2001) a site in Sundilla village for construction of the STP. Two of the main components under the scheme, Interception and Diversion (I&D) works and laying of pumping mains were completed between March 2002 and January 2003 at a cost of Rs 60.00 lakh. The required land for construction of STP was acquired in June 2003. The construction of STP was entrusted (October 2003) to a contracting firm for Rs 65.28 lakh with a stipulation to complete the work by March 2004. While the work was in progress, M/s Singareni Collieries Company Limited (SCCL) objected (February 2004) for taking up the work without obtaining their consent as the said area fell within the active mining area of SCCL. By

that time the contracting firm had executed a part of the work valued Rs 14.93 lakh and the payment was made in March 2004. The Director of Mines Safety, Hyderabad also opined (October 2004) that the proposed site location was not fully stabilised and hence there was an imminent danger to the civil structures of the proposed STP getting damaged due to the ground movements.

Accordingly, the work at the site was abandoned and an alternate site in the same village near Ooracheruvu (an irrigation tank) was identified (October 2005) by conducting a joint inspection by the Revenue, PHED and SCCL authorities for the construction of STP and the same was handed over (October 2005) to PHED by Revenue authorities. However, fearing that the construction of STP at the new site would stop the collection of drain water at Ooracheruvu, which might ultimately deprive them of the usage of the water for cultivation, the Water Users Association of Ooracheruvu filed a Writ Petition in the High Court of Andhra Pradesh objecting the construction of STP at the alternate site. The work has yet to re-commence as the matter is pending since April 2006 with the District Collector.

Thus, due to tardiness in commencement of the STP project followed by the selection of unsuitable sites for its construction, the very objective of preventing the pollution of Godavari river by the sewage of Ramagundam town was not achieved even after more than 10 years of its proposal. This has also resulted in unfruitful expenditure of Rs 60 lakh and a wasteful expenditure of Rs 14.93 lakh.

On being pointed out, the Engineer-in-Chief, PHED contended (January 2007) that the delay cannot be attributed to the department and that the components executed would be made use of. The reply is not acceptable as the work has yet to re-commence and the I&D works and pumping mains already laid have been lying unused for about five years. Meanwhile the pollution of the river continues unabated.

The matter was reported to Government in April 2007; reply had not been received (August 2007).

PANCHAYATI RAJ AND RURAL DEVELOPMENT DEPARTMENT

4.2.7 Unfruitful expenditure on a protected water supply scheme

Improper planning in the implementation of a Comprehensive Protected Water Supply scheme by the Executive Engineer, RWS, Nellore, resulted in failure to provide protected water to the targeted habitations besides unfruitful expenditure of Rs 8 crore.

Government sanctioned (March 2003) a comprehensive protected water supply scheme under Pradhana Mantri Gramodaya Yojana (PMGY) to provide water to 85 habitations in Nellore District. The work is to be carried out by the Executive Engineer, Rural Water Supply, Nellore (EE) in three phases.

Government initially sanctioned Phase I of the scheme in March 2003 to cover 13 habitations (estimated cost: Rs 4 crore). Phase II of the scheme was sanctioned in March 2005 to cover 47 habitations (estimated cost: Rs 5 crore). Proposal for Phase III of the scheme to cover remaining 25 habitations submitted in September 2006 (estimated cost: Rs 5 crore) was awaiting the Government's approval (July 2007).

It was observed (February 2007) that though the work under Phase I was completed (expenditure: Rs 4 crore) way back in April 2005, the scheme had not been commissioned mainly due to the delay in the acquisition of land for construction of approach road to the intake well required for carrying heavy vertical turbine pump sets. Finally, the physical possession of the land was taken over by the RWS division pending alienation of land and the approach road was laid in May 2006. The pump sets were erected only in July 2006. Under Phase II also, even after completion (October 2006) of the works (expenditure: Rs 3.99 crore) the commissioning of the scheme was held up for want of power till February 2007. As of July 2007 both the phases had not been commissioned to cover the targeted habitations even after four years of sanction of the scheme and water was released only to seven out of 60 habitations in the two phases. Government attributed (August 2007) the delay in commissioning of the scheme to the delay in release of high tension (HT) load for energisation.

Thus, due to improper planning by the EE, and lack of coordination firstly with the Revenue authorities and APTRANSCO authorities, the social objective of supplying protected drinking water to the specified habitations remains unachieved after incurring an expenditure of Rs 8 crore so far.

4.2.8 Delay in completion of check dams

The Executive Engineer, PR, Gudur, failed to complete the check dams even after five to seven years, after incurring an expenditure of Rs 3.86 crore resulting in non-creation of envisaged irrigation potential besides denial of the provision of drinking water facility to the people of 15 villages.

Government sanctioned (November 1998) construction of four check dams across the creeks of Pulicat lake (Nellore District) for creation of fresh water reservoir at an estimated cost of Rs 2.80 crore. This was to irrigate 7280 acres of ayacut lands and provide drinking water to 15 villages in Chittamur and D.V. Satram mandals by recharging ground water sources. The estimated cost was revised to Rs 5.24 crore in April 2002 with some additional provisions and deviations. The works were entrusted to Ayacutdar² Committees in October 1999 (two works), July 2001 (one work) and October 2002 (one work) with a stipulation to complete the works in all respects by July 2002 (three dams) and October 2003 (one dam). This was extended from time to time, the latest being June 2006.

² Land holder to be benefited under the Project

It was, however, observed (March 2006) from the records of the Executive Engineer, Panchayat Raj, Gudur (EE) that none of the check dams had been completed even after a lapse of about five to seven years since their entrustment. The works were stopped after incurring an expenditure of Rs 3.86 crore on the four check dams. The percentage of work completed was between 62 and 83 as shown in the table below:

Sl. No	Check dam across the creek at	Estimated cost	Expenditure	Due for completion	Percentage of work completed	Work stopped from
		(Rs in crore)				
1	Buradagali Kothapalem	1.69	1.87	July 2002	83	November 2001
2	Karikadu	0.68	0.46	July 2002	62	March 2006
3	Velukadu	0.60	0.37	July 2002	80	December 2002
4	Meezur	1.88	1.16	October 2003	71	December 2003
Total		4.85³	3.86			

The EE stated (January 2007) that the works were stopped mainly due to lack of funds, and attributed (April 2007) the inordinate delay in completion of the check dams, to cyclones and heavy rains and entrustment of works to ayacudars without any professional skill and experience in execution of such works. As of March 2007, water was made available for irrigation to the extent of only 4460 acres as against the 7280 acres targeted. The proposals submitted (March 2007) by the District Collector, Nellore for sanction of Rs 1.66 crore (as per SSR 2006-07) to complete the incomplete works were still awaiting Government's approval as of July 2007.

Thus, the failure of EE to complete the check dams even after five to seven years and after incurring an expenditure of Rs 3.86 crore, has resulted in the objective of creating irrigation potential as envisaged not being achieved besides denial of the benefit of drinking water facility to the people of 15 villages.

The matter was reported to Government in February 2007; their reply had not been received (August 2007).

4.2.9 Avoidable extra expenditure and unproductive expenditure on Special Coir Project

Non-observance of codal provisions while procuring motorised ratts for distribution to swarozgaris by the DRDA, East Godavari led to extra expenditure of Rs 1.02 crore in the purchase of 8730 ratts. Of these Rs 2.14 crore incurred on 2324 motorized ratts remains unproductive.

Government of India approved (March 2000) a scheme 'Production of 2-ply yarn on motorised ratts⁴ under Special Coir Project to bring 8400 women swarozgaris in East Godavari District above the poverty line at an estimated cost of Rs 18.85 crore⁵ under Swarna Jayanthi Gram Swarozgar Yojana (SGSY). District Rural Development Agency (DRDA) was to implement the

³ The estimated cost of Rs 5.24 crore for all the four check dams includes other Provisions/charges amounting to Rs 0.39 crore

⁴ Machines used for production of 2-Ply coir yarn from coir fibre

⁵ Unit Cost @ Rs 2 lakh each for 840 groups: Rs 16.80 crore plus Training @ Rs 5.86 lakh each for 35 centres: Rs 2.05 crore

project by providing training for skill up-gradation and bank linkages for asset creation to the beneficiaries.

DRDA invited tenders from engineering workshops/fabricators for short listing the firms for supply of 8000 motorised ratts for providing to the swarozgaris. In response, 22 firms submitted their tenders. District Collector, East Godavari negotiated (May 2000) with the 15 firms short listed and placed orders. In all, DRDA procured (May 2000 - October 2003) 8730 motorised ratts (from 13 firms) at a total cost of Rs 8.02 crore.

It was however, observed that DRDA had disregarded the Codal provisions and the principles of financial propriety while procuring the machines as (i) agreements were not entered into with the firms before execution, though stipulated in the tender conditions and repeated orders were placed on the same firms at the same rates during the entire period of May 2000 to October 2003, (ii) the machines were procured at a rate in excess of the rate quoted by L1, who was also one of the suppliers, (iii) machines were procured from L2 at a rate higher than the rate quoted by him even for the first consignment, (iv) enhanced the agreed rate to the L1 and L3 from the second consignment onwards, and (v) machines were procured from a firm that had not even participated in the tendering process. However, no reasons for the aforementioned deviations from the Codal provisions were recorded. The firm-wise details are given in *Appendix 4.1*. Thus, adoption of higher rate than the lowest rate (Rs 8019) quoted by a qualified supplier firm, and enhancement of the agreed rate for subsequent consignments contrary to financial rules resulted in avoidable extra expenditure of Rs 1.02 crore⁶. The Project Director, DRDA, replied that purchases were made as per the orders of the District Collector.

It was further observed that out of 8730 motorised ratts distributed to the beneficiaries, 2324 ratts had not been in use from 2003-04 as they became defunct due to the inability of beneficiaries to pay power consumption charges. The Project Director submitted (November 2006) proposals to Government for closure of the project as decided by the GOI.

Thus, due to poor monitoring of the implementation of the scheme by the Project Director, the expenditure of Rs 2.14 crore incurred on 2324 ratts had been wasteful and the project aimed at bringing women swarozgaris in East Godavari District above the poverty line, a failure.

The matter was reported to the Government in April 2007; their reply had not been received (August 2007).

4.2.10 Payment of inflated rates in implementation of 'Computer in Education Project'

Project Director, DRDA, Warangal showed undue favour to three firms and paid inflated rates in implementation of 'Computer in Education Project', resulting in loss/extra burden of Rs 1.97 crore.

District Rural Development Agency (DRDA), Warangal implemented 'Computer in Education Project' in Warangal District under Member of

⁶ Rs 8.02 crore minus Rs 8019X8730 ratts (Rs 7 crore)

Parliament Local Area Development Scheme (MPLADS) during 2000-01 to 2002-03 at a total cost of Rs 5.55 crore. The objective of the project was to promote computer awareness amongst students of public educational institutions.

It was observed (December 2006) that, District Collector, Warangal, in violation of the guidelines of GOI, awarded the works to three firms at their quoted rates recommended by the Members of Parliament, without calling for tenders, thereby foregoing the benefit of competitive rates. DRDA initially awarded (April/June 2000) the work to firm⁷ 'A' for implementation of the project in two Junior Colleges and a High School at Rs 9.67 lakh each, even without ascertaining the prevailing market-rates by consulting the AP Technological Services (APTS), a State PSU, which undertakes such procurement. APTS communicated (June 2000) to all the District Collectors the rates for hardware and software items only. At these rates, the project cost would be Rs 6.59 lakh per institution. Later, DRDA awarded (August 2000 to December 2002) the works for 54 more institutions⁸ again, without calling for tenders to the firm 'A' (30 institutions) and two other firms⁹ 'B' and 'C' (24 institutions) as recommended by the Members of Parliament at the identical rates of Rs 9.74 lakh per institution. It was however, observed that while the firms 'A', 'B' and 'C' had quoted the rates for hardware and software as communicated by APTS, for other items not covered in APTS communication, they quoted higher rates than those quoted by firm 'A' for the first three institutions. As against the expected reduced cost of Rs 6.59 lakh, it increased the project cost per institution to Rs 9.74 lakh without change in the scope of execution/supplies by the firms as shown below:

Item	Rates quoted by Firm 'A' for the first three institutions (Rs)	Rates quoted by Firms 'A', 'B' & 'C' for the other 54 institutions (Rs)	Excess (Rs)	Quantity	Amount (Rs)
UPS	25000	26000	1000	1	1000
1.5 ton AC	25000	29250	4250	1	4250
Electrification	7885	10885	3000	-	3000
Interior Decoration	75000	85000	10000	-	10000
Study Material	450 (92700/206)	548 (167688/306)	98	306	29988
Faculty/Training Programme	340 (70000/206)	900 (275400/306)	560	306	171360
Provisions for 12 months	33000	49000	16000	--	16000
Total excess in the project cost per one institution:					235598

Note: Especially, for the item 'UPS', the firm 'A' initially quoted Rs 25000 for the three institutions. However, while quoting rates for the 54 institutions later, the higher rate Rs 26000 as communicated by APTS was adopted by all the three firms 'A', 'B' and 'C' to their advantage.

The undue favour to the three firms for execution of the project in the 54 institutions resulted in loss/extra burden to the extent of Rs 1.27 crore.

Under the project, the executing firms were also required to impart training to six teachers and 200/300 students for a period of one year. The information made available by 47 out of 57 institutions disclosed that the firms had not

⁷ BIT'S Information & Software Technology, Hyderabad

⁸ High Schools, Junior/Degree/Post Graduate Colleges, District Institute of Educational Training

⁹ Raman's Info & Software Technology, Hyderabad and Karthik Infotech, Hyderabad

conducted any training programme so far in 16 institutions and partly conducted in four institutions. However, the Project Director, DRDA, made full payments including the training component involving Rs 49.57 lakh to the firms without ensuring the fact of commencement/completion of the training programme. Further, the firms had not supplied/short supplied the course material (value: Rs 10.81 lakh) to 10 institutions, licensed software CDs (value: Rs 8.82 lakh) to 30 institutions and not executed interior decoration work (value: Rs 0.96 lakh) in one institution. Thus, the Project Director, DRDA had made excess payments to the extent of Rs 70 lakh to the firms.

It is thus clear that the inflated rates were allowed to benefit the firms to the extent of Rs 1.97 crore.

The Project Director, DRDA while admitting the lapse pointed out by Audit, promised (December 2006) to take action either to recover the amounts or to demand the required services from the firms. However, Government need to investigate the whole issue to reveal the circumstances that led to the acceptance of the inflated rates as well as excess payments if any, in all the districts. The matter was reported to Government in May 2007; their reply had not been received (August 2007).

TRANSPORT, ROADS AND BUILDINGS DEPARTMENT (Roads Wing)

4.2.11 Unfruitful outlay on an incomplete bridge

Lack of proper supervision in the initial stages and acceptance of defective work resulted in unfruitful expenditure of Rs 3.56 crore on a bridge remaining incomplete besides non-recovery of Rs 83.12 lakh from a contractor.

The work "Construction of bridge across Yanamadurru drain" was entrusted (December 2001) to contractor 'A' for an agreement value of Rs 4.75 crore at a tender premium of 13.69 *per cent* for completion in 18 months i.e., by June 2003. After executing 67 *per cent* of the work to a tune of Rs 3.20 crore, 'A' stopped the work from May 2003. During execution, the Executive Engineer, Quality Control, Roads and Buildings, Vijayawada observed (February 2003) that the tilts and shifts in the wells for P2 and P3 piers were beyond permissible limits. The cost of these two piers was assessed at Rs 24.65 lakh. Similarly, the Engineer-in-Chief (Roads & Buildings), Administration and NABARD (ENC) observed (December 2004) that the spanning arrangement between P1, P2 and P3 piers was erroneous and that suitable remedial measures should have been taken at the initial stages of well sinking. As the contractor 'A' did not resume the work, the Executive Engineer, Roads and Buildings Division, Bhimavaram (EE), instead of getting them rectified, withdrew (January 2004) a portion of the bridge work valuing Rs 95.46 lakh, under clause 60 (c) of PS to APSS and entrusted (August 2004) at original agreement rates to contractor 'B' with stipulation to complete in six months. As the contractor 'A' had not resumed even the remaining work, the EE again withdrew (December 2004) some other portion of work i.e., forming

approaches to the main bridge and other sub-works valuing Rs 43.12 lakh and entrusted (February 2005) to another contractor 'C' with a stipulation to complete in four months. Both the contractors 'B' and 'C' also, after executing works valuing Rs 29.17 lakh and Rs 6.53 lakh respectively, stopped their works. Extensions of time were granted (September 2005) by the ENC up to February 2006 (for contractors 'A' and 'B') and December 2005 (for contractor 'C') duly imposing liquidated damages of Rs 47.46 lakh on contractor 'A'. However, all the three contracts were ultimately determined (November 2005) by the EE under clause 60 (a) of PS to APSS at the risk and cost of the contractors for lack of progress.

As it was found that the rectification of wells for P2 and P3 piers was not possible, a Professor in Oceanography, IIT, Chennai was invited (March 2006) for giving necessary guidance and alternative designs were obtained (May 2006) from reputed firms. Based on the Professor's recommendations and alternative designs, a revised estimate for Rs 7.52 crore providing pile foundation for three piers in between P1 & P4 duly discarding the P2 & P3 wells was submitted (April 2007) to the Government for approval and the same was awaited as of August 2007. Further, an amount of Rs 11.01 lakh paid to the contractor 'A' towards cost of materials which were not used on the work and found missing from the worksite, was not recovered from him. The ENC stated (June 2007) that the District Collector, West Godavari district had been addressed for recovery of the amounts under RR Act.

Thus, lack of proper supervision in the initial stages, acceptance of defective work and release of payments in full resulted in the bridge remaining incomplete even after four years of its scheduled date of completion, rendering the entire expenditure of Rs 3.56 crore unfruitful, besides non-recovery of Rs 83.12 lakh from the original contractor.

The matter was reported to Government (December 2006); their reply had not been received (August 2007).

4.3 Violation of contractual obligations, undue favour to contractors and avoidable expenditure

IRRIGATION & COMMAND AREA DEVELOPMENT AND TRANSPORT, ROADS AND BUILDINGS DEPARTMENTS (Irrigation, Roads and Buildings Wings)

4.3.1 Unintended benefit to contractors

Inclusion of a clause in agreements, that cess as specified in Building and Other Construction Workers' Welfare Cess Act, 1996 is required to be paid by contractors when the Act is not implemented in the State, has resulted in unintended benefit of Rs 131.19 crore to the contractors in the 467 agreements test-checked in audit.

Two comprehensive Central Acts, viz., (i) Building and Other Construction Workers' (Regulation of Employment and Conditions of service) Act, 1996 (Act-1) and (ii) Building and Other Construction Workers' Welfare Cess Act,

1996 (Act-2) were passed (August 1996) in the Parliament in order to regulate the building and other construction workers' safety, health, welfare and other conditions of service. Every State Government is required to appoint/constitute, by notification, a Building and Other Construction Workers' Welfare Board (Board) to provide and monitor Social Security Schemes and Welfare measures for the benefit of building and other construction workers registered with it under this Act. The Government would deduct the cess at the notified rates from the bills paid for building or other construction works, and the proceeds deposited with the Board. Government of Andhra Pradesh has yet to enforce the Central Acts or to appoint a Board in the State.

It was however, seen in audit that in pursuance of the above Acts and Rules, a clause to the effect that all such establishments are required to pay cess at the rates not exceeding two *per cent* of the cost of construction as may be modified by the Government is being incorporated in the agreements concluded after 2003-04 in respect of building or other construction works. Information was collected from all the 33 Pay and Accounts Offices/Assistant Pay and Accounts Offices regarding payments made to the contractors up to March 2007 in respect of the agreements concluded during the period 2004-07. Audit test-checked all agreements with contractors valuing rupees two crore and above under Engineering, Procurement and Construction system and more than rupees one crore in respect of other works. It was noticed that the clause for recovery of the cess had been incorporated in all 467 agreements checked.

Thus, by incorporating a clause when the Act had not been enforced in the State there was no intention of collecting the same from the contractors. At two *per cent* on the total value of work done and paid which was Rs 6559.29 crore, up to March 2007, the amount of cess that would have accrued amounts to Rs 131.19 crore. Thus the contractors would have reaped huge benefits as they would have factored in the clause in the contract about the cess and loaded their rates accordingly.

The matter was reported to Government in July 2007; their reply had not been received (August 2007).

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Irrigation Wing)

4.3.2 Loss of interest due to undue financial assistance to a contractor

Payment of secured advance by the SE&PA in vitiation of the original tender/agreement resulted in undue financial assistance of Rs 4.09 crore to the contractor and loss of annual interest of Rs 27.54 lakh.

Superintending Engineer and Project Administrator, Nizam Sagar Lift Irrigation Circle, Nizamabad (SE&PA) entrusted (November 2005) the work "Construction of Lift Irrigation Scheme (LIS) at Shetpally tank under Choutpally Hanmantha Reddy LIS", to a contractor for Rs 50.65 crore under Engineering, Procurement and Construction, turn key system. The terms and conditions of bid document

as well as the agreement categorically stipulated that no secured advance against any placement and purchase of construction materials/manufactured materials/brought out items, shall be made.

Audit however, noticed (January 2007) that the SE&PA based on a separate request made by the contractor, had made (December 2005) amendment to the original conditions of the agreement, and allowed the contractor 70 *per cent* of the cost of the quoted rate of pipes as advance, for the transportation and placement of the material along the water conductor system. Accordingly, an amount of Rs 4.09 crore was paid (April 2006 to July 2006) to the contractor as advance.

The reply (July 2007) of the Government that the payment was not an advance but a part payment for the portion of work done and measured was not tenable, as the payment made was not on the finished item of work executed and measured but was merely an advance payment against delivery of pipes.

Thus, acceding to the request of the contractor after conclusion of the agreement, has not only resulted in undue financial assistance of Rs 4.09 crore to the contracting firm, but also loss of annual interest of Rs 27.54 lakh to Government, at the borrowing rate of 9.50 *per cent*.

4.3.3 Undue benefit to contractor

Reduction of tender discount from 33.03 *per cent* to five *per cent* led to undue benefit of Rs 2.58 crore to the contractor.

The work “Formation of a new tank across Lingalavagu near Tekulapalli (V)” was administratively approved (February 2002) for Rs 8.12 crore and the technical sanction was accorded (March 2002) for Rs 7.78 crore. The work was awarded to a contractor and agreement concluded (May 2003) for Rs 3.56 crore at a discount of 33.03 *per cent* on the value of Rs 5.31 crore put to tender (SSR¹⁰ 2001-02) with a stipulation that the work be completed within 18 months i.e., by November 2004.

Progress of the work was hampered due to land acquisition problems, raising of crops by farmers in the work site and rains. The value of work executed to the end of agreement period was only Rs 65.70 lakh. Extension of time was granted (November 2004) to the contractor by the Superintending Engineer, Medium Irrigation Project Circle, Bellampalli (SE) up to 31 July 2005 for completion of work. During execution, the work underwent certain deviations. As a result, the cost of the work was increased to Rs 11.88 crore as per revised estimates. At this stage, the contractor represented for payment of SSR 2004-05 without deducting tender discount for the items of work executed after 1 November 2004 on the grounds of delay caused due to land acquisition, designs and change in scope of work, which were not attributable to him.

¹⁰ Standard Schedule of Rates

The Government accorded revised administrative approval (April 2005) for Rs 11.88 crore duly allowing the payment of SSR 2004-05 with five *per cent* discount in respect of balance work executed after 1 November 2004, instead of the originally quoted tender discount of 33.03 *per cent*. The usual practice, in case of delay attributable to the department, is to allow the latest SSRs without effecting the originally quoted premium or discount as the case may be.

In reply (March 2007) the Government stated that the decision was taken keeping in view the trend of tenders and steep hike in material cost prevailing during that period. Allowing the payment of SSR 2004-05 to the contractor may be justifiable, but the reduction of tender discount from 33.03 *per cent* to five *per cent* was against the usual practice. This resulted in undue benefit of Rs 2.58 crore to the contractor.

4.3.4 Avoidable extra payment to contractor

Inclusion of an unwarranted clause in the agreement in contravention of APSS resulted in avoidable extra payment of Rs 33.32 lakh to contractor.

The Chief Engineer, Medium Irrigation (CE) accorded (November 2003) technical sanction for the work “Construction of non-overflow dam from Ch. (-) 167.05 M to Ch. (-) 13.10 M including formation of earth dam etc. of Janjhavathi Reservoir Project, Vizianagaram District” for Rs 13.08 crore. Superintending Engineer, Irrigation Circle, Bobbili (SE) concluded (February 2004) an agreement with the lowest and successful tenderer for Rs 8.95 crore at a discount of 29.70 *per cent* on the estimated contract value of Rs 12.73 crore.

As per the provisions contained in clause 63(b) of APSS which formed part of the agreement, payment for excess quantity of cement should be made only after applying the tender discount duly treating the item of work requiring more cement as deducible item.

However, on a scrutiny (March 2006) of the records of the Executive Engineer, Janjhavati Reservoir Project, Parvathipuram it was noticed that the agreement for the work in question included a clause to the effect that the excess or less usage of cement due to changes in mix proportion as per design mix that would be evolved in laboratory would be paid or recovered from the contractor at Rs 2424 per MT (a rate adopted in the estimate for cement). Accordingly for the excess quantity of 4628 MT of cement used in the work over and above the originally contemplated quantity, the contractor was paid Rs 1.12 crore @ Rs 2424 per MT without however, applying the tender discount. This resulted in avoidable extra payment of Rs 33.32 lakh.

In reply Government stated (March 2007) that the relevant clause of APSS was not applicable for the present work as it was entrusted under lump sum contract. The reply is not acceptable as the Department regulated the payments for additional quantities of other items of the same work duly deducting the tender discount.

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

4.3.5 Avoidable payment of surcharge on power bills

Imprudent action of the SE/EE in limiting the payment of power bills to category VI rates, despite the APSEB turning down their request, led to avoidable payment of Rs 6.24 crore on surcharge for belated payments.

Executive Engineer, Camps and Buildings Division, Neelam Sanjeeva Reddy Sagar Project, Srisailam (EE) concluded (November 1994) an agreement with Andhra Pradesh State Electricity Board (APSEB - converted as APTRANSCO) for power supply to Right Flank Colony (colony) including water supply feeder under High Tension Category VI. upto March 1998, the monthly power bills were raised and paid at tariff rates for Category VI consumers.

The service connection was recategorised in April 1998 by the APSEB as Category II with higher tariff, retrospectively from November 1994, on the grounds that there were some commercial establishments¹¹ existing in the colony. A revised demand was raised (April 1998) for Rs 4.33 crore towards the difference in consumption charges for the period from November 1994 to March 1998 which was later waived by the APSEB at the request of the department. The subsequent monthly bills from April 1998 onwards were, however, raised under Category II. The department requested (April 1998) the APSEB to raise the bills under Category VI since the commercial establishments had existed even at the time of concluding the agreement. The Member Secretary, APSEB turned down (September 1998) the request of the department and while advising that the bills as raised under Category II be paid, promised that the matter regarding change to category VI would be re-examined. However, the EE, under instructions from the Superintending Engineer, Dam Maintenance Circle, paid the bills for the months April 1998 to November 2000 duly restricting the amounts as per tariff under Category VI. The connection was re-categorized (December 2000) with prospective effect, as Category VI after de-linking the water supply feeder.

Meanwhile, the differential amount of power consumption charges for the period from April 1998 to December 2000 had accumulated to an amount of Rs 6.50 crore on which a surcharge of Rs 6.24 crore for belated payments had also been levied. It was noticed in audit (December 2005) that the EE had paid this amount between March 2003 and February 2004 in installments. Thus, the imprudent action of the SE/EE in limiting the payment of power bills to category VI rates, despite the APSEB clearly turning down their request, led to avoidable payment of Rs 6.24 crore on surcharge for belated payments.

¹¹ Cinema halls, Flour mills, Ice factories, ITI workshops, shopping complexes, etc.

Government replied (March 2007) that there was no failure on the part of the Project authorities in not admitting the bills as raised by the APCPDCL as they have acted as per the agreement. The reply is not sustainable as the department's decision was finally proved incorrect and they paid not only the consumption charges at higher rates but also the surcharge.

4.3.6 Avoidable expenditure due to non-installation of capacitors

Failure of the EE in installing necessary capacitors costing Rs 47.06 lakh has resulted in payment of avoidable surcharge of Rs 1.69 crore on electricity consumed.

Nagarjuna Sagar canals division, Miryalaguda (division) maintains 40 Lift Irrigation (LI) schemes which supply water to 79285 acres of ayacut under Nagarjuna Sagar left canals. The power bills of these LI schemes are being paid by the division as it is the policy of Government to provide free power to the farmers. As per the Tariff Order (2004-05) of Andhra Pradesh Electricity Regulatory Commission, the consumer is required to pay surcharge at prescribed percentages, if the power factor¹², in any month, falls below 0.90. The consumer could, however, install capacitors of notified rating to bring the power factor to the required standard.

Scrutiny in audit of records of the division (November 2005) showed that the power factor in most of the LI schemes was far less than the required level of 0.90. Consequently, surcharge for low power factor, amounting to Rs 58.30 lakh, had been paid for the months from January 2005 to September 2005. The remedial measure of installing capacitors, the estimated cost of which was only Rs 47.06 lakh, was not taken by the division to bring the power factor to the required level. It was only after October 2005, when the omission was brought to notice by audit, the Department took action and replied (November 2005) that capacitors would be fixed. However, capacitors for only 20 LI schemes as against 40 had been installed to the end of January 2007. As a result, the division continued to pay surcharge which amounted to Rs 1.11 crore for the period October 2005 to October 2006. As the capacitors have not been installed in all the LI schemes, the liability of paying surcharge still continues.

The failure of the Executive Engineer (EE) in installing the required capacitors has resulted in avoidable expenditure of Rs 1.69 crore till October 2006.

Government while accepting the audit observation stated (March 2007) that the capacitors were installed for 20 LI schemes and the remaining 20 LI schemes would be provided with capacitors by July 2007. However, there was no progress in fixing the capacitors for balance LI schemes as of August 2007.

¹² The power factor for the month shall be the ratio of Kilo - Watt hours to the Kilo - Volt Ampere hours supplied to the consumer during the month

**MUNICIPAL ADMINISTRATION AND URBAN
DEVELOPMENT DEPARTMENT
(Visakhapatnam Urban Development Authority)**

4.3.7 Loss of revenue due to adoption of incorrect rates for sale of plots

Adoption of incorrect rates for sale of plots/plot-cum-houses resulted in loss of revenue of Rs 1.18 crore to Visakhapatnam Urban Development Authority.

Visakhapatnam Urban Development Authority (VUDA) develops and sells plots and plot-cum-houses under the urban agglomeration of Visakhapatnam city. Government orders require that all 'High Income Group' (HIG) category applicants are sold HIG plots at 20 per cent over and above the rate fixed for Middle Income Group (MIG). This would apply even if lower category (MIG) plots are allotted to the HIG category.

Scrutiny (March 2006) of the transactions relating to sale of plots and plot-cum-houses by the VUDA under Phases V, Phase V extension, Phase VI, and Phase VII at Kurmannapalem disclosed that VUDA failed to apply 20 per cent extra over the MIG rate while allotting the plots.

For fixing the sale price of the plot-cum-houses in Phase V extension and Phase VII, VUDA had decided (March 2003) to adopt the prevailing market price (January 2002-August 2003). However, instead of Rs 625 per square yard which was the then prevailing market price as per the records of the Registration Department, VUDA adopted Rs 550 (Phase V extension) and Rs 600 (Phase VII) for both MIG and HIG categories without ascertaining the rates from the Registration Department. Moreover, the plots continued to be allotted at the same rate of Rs 550/Rs 600 without revision, despite the increase¹³ in market rate from time to time. Thus, in Phase V extension and Phase VII, VUDA suffered loss of revenue in the sale of both MIG and HIG plots, as indicated in the table below.

Phase	Type of plot	Number of plots/ plots-cum-houses	Rate fixed (Rs)	Rate required to be fixed (Rs)	Short realisation (Rs in lakh)
Phase V	HIG	88	425	488	17.12
	MIG ⁵	12	425	488	1.49
Phase VI	HIG	47	790/1107/1191	858/1202	9.07
Phase V Extension	MIG	28	550	625/781	7.05
	HIG	8	550	750/937	6.32
Phase VII	MIG	81	600	625/781	4.87
	HIG	94	600	750/937/ 2664	71.99
Total		358			117.91

⁵Allotted to applicants of HIG Category

Overall, due to application of incorrect rates in fixing the sale price of 147 plots and 211 plots-cum-houses, VUDA sustained loss of revenue of at least Rs 1.18 crore.

¹³ Rs 781 during September 2003 - August 2004, Rs 860 during September 2004 - June 2005, Rs 1850 during July 2005 - July 2006 and Rs 2250 from August 2006 onwards

While accepting the audit points, the Vice-Chairman, VUDA (VC) assured (May 2007) that for all future projects/schemes the rates would be fixed in accordance with the orders of Government and the Government endorsed (August 2007) the reply of VC.

Thus, adoption of incorrect rates for sale of plots/plots-cum-houses resulted in loss of revenue of Rs 1.18 crore to VUDA.

TRANSPORT, ROADS AND BUILDINGS DEPARTMENT (Roads & Buildings Wing)

4.3.8 Doubtful viability of roadwork and avoidable extra expenditure

Execution of chip sealing work contrary to the MORTH specifications resulted in execution of work of doubtful viability at a cost of Rs 2.82 crore and avoidable expenditure of Rs 26.70 lakh.

The work 'Providing chip sealing (crack prevention course) on Bituminous Surface for Narketpally - Addanki road from Km 0/0 to 213/0 in Nalgonda district' was administratively sanctioned (July 2004) for Rs 2.00 crore for execution with financial assistance of World Bank under Andhra Pradesh Economic Reconstruction Project (APERP). Managing Director (MD), Andhra Pradesh Road Development Corporation (APRDC), Hyderabad accorded (September 2004) technical sanction to the work for the same amount. The work was entrusted (December 2004) to a contractor for Rs 2.22 crore with a stipulation to complete the work in nine months.

The main component of the work under the agreement was 'providing and laying of stress absorbing membrane of two coats over a cracked road surface using Crumb Rubber Modified Bitumen (CRMB) 60 grade' complying to clause 522 of Ministry of Road Transport and Highways, Government of India (MORTH) specifications. After concluding the agreement, the contractor requested the MD, APRDC to change the specification from CRMB to regular Bitumen as he was facing practical difficulties while using the CRMB. The MD, APRDC permitted (July 2005) the contractor to proceed with the work changing the bitumen from CRMB-60 grade to 80/100 grade. Accordingly, the contractor completed the work within the extended contract period, i.e. by 30 March 2006 and an amount of Rs 2.82 crore was paid (July 2006) to the contractor.

Audit scrutiny revealed that the MORTH specifications (clause 522.2.1), had categorically specified that the binder to be used in the work shall be a modified binder complying with the requirements of clause 521. Therefore, the action of the MD, APRDC in changing the specification and substituting the binder from CRMB 60 to 80/100 grade bitumen contrary to the express specification of MORTH and not specified in clause 521, had resulted in the work executed at a cost of Rs 2.82 crore being of doubtful viability.

The department did not pay attention to the practical difficulties involved in execution of chip ceiling work, which was stated to be first of its kind in the

State, either at the time of according technical sanction or even after concluding the agreement. It was only after the contractor had brought the practical difficulties to the notice of the department, the specification of this item of work was changed in the month of July 2005. By that time the monsoon had arrived, necessitating granting of extension of time to the contractor. As a result the work, which was originally stipulated to be completed by September 2005, was actually completed in March 2006.

Government in July 2006 issued orders for payment of price escalation on materials used in World Bank aided APERP works also, where the final bills were not paid as on 31 March 2006. Accordingly, an amount of Rs 26.70 lakh was paid to the contractor in the instant work. Thus, poor planning by the department in assessing the practicability or otherwise in execution of work with a new specification had led to delay in completion of the work and consequential payment of price escalation of Rs 26.70 lakh, which could have been avoided, had the work been completed within original agreement period.

The matter was reported to Government (May 2007); their reply had not been received (August 2007).

YOUTH ADVANCEMENT, TOURISM AND CULTURE DEPARTMENT

(Sports Authority of Andhra Pradesh)

4.3.9 Undue favour to a firm in Games Village Project

Government/Sports Authority of Andhra Pradesh (SAAP)/AP Industrial Infrastructure Corporation Ltd. ignored contracted conditions, which resulted in undue favour of Rs 21.60 crore to the Developer.

Government decided (March 2000) to develop a Games Village at Kancha Gachibowli, Hyderabad for hosting 32nd National Games which were scheduled to be held in February 2002. An agreement was entered into (February 2001) between Sports Authority of Andhra Pradesh (SAAP) (Client), AP Industrial Infrastructure Corporation Ltd. (APIIC) (Implementation Agency) and Hyderabad based firm (Developer) for development of Games Village on 50 acres of land belonging to SAAP. As per the agreement, the Developer was to complete the Games Village through a Special Purpose Vehicle (SPV) with 1000 dwelling units (minimum built up area of 13 lakh sq.ft) with complete infrastructure and hand over to SAAP by February 2002. The Developer was to pay Rs 14.50 crore¹⁴ towards land cost at the rate of Rs 29 lakh per acre. Penal interest at the rate of 18 *per cent* per annum was payable for belated payments. The agreement also provided for levy of penalty at Rs 10 lakh per week for delay in each milestone in project implementation. Further, the developer, through the SPV, was required to pay a sum of Rs 14.50 crore in the shape of fixed deposit (Rs 5.45 crore) and bank guarantee (Rs 9.05 crore)

¹⁴ Rs 10 crore in cash in three instalments (Rs 2.50 crore, Rs 2.50 crore and Rs 5.00 crore by June 2002, June 2003 and June 2004 respectively) and the balance in kind (built up area equivalent to Rs 4.50 crore)

to APIIC towards non-refundable 'Approval Fee' for granting permission to raise finance on the security of the land by deposit of title deeds by SAAP in favour of financial institutions. An incentive award would be paid by SAAP/APIIC to the developer, if he successfully completed the project, by returning the bank guarantee of Rs 9.05 crore and the fixed deposit of Rs 5.45 crore after deducting the dues payable to SAAP/APIIC. The dwelling units would be taken back by the Developer after completion of the National Games.

Audit of accounts of SAAP, disclosed (March 2006) the following significant points:

<p>Penal action not taken for violation of agreement conditions</p>	<p>The conditions of the agreement had not been met by the Developer. The National Games, though rescheduled from February 2002 to December 2002, SAAP had to accommodate the sports persons in dwelling units which had not been completed in all respects. The Developer paid (September 2002) the first instalment of land cost after a delay of 75 days and defaulted in payment of the remaining two instalments till October 2004 when the Government allowed it to pay this amount (including that of Rs 4.50 crore for equivalent built up area in cash) in four instalments. The amount which worked out to Rs 10.20 crore¹⁵ was paid by the Developer only during the period November 2004 - February 2006.</p> <p>Government had agreed (October 2004) to waive the penal interest (amounting to Rs 1.90 crore) in exchange for Developer not asking for compensation on account of the delay caused in conducting the National Games. The contract agreement had provided for payment of compensation in the event of delay in conducting the Games beyond 60 days from the date of completion of 13 lakh sq.ft of dwelling units. As the dwelling units had not been completed by the scheduled date, or even by the rescheduled date of December 2002, there was little justification in the waiver. In fact it was incomplete even as of July 2004.</p> <p>Also, APIIC failed to impose penalty of Rs 10 lakh per week on the Developer for the delays in completion of each milestone of the project.</p>
<p>Improper release of incentive award to the Developer</p>	<p>Though the Developer failed to complete the project as per the milestone specified in the contract, APIIC, without the knowledge of SAAP, hurriedly released the entire incentive award of bank guarantee of Rs 9.05 crore and fixed deposit of Rs 5.45 crore to the Developer even before payment of first instalment.</p>
<p>Benefit of acquiring the property at lesser rate foregone by Government</p>	<p>SAAP/APIIC failed to specify and incorporate in the agreement built up area equivalent to the balance land cost of Rs 4.50 crore. The Developer had offered (June 2004) the built up area at Rs 1160 per sq.ft (including electricity and water). Had this offer been accepted the SAAP would have got an area of 38793 sft of built up area against the prevailing market rate of Rs 2500 per sq.ft. Government decided (October 2004) to accept the balance amount also in cash only resulting in foregoing the benefit of acquiring the property at a rate lesser by Rs 5.20 crore (Rs 2500 per sq.ft minus Rs 1160 per sq.ft X 38793 sq.ft).</p>
<p>Cost of the land not revised though stipulated</p>	<p>Although the Developer had failed to develop the land earmarked for commercial use by June 2006, the cost of the land had not been revised by SAAP/APIIC though stipulated in the agreement.</p>

The Vice-Chairman and Managing Director, SAAP (VC&MD) accepting (May 2007) the audit points, stated that it was the Government's decision in October 2004 to waive the penal interest on delayed payment of land cost and to accept cash in lieu of dwelling units for the balance amount of the land cost. He however, stated that action would be taken to revise the land cost for non-developing the land for commercial purpose.

¹⁵ Out of total land cost of Rs 14.50 crore, Rs 2.50 crore paid towards first instalment and Rs 1.80 crore kept as security deposit adjusted as payment

Thus, overall, the decisions of the Government to waive the penal interest (Rs 1.90 crore), to accept cash payment in lieu of the equitable dwelling units agreed earlier (Rs 5.20 crore), and the unauthorised and hurried release of incentive award (Rs 14.50 crore), resulted in undue benefit to the Developer of Rs 21.60 crore and consequent loss to that extent to SAAP.

The matter was reported to Government in June 2007; their reply had not been received (August 2007).

4.4 Idle investments/idle establishments/blocking of funds/delays in commissioning of equipment; diversion/misutilisation of funds

ANIMAL HUSBANDRY AND FISHERIES AND TRANSPORT, ROADS AND BUILDINGS (Ports) DEPARTMENTS

4.4.1 Deficient planning in construction of Machilipatnam Fishing Harbour

Poor planning by the Departments of Fisheries as well as Ports has resulted in a Fishing Harbour completed at a cost of Rs 4.75 crore still not being effectively used even after four years of completion.

State Government approved (September 1998) the construction of a Fishing Harbour at Machilipatnam with the avowed objective of alleviating the socio-economic conditions of the native fishermen by better exploiting the vast potential of marine fishery resources. The project was undertaken at an estimated cost of Rs 6.40 crore under a Centrally sponsored scheme on 50:50 basis. The scheme envisaged the construction of landing, berthing and outfitting requirements for 350 mechanised fishing vessels (10 and 14 metre long) which would lead to additional fish and crustaceans catches, of Rs 10 crore value, and export of frozen prawns worth Rs 8.94 crore from the fifth year of the project. Besides, it was expected to create employment opportunities for about 900 persons on fishing vessels, on shore and in market establishments. The construction of Fishing Harbour structures was completed only by March 2003 with a time overrun of 17 months at a cost of Rs 4.75 crore¹⁶ and handed over (March 2003) to the Port Officer, Machilipatnam for use and maintenance.

It was however, observed (December 2006) that the owners of mechanized fishing boats continued to operate from a fishing village two km away from the Fishing Harbour as necessary infrastructural and marketing facilities were not available at the port. This had also deterred the prawn and fish purchasing companies from shifting to the vicinity of the new Harbour.

¹⁶ from GOI: Rs 2.35 crore, State Government: Rs 2.40 crore (Civil works: Rs 3.46 crore, Dredging: Rs 0.47 crore ; recurring and non-recurring expenditure: Rs 0.82 crore)

The Machilipatnam Mechanised Fishing Boat Owner's Welfare Association had represented (February 2005) to the Port Commissioner, Kakinada to provide infrastructural facilities like petrol bunk, ice plant, water, canteen, bus facility up to harbour, etc. so that they could shift to the newly constructed fishing harbour. It was only in October 2006 that, the Director of Ports approached the Government to assign 2.5 acres of land adjacent to the harbour to the Fisheries Department for allotment of sites to fishing companies in order to put the harbour in operation. As of July 2007, only 14 plots of 216 Sq. metres each had been allotted to 14 fish traders. The workshop, canteen, gearshed, etc. were not put to use and the ice plant was also yet to be set up.

Thus, poor planning on the part of the Departments of Fisheries as well as Ports has resulted in the Fishing Harbour completed in March 2003 at a cost of Rs 4.75 crore, not being put to effective use even after a lapse of about four years.

The Government accepting (May 2007) the audit point stated that all necessary steps would be taken so as to put the harbour to use in all aspects. The very objective of improving the socio-economic condition of fisher men and creating additional employment opportunities thus remains largely unachieved.

HIGHER EDUCATION DEPARTMENT (Potti Sreeramulu Telugu University)

4.4.2 Unproductive expenditure on construction of buildings

Buildings constructed for a Men's Hostel and Department of Publications of the University remained unutilized since December 2004, rendering the expenditure of Rs 1.34 crore unfruitful besides locking up of Rs 3 crore.

The Hyderabad campus of Potti Sreeramulu Telugu University (University) established in 1985 has been functioning from a temporary accommodation in the city, with its hostel located about four km away from the main building. The Government allotted (November 2003) 100 acres of land (18 km from the existing campus) to the University, for a full-fledged Hyderabad Campus. The University took up (December 2003) the construction of buildings for a Men's Hostel and the Department of Publications at the site, and completed them by December 2004 at an expenditure of Rs 1.34 crore. It was observed by Audit that the buildings had not been put to use as of July 2007 in spite of the fact that the University is facing a problem of acute shortage of accommodation.



Buildings constructed for Department of Publications and Men's Hostel not put to use

There had been little planning before the construction of hostel and publications buildings was taken up and the University did not assess the requirement of funds for constructing necessary infrastructure essential for administrative and academic activities. Government released only Rs 3 crore (2005-06: Rs one crore and 2006-07: Rs two crore) as against Rs 12 crore sought for construction of Administrative Block and Library building. The entire amount was lying unutilised in a nationalised bank.

Government replied (March 2007) that the Men's Hostel and Publications Department would be shifted during the next academic year (2007-08) and the office by January 2008. Audit however, observed that there was no connectivity by road/rail to the proposed new campus from the city and the buildings constructed had no approach roads as could be seen from the above photograph.

Thus, construction of hostel and publications buildings without having a comprehensive plan has led to these buildings remaining unutilised for over two years rendering the whole outlay of Rs 1.34 crore unfruitful besides locking up of Rs 3 crore outside the government account.

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Projects Wing)

4.4.3 Blocking up of funds due to non-completion of a pilot project

Lack of proper planning in execution of a pilot project resulted in its non-completion and consequential blocking up of Rs 5.55 crore for more than two years.

Government decided (January 2004) to provide a lining to the existing unlined Wazeerabad major canal from Km 0/0 to Km 10/0 in Block V of Nagarjuna Sagar Lal Bahadur Canal as a pilot project. The High Density Polyethylene (HDPE) microspike liner manufactured by an Austrian company was selected (October 2004) out of different geomembranes for its advantages of natural flexibility, puncture resistance and immunity towards microbial attacks. The pilot project was administratively approved by the Government and technically sanctioned by the Chief Engineer, Nagarjuna Sagar Project (CE) in February 2005 for Rs 12 crore.

The scope of the work included, inter alia, earthwork for preparation of seating to the lining, fixing HDPE liner and laying cement concrete lining over the HDPE liner. Government placed the supply order (October 2004) on the Austrian company for the HDPE lining material and the machinery for its laying, at a cost of Rs 5.55 crore. In the meanwhile, the Superintending Engineer, Operations and Maintenance Circle (SE) entrusted (June 2005) the lining work (excluding HDPE material and imported machinery) to firm 'H' for Rs 6.07 crore for completion in five months. However, due to delay in finalization of drawings and frequent releases of water in the canal, the firm could execute earth work excavation and silt clearance only valuing Rs 41.05 lakh (6.75 per cent) during the agreement period. Though the SE granted (June 2006) extension of time up to 31 July 2007, there was no progress in the work as of August 2007.

Further, the SE with the permission of the Government and on the advice of the Austrian company entrusted (April 2006) a portion of work (laying of HDPE liner) to another firm 'P' considering its experience in such works, on nomination basis for Rs 85.18 lakh without corresponding reduction in the contract value of firm 'H'. The feasibility of involving two different firms on the work was not considered though it was a crucial element as the cement concrete was to be laid over the HDPE liner on the same day requiring the utmost co-ordination between the two firms. Consequently, firm 'P' could not commence the work, as firm 'H' had not completed the seating to the lining. The HDPE liner material, the guarantee period of which was two years after delivery, and machinery imported in August 2005 at a cost of Rs 5.55 crore is lying in a godown as of August 2007.

Thus, the lack of proper planning in execution of the work resulted in non-completion of the pilot project and consequential blocking up of Rs 5.55 crore being the cost of HDPE liner, for more than two years and the larger objective of increased agricultural productivity, at lesser financial and environmental costs remains unachieved.

The reply (August 2007) of the Government that the work could not be completed due to non-availability of sufficient closure period of canal is not acceptable as the Department, having imported the material, could have planned to complete the work atleast in a phased manner.

4.4.4 Non-creation of irrigation potential

Delay of seven years in taking up the construction of a bridge on NH 5 resulted in unfruitful expenditure of Rs 61.81 lakh besides non-creation of irrigation potential.

The Seventh Branch Canal of Telugu Ganga Project was planned to be 27.666 km in length and to create irrigation potential of 71705 acres. Of this, 58000 acres (81 *per cent*) lay after it crosses the National Highway (NH) No.5. Since the construction of a bridge for the NH to pass over the canal was essential, the Superintending Engineer, Telugu Ganga Project, Srikalahasthi Circle (SE,TGP) approached (April 1999) the Superintending Engineer, National Highways Circle, Ongole (SE, NH) for detailed drawings and designs for the intended bridge. The SE, NH advised (June 2000) the SE, TGP to deposit estimate cost with National Highways Authority of India (NHAI) for construction of the bridge. However, the SE, TGP failed to notify the excavation of the canal for inclusion in the Detailed Project Report of the road widening work. Subsequently an amount of Rs 1.45 crore was deposited (July 2003) as an advance with NHAI. However, NHAI furnished (July 2005) the cost estimate of Rs 5.75 crore for construction of the bridge. Instead of depositing the differential amount, the Chief Engineer, TGP requested (February 2006) NHAI authorities either to construct the bridge immediately or to refund the deposit amount and permit the department to construct it. Though the NHAI refunded (March 2006) the advance of Rs 1.45 crore, the permission as sought for was not accorded. The NHAI promised (August 2006) to construct the bridge if the department deposits the required amount. The revised cost of the bridge is to be assessed as of August 2007.

Audit scrutiny (February 2005) revealed that the branch canal with its majors and distributaries had been excavated upto and beyond NH5. An amount of Rs 61.81 lakh was spent on construction of canal and other structures beyond the proposed bridge. The failure of the department in getting the bridge constructed for over seven years rendered the entire expenditure of Rs 61.81 lakh, on construction of canal and structures beyond the proposed bridge, unfruitful besides non-creation of irrigation potential for 58000 acres as envisaged in the project.

The matter was reported to Government (May 2007); their reply had not been received (August 2007).

REVENUE DEPARTMENT (District Gazetteers)

4.4.5 Nugatory expenditure on pay and allowances of idle staff

Non-deployment of idle staff of District Gazetteers Department, resulted in nugatory expenditure of Rs 2.76 crore towards pay and allowances.

The State Government constituted the District Gazetteers Department (DGD) in the year 1958 with the main objective of preparing and periodically revising the District Gazetteers as per the recommendation (1955) of expert committee. District Level Committees were to assist the DGD in collecting the required information for the Gazetteers. The whole work was to be completed within a period of five years by May 1963. It has a staff complement of 45 (permanent post: 40; temporary post: 5) including the post of State Editor, the Head of the Department.

However, the DGD compiled and published all the 23 District Gazetteers of the State only by the year 2000. No work was stated to have been turned out by the department since 2001-02. It was however, observed that 24 officers and staff including the State Editor were continuing in the DGD as of July 2007. Expenditure on their salaries and other office expenses during the period 2001-07 (upto March 2007) amounting to Rs 2.76 crore was rendered wasteful.

Government accepting the audit point stated (June 2007) that a proposal for abolishing the DGD including the post of State Editor and for accommodating the staff in the office of Chief Commissioner of Land Administration (CCLA) by creating Supernumerary posts would be placed before the Council of Ministers and necessary orders would be issued after the approval of Council of Ministers.

Thus, failure on the part of the Government to deploy the surplus staff of the DGD to other departments resulted in the staff remaining idle for over five years and consequent nugatory expenditure of Rs 2.76 crore (up to March 2007) towards pay and allowances.

SOCIAL WELFARE (Tribal Welfare) DEPARTMENT

4.4.6 Non-implementation of Minor Irrigation Scheme in Tribal areas

Inordinate delay in implementation of Minor Irrigation in tribal ayacut region resulted in irrigation facilities to ST ayacutdars remained unachieved despite availability of GOI grant of Rs 7.20 crore.

Government of India (GOI) released (September 2005) Rs 7.20 crore as Central assistance for State Plan 2005-06, for implementation of 'Minor Irrigation' in tribal ayacut region in order to promote the welfare of Scheduled Tribes in the State. The release of grant was subject to the conditions *inter alia* that the amount would be immediately transferred to the implementing agencies within one month and utilisation certificate of the grant furnished to GOI within 12 months of the closure of the financial year.

The State Government communicated in November 2005 the schemes proposed under AP Tribal Lift Irrigation Project to the Project Officers (POs) of Integrated Tribal Development Agency (ITDA) and the Commissioner of Tribal Welfare (TW) finalized (March 2006) a list of 29 works to be executed in six districts with an ayacut of 3436 acres with an estimated cost of Rs 7.23 crore (the additional amount of Rs 3.55 lakh was to be met from the available funds of PO, ITDA, Utnoor). It was only in February 2007 after a delay of 17 months, that the Government accorded administrative sanction for taking up the 29 works and released (April 2007) funds to POs, ITDA for execution of works. The status of these works as of May 2007 are as follows:

Name of the District	No. of schemes proposed for implementation	Ayacut (in acres)	Total estimated cost (Rs in crore)	Progress of works (as of May 2007)
Visakhapatnam	2	310	0.60	Works are yet to be taken up.
East Godavari	4	400	1.06	Information was not furnished.
West Godavari	2	200	0.47	Information was not furnished.
Warangal	4	1000	2.02	As the works are not concentrated on the tribal ayacut irrigation, it was proposed for cancellation, seeking alternative works.
Khammam	14	1455	2.87	Five works were proposed for cancellation due to lack of water source, taking up the work under another scheme, etc. Nine works are yet to be taken up.
Adilabad	3	71	0.21	Two works are dropped due to non-availability of 70 per cent tribal ayacut and taking up the work under another scheme, and one work is in progress.

Thus, the sanctioned works which were to be completed in 12 months, are still either under estimation stage or awaiting receipt of alternate proposals from the POs.

The Government while admitting (June 2007) the delay in giving administrative approval to the schemes attributed it to the difference of opinion between the Finance and Tribal Welfare departments regarding the nature of Grant received from the GOI resulting in the grant being released by the Finance Department only in March 2007. Government further stated that, to expedite

the process, the TW Department accorded administrative sanction in February 2007 itself and appropriate action was being taken for implementation of the scheme as well as to complete the works.

Thus, due to indifference of the State Government, Commissionerate and the POs, the implementation of Minor Irrigation in tribal ayacut region, was inordinately delayed, and GOI's objective of providing irrigation facilities to ST ayacutdars still remained unachieved (July 2007).

WOMEN DEVELOPMENT, CHILD WELFARE AND DISABLED WELFARE DEPARTMENT

4.4.7 Delay in construction of Government Children Home

Construction of building for Government children home for boys has not commenced even after two and half years of receipt of Central grant of Rs 50 lakh.

As the existing children home operating out of the old Jail Complex, was unsuitable, the State Government accorded (May 2005) administrative sanction for construction of Government children home for boys (Children Home) in Kadapa under a Centrally sponsored scheme. It placed (May 2005) Rs 50 lakh (received from GOI in January 2005) at the disposal of the Director, Juvenile Welfare, Correctional Services and Welfare of Street Children, Hyderabad (Director), who in turn, allotted (June 2005) the funds to the District Collector, Kadapa. The amount was drawn (March 2006) and kept in the Personal Deposit (PD) Account of the Collector.

Scrutiny (September 2006) of records of Superintendent, Government Children Home for Boys, Kadapa, disclosed that the construction works for the building of Children Home had not even commenced due to non-identification of a suitable site. It was only in March 2007 that a site admeasuring 2.50 acres in Chinnachowk village of Kadapa Mandal was allotted and advance possession was given to the Superintendent, Children Home, Kadapa. The site was handed over to AP Health Medical Housing and Infrastructure Development Corporation, Kadapa (Constructing Agency) in April 2007. The amount of Rs 50 lakh was lying unutilised in the PD Account of the District Collector as of July 2007.

Government while admitting the delay in the construction of Children Home stated (August 2007) that the plans and estimates prepared by the constructing agency were approved and tenders for the work invited. Government also assured that action would be taken to expedite the construction work so that the grant of Rs 50 lakh lying in the PD Account of the Collector could be utilised.

Thus, due to delay in allotting a suitable site, the construction of envisaged building for the children home has not even started even after two and half years of receipt of Central grant denying the children of the benefit of a suitable Home.

**YOUTH ADVANCEMENT, TOURISM AND CULTURE
DEPARTMENT
(Sports Authority of Andhra Pradesh)**

4.4.8 Unproductive expenditure on cycling equipment and loss on defective equipment

Cycling equipment costing Rs 1.29 crore, imported for use during the National Games was largely received after the commencement of the games in December 2002 and most of them are still lying unassembled as of March 2007.

Sports Authority of Andhra Pradesh (SAAP) proposed (April 2001) to procure cycling equipment for providing to sports persons of Andhra Pradesh for practice and participation in 32nd National Games in 2002. SAAP called for (June 2001) quotations from the three foreign firms as recommended (April 2001) by Cycling Federation of India (CFI), and got response from a Singapore based firm – A only. While the placing of orders with firm 'A' was at final stage, another Singapore based foreign firm 'X' contacted (July 2002) SAAP on its own and expressed its desire to supply the equipment. However, without consulting CFI and/or without verifying the credentials of the firm 'X', SAAP placed (August 2002) the entire order on firm 'X' as it had quoted lesser rates with overall difference of Rs 5.45 lakh, as compared to the price quoted by the firm 'A'. An amount of Rs 1.44 crore was released (October/November 2002) to a bank for payment (80 *per cent* of payment made initially for each shipment and balance 20 *per cent* paid after the last shipment) to the supplier through Letter of Credit (LOC) for supplying equipment for 47 cycles. The equipment was received in four shipments during November - December 2002.

It was observed (March 2006) that the equipment had not been received in full before commencement of the Games (December 2002) though the entire equipment had been imported by air consignments (expenditure: Rs 4.55 lakh) and could not be utilised by the cyclists of Andhra Pradesh either for practice or for use during the National Games. Most of the imported cycling equipment was lying unassembled for over four years and as of March 2007, only six cycles could be assembled (VC&MD reported assembling of another 27 cycles in May 2007 but did not indicate the usage) and issued to Cycling Academy for use leaving 41 cycles (approximate cost: Rs 1.29 crore) unassembled due mainly to non-receipt of certain vital parts.

It was only in March 2003 that SAAP noticed that the firm supplied inferior quality goods, and that the quantity supplied was different from that mentioned in the invoice. Though the supplier offered to bear the cost of to and fro journey of one authorised representative to come to Singapore for verifying the quality of the cycling equipment before airlifting, SAAP had decided to conduct the quality check at Hyderabad only and this was attributed (August 2007) by VC&MD to the urgency in procurement. The Committee constituted after 10 days of the receipt of last shipment for quality check, took four months as against three days prescribed to submit (May 2003) its report.

The cost of equipment rejected/short-supplied as per the quality check-report works out to Rs 30.14 lakh. The request (March 2003) of the SAAP to withhold the balance 20 *per cent* payment (Rs 27 lakh approximately) had been rejected by the Bank (March/April 2003) on the ground that as per the terms and conditions the discrepancies in the quality/quantity of goods had no bearing on payment under LOC and paid (April 2003) the balance out of LOC. Efforts made by SAAP for replacement/rectification of the rejected/short-supplied equipment by the firm had also not materialised (May 2007).

Thus, absence of any planning on the part of SAAP and ensuring that the equipment is received and assembled in time for use in the National Games, had not only left the intended objective of importing the equipment unachieved, but has also rendered the expenditure of Rs 1.29 crore unproductive for over four years. Besides, the expenditure of Rs 30.14 lakh (out of Rs 1.29 crore) also became wasteful due to non-replacement of defective/short-supplied equipment.

The matter was reported to Government in May 2007; their reply had not been received (August 2007).

4.5 Regularity issues and others

ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY DEPARTMENT (Forest Wing)

4.5.1 Loss due to non-collection of Net Present Value

Failure of the department in collecting Net Present Value of 431.85 ha of forest land diverted for non-forest purposes resulted in loss of Rs 33.68 crore.

Government of India, Ministry of Environment and Forests (Ministry), in compliance with the orders of the Supreme Court (October 2002/August 2003), instructed (September 2003) the Forests Departments of all States and Union Territories to charge Net Present Value (NPV) of forest lands diverted for non-forest purposes in all those cases which have been granted in-principle approval after 30 October 2002 and to realise the amounts before Stage-II (final) approval. Accordingly, Government of Andhra Pradesh through the Department of Environment, Forests, Science and Technology (Department) issued guidelines (September 2004) for collection of NPV at the rates ranging between Rs 5.80 lakh and Rs 9.20 lakh per hectare based on type and density of the forest land diverted. The Ministry further clarified (May 2005) that the NPV becomes chargeable in all cases of underground mining also, as it amounts to breaking up of fresh forest land, for which forest land is diverted under the Forest (Conservation) Act, 1980.

Audit scrutiny (July 2006) revealed that the Divisional Forest Officer (T), Warangal North Division (DFO) with the approval of GOI and permission from GOAP, assigned (June 2005) forest land admeasuring 431.85 hectares to Public Sector Undertaking (PSU) for underground mining of coal. However,

no demand was raised against the PSU for payment of NPV though in-principle (Stage-I) and final approvals were accorded by GOI in July 2003 and May 2005 respectively. It was only in July 2006, after it was pointed out by audit, a demand notice was issued to the PSU for payment of NPV of Rs 33.68 crore. However, no payment was received as of August 2007.

In reply, the PCCF while admitting the failure, had stated (March 2007) that the NPV was not collected as the same was not pointed out by GOI while according in-principle (Stage-I) approval in July 2003. Reply is not acceptable as the collection of NPV is mandatory as per GOI instructions in all cases where the forest land has to be diverted for non-forest purposes. Thus, the failure of the department in raising a demand and collecting the NPV not only resulted in loss of Rs 33.68 crore, but also the compensatory afforestation did not materialise.

The matter was reported to Government in January 2007; their reply had not been received (August 2007).

PLANNING/RURAL DEVELOPMENT DEPARTMENTS

4.5.2 Irregularities in implementation of Member of Parliament Local Area Development Scheme

Irregularities like non-commencement of works, diversions, irregular payments, etc. involving Rs 77.63 crore in implementation of MPLAD Scheme denied the envisaged benefits to the public.

The "Member of Parliament Local Area Development Scheme (MPLADS)", was designed to enable the Members of Parliament (MPs) to recommend works of developmental nature with emphasis on the creation of durable community assets based on the local needs. The scheme is fully funded by Government of India. Under the Scheme, each Lok Sabha MP has the choice to suggest the District Collector works to the extent of Rs 2 crore per year to be taken up in his/her constituency. Elected Members of Rajya Sabha could select one or more districts from the State from which he/she was elected. Nominated Members of Lok Sabha and Rajya Sabha could select any one or more districts anywhere in the country. The District Collector is the nodal officer at the District level and the works are executed through the District Rural Development Agencies (DRDA), District Water Management Agencies, Chief Planning Officers, etc. The execution of the Scheme is governed by the guidelines and instructions issued by the Ministry of Statistics and Programme Implementation, GOI, from time to time.

The annual accounts in respect of four districts viz. East Godavari, Chittoor, Nizamabad and Warangal for the years 2001-02 to 2004-05 and for two districts i.e. Adilabad and Nalgonda up to 2005-06 were received and audited during 2006-07. Scrutiny of the transactions of these six DRDAs, disclosed that the irregularities/deficiencies pointed out in the Reports of the Comptroller and Auditor General of India for the year 1996-97 and 1999-2000 were still persisting as detailed below:

Non-commencement/Non-completion of works

In the six districts, out of 12085 works sanctioned (cost: Rs 162.65 crore), only 10161 works (cost: Rs 133.65 crore) were completed leaving a balance of 1924 works (estimated cost: Rs 28.44 crore) not yet completed with delays ranging from one to six years, rendering the expenditure already incurred on these works, unfruitful. Similarly, In four districts, 398 works sanctioned during the years 1995-2007 (up to March 2007) costing Rs 7.30 crore were not even started resulting in locking up of funds of Rs 5.97 crore with the executing agencies. Details are given in *Appendix 4.2*. The Project Directors (PDs), DRDAs attributed the delays mainly to site disputes and technical problems.

Execution of inadmissible works

In all the six districts, Rs 3.56 crore were expended on 149 inadmissible works like road repairs and improvement works, community halls intended for particular community (not for general public), kalyanamandapams/shadikhanas, tennis courts in officers club, etc. District-wise details are given in *Appendix 4.3*.

Diversion of funds

MPLADS funds aggregating to Rs 23.82 crore were diverted towards other schemes and payment of salaries for DRDA staff. Against this Rs 2.21 crore was yet to be recouped as of March 2007. District wise details are given in *Appendix 4.4*.

Parking of MPLADS funds in Fixed Deposits

In all the six districts, scheme funds of Rs 64.78 core were irregularly deposited in the shape of Fixed Deposits/Short Term Deposits/NSS ranging for a period from one month to more than a year. The district-wise details are given in *Appendix 4.5*. The funds deposited in Fixed Deposits with banks were also incorrectly shown as expenditure in the progress reports sent to GOI. The PD, DRDA, East Godavari was irregularly operating a Savings Bank account in a private bank for the transactions of scheme funds.

Irregular payment of funds to an unaided educational institution

The PD, DRDA, Chittoor, released (1995-2001) MPLADS funds of Rs 74.90 lakh to an unaided educational institution, at A.Rangampet. Based on the instructions of the GOI, the DRDA, while withholding the fresh release of funds directed the institution to return the amounts already paid, as the institution was considered to be a private trust. The Institution approached the Court of Law against the orders of the DRDA. The writ petition of the institution was finally dismissed by the High Court in December 2005. However, as of April 2007, the Project Director has not realised the amount from the institution.

Works entrusted on nomination basis

The works relating to ‘Computer in education Project’ in various educational institutions, costing Rs 13.71 crore were entrusted to the executing agencies in the five districts (Warangal: Rs 5.55 crore; Adilabad: Rs 3.15 crore;

Nalgonda: Rs 2.50 crore; Chittoor: Rs 1.85 crore; and East Godavari: Rs 0.66 crore) on nomination basis without calling for tenders. This deprived the benefit of competitive rates in implementation of the project.

Non-remittance of interest on savings

The PD, DRDAs, failed to obtain from the executing agencies an amount of Rs 23.26 lakh (Warangal: Rs 6.22 lakh, Adilabad: Rs 6.60 lakh and Nizamabad : Rs 10.45 lakh) being the interest accrued on MPLADS funds.

Non-maintenance of asset register

The DRDAs of Adilabad, Nizamabad and Chittoor were not maintaining the asset register, though envisaged in the scheme guidelines. The DRDAs of Warangal and Nalgonda though stated to have maintained the Assets registers, the registers were not produced to Audit. The DRDA, East Godavari, though maintaining the asset register was not maintaining it in the prescribed format.

Other points of interest

- (i) MP, Medak whose jurisdiction also falls partially in Nizamabad District, recommended 55 works costing Rs 87.45 lakh (2002-03: 9 works/Rs 8.00 lakh; 2003-04: 23 works/Rs 40.45lakh; 2005-06: two works/Rs 6.50lakh; 2006-07 :21 works/Rs 32.50 lakh). These works had not been taken up as of April 2007 due to non-release of funds by the District Collector, Medak.
- (ii) In Chittoor District, an amount of Rs 27.72 lakh was recovered by the executing agencies (Executive Engineers, Panchayat Raj/Rural Water Supply/Social Welfare) towards petty supervision charges from work bills for salaries of contingent staff in violation of scheme guidelines.
- (iii) DRDAs of Adilabad and Nizamabad had not maintained MP-wise Cash books.

The above irregularities/deficiencies (amounted to Rs 77.63 crore) adversely affected the implementation of MPLAD Scheme denying the envisaged benefits to public at large.

The matter was reported to Government in May 2007; their reply had not been received (August 2007).

SCHOOL EDUCATION DEPARTMENT

4.5.3 Release of grant-in-aid to ineligible schools

Failure of the DEOs, Visakhapatnam and RangaReddy Districts to ensure fulfillment of the prescribed criteria for renewal of recognition resulted in unauthorised aid of Rs 2.18 crore to the unrecognised schools.

Under the AP Education Act and Rules made thereunder an educational institution which has been granted recognition, is entitled to apply for grant-in-aid from Government. Educational institutions are required to seek renewal before expiry of recognition and the competent authority after verification

would grant recognition. If any of the conditions of recognition is violated at any time, the recognition is liable to be withdrawn from the school. No educational institution is entitled to any grant-in-aid from Government, the recognition of which has been withdrawn/not renewed.

It was, however, noticed during audit (October - November 2006) of the accounts of the DEOs, Visakhapatnam and RangaReddy Districts that contrary to the provisions of the Act, the DEOs released grants-in-aid to the following unrecognised schools over the years without ensuring that they fulfilled the prescribed criteria for recognition.

Name of the School	Period not covered by recognition	Grant-in-aid released for unrecognised period (Rupees in crore)
Visakhapatnam District		
Viswodaya Primary School, Visakhapatnam	1995-96 to 2005-06	0.65
Port Primary School, Visakhapatnam	1995-96 to 2005-06	0.39
Bethal Primary School, Anakapally*	2000-01 to 2006-07	0.24
RangaReddy District:		
Kanya Patashala High School, Tandur (KPHS)	2002-03 to 2006-07	0.84
MB Upper Primary School, Ibrahimpatnam (MBUPS)	2005-06 to 2006-07	0.06

* Temporary recognition was granted up to the academic year 1999-2000 and there were no renewals thereafter. The school was closed (June 2006) by the DSE due to expiry of the 'correspondent' of the school

The DEO, Visakhapatnam replied (February 2007) to Audit that the management of the institutions had applied for renewal of recognition in time, but the Deputy Inspector of Schools (U) had misplaced the renewal applications. However, from the records it was seen that the application for renewal in the case of Port Primary School had been received only in August 2001 after a lapse of five years of initial recognition. As regards the schools in RangaReddy District, the Regional Joint Director replied (August 2007) that proposals submitted by the DEO in September 2003 for renewal of recognition were pending with DSE in respect of KPHS. In the case of MBUPS, the proposals were pending with Inspecting Officer. Thus, failure of the DEOs to ensure fulfillment of the criteria for renewal of recognition resulted in unauthorised aid of Rs 2.18 crore to unrecognised schools.

The matter was reported to the Government in February 2007; their reply had not been received (August 2007).

4.6 General

Follow-up on Audit Reports

4.6.1 Non-submission of Explanatory (Action taken) Notes

As per the instructions issued by the Finance and Planning Department in November 1993, the administrative departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports within three months of presentation of the Audit Reports to the Legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken.

As of 31 July 2007, 22 departments had not submitted explanatory notes, in respect of 120 paragraphs/reviews for the years 1996-97 to 2005-06. The details are given in *Appendix 4.6*.

4.6.2 Action taken by Government

Government/Heads of Departments have to take necessary remedial action on the points mentioned in the Reports of the Comptroller and Auditor General of India. Audit test checked compliance of some of the crucial issues/system deficiencies pointed out in the Audit Reports of previous years by revisiting the audited units concerned.

Scrutiny of compliance of the action taken on the irregularities/system deficiencies in five cases in four departments pointed out in the Audit Report for the year 2004-05 disclosed that shortcomings/deficiencies were not rectified and the irregularities persisted in four cases as discussed in the following table:

<p>Huge pendency in disposal of cases by Consumer Courts/ Warrants not executed</p>	<p>Mention was made in paras 3.2.14 of Audit Report (Civil) for 2004-05 about the huge pendency of consumer dispute cases with the State Commission (277) and District Forums (7446) for disposal as of June 2005. It was also pointed out in para 3.2.17 that 1694 warrants issued by State Commission/District Forums were not executed by the Police Department for over six months to three years.</p> <p>Further scrutiny (June 2007) disclosed that, as of June 2007, still 194 cases with State Commission and 6020 cases with District Forums remains to be disposed. Thus, the mandate of the Commission/ Forums to decide the complaints within 90/150 days remains to be unachieved.</p> <p>Further, as of April 2007, 1984 warrants with the State Commission (11) and District Forums (1973) were yet to be executed by the police. The proposals (June 2004) of State Commission for providing the services of one Sub-Inspector of Police, two Head constables and four home guards to State Commission and one Head constable, two home guards at each district forum for execution of orders of the Forums were still pending with the Government. Thus the objective of providing justice to the consumers even after a judgment is delivered, is still not being fulfilled.</p>
<p>Unfruitful expenditure on drinking water supply scheme at Bibinagar</p>	<p>Mention was made in para 4.4.3 of Audit Report (Civil) for 2004-05 about the improper selection of water source by the Engineer-in-chief (PR) and the Chief Engineer (RWS) for a comprehensive water supply scheme, which deprived the targeted habitations in Bibinagar area (Nalgonda District) of fluoride free drinking water rendering the entire outlay of Rs 24.80 crore on the scheme unfruitful. As a third option, it was proposed to draw the water by extending its pipeline to the Bibinagar scheme from the Nalgonda Rural Drinking Water Supply (NRDWS) project, which was to be completed by March 2006 at an estimated cost of Rs 7 crore.</p> <p>Further scrutiny (June 2007) revealed that the scheme remained unfulfilled and the safe drinking water was not provided to the targeted habitations. In the meantime, the project cost was revised to Rs 26 crore (from Rs 7 crore) with a view to provide water to another 22 habitations enroute from Sunkenpally to Bibinagar pipeline. The project was awarded (August 2005) to a contractor. Although the work was scheduled for completion by August 2006, the work had not been completed as of June 2007 (expenditure incurred so far: Rs 17.76 crore) due to non-acquisition of land and for want of permission from various departments/authorities¹⁷ for execution of works.</p>
<p>Non-realisation of arrears of rent by AP Housing Board</p>	<p>Mention was made in para 4.5.2 of Audit Report (Civil) for 2004-05 about non-realization of rentals by AP Housing Board (Board) to the extent of Rs 5.58 crore as of December 2004 for the periods ranging up to 112 months (since August 1995).</p> <p>Further scrutiny (June 2007) revealed that of the dues of Rs 5.58 crore, an amount of Rs 2.13 crore was only realized up to the end of February 2007. As of now, the arrears were accumulated to Rs 6.98 crore. No action was taken by the Board to invoke Rental Regulation Act, 1974 so as to recover arrears from private parties and to address the Government in respect of Government departments. Further, the system deficiencies in maintaining the records pointed out by Audit were not rectified by the Board. The Board replied (June 2007) that due to shortage of staff the registers/ledgers were not updated. The reply is not tenable as the shortage of staff cannot be the excuse for non-recovery of revenue. Thus, poor management and follow-up of rent collections coupled with poor maintenance of records resulted in non-recovery of revenue of Rs 6.98 crore (March 2007) affecting the finances of the Board.</p>

¹⁷ Railways, Land acquisition, Roads and Buildings, Gas Authority of India Limited and Hindusthan Petroleum Chemicals Limited

Unfruitful expenditure on construction of ITI building at Srisailam	<p>Mention was made in para 4.2.4 of the Audit Report 2004-05 on the unfruitful expenditure of Rs 61.26 lakh on construction (March 2000) of ITI Building at Srisailam due to failure to provide essential amenities like water supply, sanitary arrangements and electrical instalations.</p> <p>In re-audit, it was further observed that the building still remained unoccupied as of June 2007. Even the estimates for providing basic amenities costing Rs 17.90 lakh to take up the works for execution, have not yet been approved.</p> <p>Despite being pointed out in audit, the delay in sanctioning the estimate for execution of works for providing basic amenities has resulted in non-utilisation of the asset created way back in March 2000.</p>
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4.6.3 Action not taken on recommendations of the Public Accounts Committee

The Finance and Planning Department issued (May 1995) instructions to all administrative departments and the Heads of Departments to submit the Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) within six months from the date(s) of receipt of recommendations. As of July 2007, 1220 recommendations of the PAC, made between 1962-63 to 2005-06 in regard to 24 departments remained outstanding. Of these, the PAC had discussed ATNs in respect of 299 recommendations relating to 15 departments. Of the remaining 921 recommendations, the concerned administrative departments are yet to submit ATNs for 451 recommendations. Of these, 210 ATNs (47 per cent) were due from Irrigation and Command Area Development Department alone. Details are given in *Appendix 4.7*.

4.6.4 Lack of response to Audit

The Principal Accountant General (Civil Audit) (PAG) arranges to conduct periodical audit inspections of the government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). The Hand Book of Instructions for speedy settlement of audit observations/IRs issued (1995) by the Government in Finance and Planning Department also provides for prompt response by the executive to the IRs issued by the PAG to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies and lapses noticed during inspection. A half-yearly report of pending IRs is sent to the Secretary of the Department concerned to facilitate monitoring of the audit observations and its disposal. The Heads of offices and the next higher authorities are required to comply with the observations contained in the IRs and rectify the defects promptly and report their compliance to the PAG.

The status of pendency of IRs/Paragraphs as at the end of June 2005, June 2006 and June 2007 is shown in the following table:

	Pending as at the end of		
	June 2005	June 2006	June 2007
Number of IRs	17771	16489	12647
Number of Paragraphs	62763	54676	43482

Of the 12647 IRs/43482 paragraphs pending as on 30 June 2007, even first replies had not been received in the case of 1365 IRs/6583 paragraphs. The

year-wise and department-wise break-up of these IRs and paragraphs is indicated in *Appendix 4.8* and *4.9* respectively. The Principal Secretaries/Secretaries, who were also informed of the position through half yearly reports, could not ensure prompt and timely action by the concerned officers. Lack of action on audit IRs and paras facilitate continuation of serious financial irregularities and loss to Government.

Constitution of Audit Committees

Government while accepting the recommendations of Shakhder Committee (High Powered Committee) instructed (November 1993) all the departments to nominate a designated Officer within the department for monitoring the follow-up action on audit objections. For regular review at higher levels, the departments were instructed to ensure that there should be a monitoring committee consisting of the Secretary of the Department and the Finance Secretary. Government also reformulated (June 2004) comprehensively the orders issued in July 1986 for constitution of Audit Committees at three levels i.e., Apex level, Departmental level and District level for speedy settlement of audit objections. These three Committees are required to meet twice in a year (i.e., January and July), once in three months and once in two months respectively.

The status of audit committee meetings held during 2006-07 is discussed below:

- (i) The Apex level State Audit and Accounts Committee met once against the two meetings stipulated.
- (ii) No departmental level Audit and Accounts Committee meeting was held in 23 departments (out of 31) during 2006-07. Of the eight departments, which conducted the meetings, seven departments met only once in the year against the four meetings.
- (iii) No district level Audit and Accounts and monitoring committee meetings were held in five districts¹⁸. In the remaining districts as against six meetings to be held in a year in each district, only one meeting in nine districts¹⁹, twice in three districts²⁰, thrice in four districts²¹ and four times in two districts²² were held.

This indicates lack of seriousness on the part of these departments in rectifying the deficiencies pointed out by Audit.

It is recommended that Government should (i) ensure timely and proper response to the IRs of the PAG, (ii) conduct Audit Committee Meetings regularly for speedy settlement of pending IRs and paras and (iii) effect recoveries pointed out in the Inspection Reports, promptly.

¹⁸ Guntur, Krishna, Khammam, Nalgonda and RangaReddy

¹⁹ Srikakulam, Vizianagaram, Visakhapatnam, Medak, East Godavari, West Godavari, Prakasham, Nellore and Mahboobnagar

²⁰ Adilabad, Karimnagar and Nizamabad

²¹ Chittoor, Kadapa, Ananthapur and Warangal

²² Hyderabad and Kurnool