

CHAPTER – IV

Works Expenditure

Section - A: contains performance review of:
→ **Functioning of Roads and Buildings
Department**

Section - B: contains major audit points on works
expenditure in various departments

CHAPTER IV

WORKS EXPENDITURE

SECTION 'A' - AUDIT REVIEWS

TRANSPORT, ROADS AND BUILDINGS DEPARTMENT

4.1 Functioning of Roads and Buildings Department

Highlights

Budgetary and expenditure control in the Roads and Buildings (R&B) Department is deficient resulting in persistent savings, lack of monitoring of the expenditure and lapse of budget allocation at the end of each year. The abnormal deviations in works during execution, changes in the design of the bridges due to selection of unsuitable sites led to increased cost of the works.

- ❖ Rupees 28.80 crore provided in the budgets of the last 6 years towards development of roads in Sugar Cane Areas lapsed as no expenditure was incurred.

[Paragraph 4.1.4 A I (ii)]

- ❖ Rupees 9.72 crore incurred on works during 2000-01 without budget provision remained unregularised.

[Paragraph 4.1.4 A II (i)]

- ❖ Rupees 70.79 crore due to the State Government from Ministry of Road Transport and Highways remained unrealised for periods upto 20 years.

[Paragraph 4.1.4 A II (ii)]

- ❖ Government could not realise the Railway's share of Rs 18.89 crore on Railway Safety Works executed by State Government during 1988-2002.

[Paragraph 4.1.4 A II (iii)]

- ❖ Government did not avail Central assistance of Rs 23.74 crore due to short releases of funds for National Highway works.

[Paragraph 4.1.4 B (i)]

- ❖ Government short availed Rs 3.10 crore of Central assistance due to incorrect calculation of agency charges towards establishment, tools and plants on National Highway works.

[Paragraph 4.1.4 B (ii)]

- ❖ **Expenditure of Rs 2.40 crore was incurred on pay and allowances of superfluous staff after transfer of work.**

[Paragraph 4.1.6 (i)]

- ❖ **As the contractors were permitted to make use of their own road rollers in the execution of works, the crew of the departmental rollers were idle and the expenditure of Rs 1.03 crore on their pay and allowances was rendered unfruitful.**

[Paragraph 4.1.6 (ii)]

- ❖ **Belated verification of stores in Penukonda Sub-division obliterated the chances of recovery of Rs 56.24 lakh being the cost of materials found short.**

[Paragraph 4.1.7 (i)]

- ❖ **Due to abnormal delay in reporting the shortages of material in Yelamanchili Sub-division, Rs 27.01 lakh being the value of material remained unrecovered. Material valued Rs 44.50 lakh remained unaccounted for.**

[Paragraph 4.1.7 (ii)]

- ❖ **Error in the preparation of tender schedules resulted in cancellation of tenders already received and finalised. The work had to be awarded afresh, at an extra cost of Rs 1.06 crore.**

[Paragraph 4.1.8 I (ii)]

- ❖ **Recoveries to a tune of Rs 5.66 crore pointed out by Inspection and Quality Control wing towards defects/deficiencies in works executed remained unrecovered.**

[Paragraph 4.1.8 II (iii)]

4.1.1 Introduction

The Roads and Buildings Department (Department) with separate wings for Buildings, State Roads and National Highways (NH) is responsible for construction and maintenance of government residential as well as non-residential buildings, the formation of new roads, improvements and upkeep of the existing roads, with bridges thereon, etc. At the end of March 2002, the Roads Wing had a network of 61,228 KM (8,542 KM of State Highways, 34,803 KM of Major District Roads and 17,883 KM of Rural Roads taken over from the Panchayati Raj Department). Improvements to and upkeep of National Highways with a length of 4,104 KM that passes through the State, is also attended to by the Department, the expenditure on which is reimbursed by Government of India (GOI).

4.1.2 Organisational set up

At Secretariat level, the Special Chief Secretary to Government in the Transport, Roads and Buildings Department is responsible for overseeing the activities of the Department. The Engineer-in-Chief (ENC) who is the head of the Department is responsible for the administration and co-ordination of the entire Department. There are 5¹ Chief Engineers (CEs) with independent charges of their respective wings. The ENC and the CEs are assisted in the discharge of their functions by 26 Superintending Engineers (SEs) and 102 Executive Engineers (EEs) incharge of investigation, construction, maintenance and quality control of the works executed by the Department. In addition, a fully State owned Andhra Pradesh Road Development Corporation (APRDC) was constituted by Government in October 1997, for the development and maintenance of 5,406 KMs of State roads, with funds mobilised from public by issue of bonds, fully backed by State Government. The Corporation is headed by a Managing Director, who is also the ex-officio ENC of the Externally Aided Projects being implemented by the State Government.

4.1.3 Audit coverage

The functioning of the Department during the period 1999-2002 was reviewed in audit between January and May 2002 through a test check of the records at the Secretariat, Commissionerate of Tenders (COT) and in the offices of the APRDC, ENC, 6² SEs and 22³ EEs. The findings are discussed in the succeeding paragraphs.

¹ CEs, i) Buildings ii) Hazard Mitigation & Emergency Cyclone Recovery Project iii) National Bank for Agriculture & Rural Development iv) National Highways and v) Roads

² SEs, 1) Head quarters Circle, Hyderabad; 2) NH Circle, Hyderabad; R&B Circles; 3) Chittoor ; 4) Cuddapah; 5) Eluru; 6) Warangal

³ EEs - 1) APERP Division, Kakinada; 2) City Roads Division, Hyderabad; 3) Electrical Division, Guntur, 4) R&B Division, Bhimavaram; 5) R&B Division, Chittoor; 6) R&B Division, Cuddapah; 7) R&B Division, Eluru; 8) R&B Division, Guntur; 9) R&B Division, Kakinada; 10) R&B Division, Khammam; 11) R&B Division, Kothagudem; 12) R&B Division, Madanapalli; 13) R&B Division, Mahabubabad; 14) R&B Division, Narasapuram; 15) R&B Division, Narasaraopet; 16) R&B Division, Rajahmundry; 17) R&B Division, Tenali 18) R&B Division, Tirupati; 19) R&B Division, Warangal; 20) NH Division, Cuddapah; 21) NH Division, Kakinada; 22) Quality Control Division, Cuddapah

4.1.4 Financial management

A. Budget and Expenditure

Budget provisions and expenditure under different grants for executing works were as follows:

(Rupees in crore)

Name of the Office	Year	Plan			Non-plan		
		Budget allotted	Expenditure	Excess (+)/ Savings (-)	Budget allotted	Expenditure	Excess (+)/ Savings (-)
CE, Roads	1999-2000	12.72	9.77	(-) 2.95	513.38	324.30	(-)189.08
	2000-01	16.66	6.36	(-) 10.30	423.84	332.24	(-) 91.60
	2001-02	2.51	2.51	--	434.42	434.42	--
CE, Buildings	1999-2000	40.35	37.46	(-) 2.89	60.47	52.00	(-) 8.47
	2000-01	31.58	29.59	(-) 1.99	21.51	19.79	(-) 1.72
	2001-02	28.34	25.57	(-) 2.77	21.34	19.99	(-) 1.35
CE, NH	1999-2000	57.08	39.54	(-) 17.54	34.40	33.64	(-) 0.76
	2000-01	127.97	127.03	(-) 0.94	38.45	37.85	(-) 0.60
	2001-02	103.80	103.80	--	42.20	41.62	(-) 0.58
CE, NABARD	1999-2000	57.06	43.96	(-) 13.10	--	--	--
	2000-01	89.97	86.64	(-) 3.33	--	--	--
	2001-02	88.98	88.85	(-) 0.13	--	--	--
ENC (EAP)							
i) APERP ⁴	1999-2000	33.82	33.79	(-) 0.03	--	--	--
	2000-01	158.97	158.55	(-) 0.42	--	--	--
	2001-02	110.00	86.22	(-) 23.78	--	--	--
ii) APSHP ⁵	1999-2000	203.78	204.17	(+) 0.39	--	--	--
	2000-01	369.08	372.58	(+) 3.50	--	--	--
	2001-02	500.00	472.41	(-) 27.59	--	--	--

Due to freezing of funds ordered by Government in all the 3 years, the provisions made in the budget could not be fully utilised by the Department which resulted in huge savings. The action of the Executive in imposing a total freeze during the course of the year, had made the legislative sanction, for taking up of the projects and incurring of expenditure thereon, lose its significance. This, apart from increasing the undischarged liabilities, hampered the progress of works.

The State has been executing various schemes through loans raised from various financing agencies such as World Bank and NABARD and also from grants received from Government of India. The loans

⁴ Andhra Pradesh Economic Restructuring Project

⁵ Andhra Pradesh State Highways Project

and grants received by State Government during the last four years for implementation of different projects were as follows:

(Rupees in crore)

Year	Loan from World Bank	Grant from GOI	Total
APSHP			
1998-99	30.69	13.15	43.84
1999-2000	91.92	39.40	131.32
2000-01	192.57	82.53	275.10
2001-02	231.42	99.18	330.60
Total	546.60	234.26	780.86
APERP			
1998-99	0.84	0.36	1.20
1999-2000	21.13	9.05	30.18
2000-01	98.25	42.10	140.35
2001-02	52.47	22.48	74.95
Total	172.69	73.99	246.68

The position of loans raised by the State Government from NABARD during the years 1996-97 to 2001-02 for implementation of works on rural roads was as follows:

(Rupees in crore)

Works	Amount of loan received
RIDF ⁶ - II	84.43
RIDF- III	43.26
RIDF- IV	35.70
RIDF- V	51.48
RIDF- VI	44.23
RIDF-VII	34.36
Total	293.46

I. Budgetary procedure

BEs submitted with delays ranging from 42 days to 122 days

i) Belated submissions of estimates: The Chief Controlling Officers (CCOs) are required to submit their Budget Estimates for the next financial year by 1 October to the Administrative Department, which in turn should submit them by 15 October to the Finance Department. However, all the CCOs in the Department submitted their Budget Estimates with delays ranging from 42 days to 122 days. These estimates were in turn submitted by the R&B Department to the Finance Department during February/March. In the absence of proposals from the Administrative Department, the budget estimates were finalised in the Finance Department, with the available information and the past actuals. This indicated the lack of financial discipline in the Department.

⁶ Rural Infrastructure Development Fund

Rs 28.80 crore provided in the budgets of last 6 years lapsed

ii) Inadmissible provisions: In pursuance of a decision taken (September 1994) by Government in the Industries and Commerce Department, for creation of a Sugar Cane Area Development Fund, for development of roads in sugar cane areas, provision of Rs 4.80 crore was being included each year ever since 1994-95. However, no expenditure was incurred against this provision of Rs 28.80 crore in any of the years and the provisions so made lapsed at the end of each year. This indicated inefficiency in preparation of budget.

iii) Short allotment of maintenance grant: For the maintenance of roads, allotment of funds was much below the norms. Details of funding were as follows:

(Rupees in crore)

Year	Maintenance grant as per norms	Maintenance grant allotted	Short Allotment (2-3)	Expenditure
1	2	3	4	5
CE (NH)				
1999-2000	27.48	8.42	19.06	7.66
2000-01	27.48	10.80	16.68	9.83
2001-02	23.06	12.61	10.45	12.61
CE (Roads)				
1999-2000	746.00	513.38	232.62	324.30
2000-01	800.88	423.84	377.04	332.24
2001-02	940.00	434.42	505.58	434.42

Curtailement of maintenance grant was indicative of the fact that the maintenance of the roads was not taken up to their full length.

II. Expenditure control

Expenditure of Rs 9.72 crore was incurred on works without any provision

i) Expenditure without budget provision: During 2000-2001, the CE (Buildings) incurred expenditure of Rs 7.39 crore on the upgradation of record rooms in the offices of the Revenue Department and Rs 2.33 crore on construction of guest house buildings at New Delhi without budget provision. The CE also failed to submit proposals to the Government for re-appropriation or for supplemental grants. This was irregular.

Rs 70.79 crore being the dues from MORTH remained unrealised up to 20 years

ii) Non-realisation of withheld amounts: The Pay and Accounts Officer (PAO), Ministry of Road Transport and Highways (MORTH), Bangalore, reimburses expenditure incurred and claimed by the State National Highways Divisions. For the period 1979-80 to 2000-01, Rs 70.79 crore remained to be realised. Non-realisation of this amount was attributable to lack of effective pursuance on the part of the divisions. Against Rs 19.12 crore realisable to the end of March 1996, as already mentioned in para 4.21.12 of the Audit Report (Civil) for year ended March 1996, Rs 3.66 crore only was realised so far. During 1996-2001 another Rs 51.67 crore have been added.

Dues of Rs 18.89 crore from Railways too remained unrealised

iii) Non-realisation of amounts from the Railways: Construction of bridges at railway level crossings are taken up jointly by the Railways and the State Government. The cost of the bridges together with approaches (excluding cost of land) has to be shared equally by the Railways and the State Government.

During the period 1988-89 to 2001-2002, the CE, Roads had executed 25 bridges in all, at a total cost of Rs 63.52 crore (exclusive of cost of land). Out of the Railway's share of Rs 31.76 crore Government was yet to realise Rs 18.89 crore. This indicated lack of monitoring by the CE, Roads.

iv) Non-reconciliation of expenditure figures: As per the provisions of the Andhra Pradesh Budget Manual, all the drawing and disbursing officers are required to reconcile their monthly expenditure figures with those booked by the Accountant General, Accounts and Entitlements (AG A&E) and variations if any, noticed should be got rectified before close of the accounts of the year. It was, however, noticed that the expenditure in respect of three offices listed below was not reconciled, with the result, the variations between the expenditure as reflected in the books of the AG (A&E) and that of the department, remained unreconciled. Non-reconciliation could result in non-rectification of the misclassifications as well as non-detection of misappropriation of funds, if any. The discrepancies in the expenditure figures in respect of works financed by World Bank, which remained unreconciled, would cause problems at the time of issue of audit certificates.

(Rupees in crore)

Name of the administrative office	Year	Expenditure as per books of AG	Expenditure reported by the Department	Variations in expenditure figures
CE, NABARD	1999-2000	47.79	43.96	3.83
	2000-01	83.64	86.64	3.00
	2001-02	86.94	88.85	1.91
ENC (EAP)				
(i) APERP	2000-01	161.02	158.55	2.47
	2001-02	86.93	86.22	0.71
(ii) APSHP	1999-2000	228.07	204.17	23.90
	2000-01	370.48	372.58	2.10

B. Central Assistance

Central assistance of Rs 23.74 crore not availed due to short release of State share

i) Non-availing of Central assistance: Allocations for NH works are made by the MORTH and communicated to the respective State Governments to make necessary provisions in their budget estimates. As against Rs 244.73 crore allocated by the GOI during the years 1999-2000 and 2000-01, State Government released only Rs 220.99 crore, and Central assistance of Rs 23.74 crore was not availed, adversely affecting the repair works, both ordinary and special, including flood damage works.

Central assistance of Rs 3.10 crore short availed

ii) Short availing of Central grant: For execution of works on NH by the State NH Divisions agency charges towards establishment, tools and plant at 9 per cent of the actual expenditure was allowed. The CE, NH, however, released Letter of Credit, after deducting a sum equivalent to 9 per cent of the grant towards these charges from the gross allocation. The method adopted by the CE resulted in release of lesser amount to the executing agencies and consequently, reimbursement was reduced by 0.81 per cent. This resulted in short availing of Central grant of Rs 3.10 crore, in the last three years.

4.1.5 Huge outstandings under suspense heads

Rupees 481.27 crore were outstanding under suspense heads

As per the books of the AG (A&E), the cumulative balances under the following suspense heads of accounts were outstanding to the end of March 2002.

S. No.	Suspense heads	Amount (Rupees in crore)
1	Miscellaneous Public Works Advances	50.80
2	Purchases	113.68
3	Stock	307.13
4	Workshop	9.66
	Total	481.27

Even though the outstanding balances under these suspense heads were being repeatedly commented upon by Audit in the periodical Inspection Reports of the Divisions from time to time, no effective action was taken by the EEs concerned for their clearances.

4.1.6 Manpower management

The sanctioned strength of the Department as on 1 May 2002 in all cadres was 7,131 of which 2,131 were executive and 5,000 were non-executive staff (technical: 2,042 and non-technical : 5,089). The men in position were 7,015 of which 2,070 were executive and 4,945 were non-executive staff (technical : 1,981 and non-technical : 5,034).

Unfruitful expenditure of Rs 2.40 crore on salaries of superfluous staff

i) Continuance of staff without work: In pursuance of the directions (March 1998) of the GOI, a stretch of 1014 KM on the NH-5 between Chennai and Kolkata falling under the jurisdiction of two National Highway divisions at Srikakulam, Nellore, and three Sub-divisions under the jurisdiction of NH division, Kakinada was handed over to National Highways Authority of India (NHAI) in April 1999, July 2001 and September 2001 respectively. As a result, a total of 127 staff members⁷ attached to the said divisions and Sub-divisions were without work, whereby the expenditure of Rs 2.40 crore (NH Division, Srikakulam Rs 1.87 crore, NH Division, Nellore Rs 0.36 crore and 3 Sub-divisions of NH Division, Kakinada Rs 0.17 crore) on their pay and allowances for the period ended 31 March 2002 was rendered unfruitful.

Expenditure of Rs 1.03 crore on idle crew

ii) Expenditure on idle crew: Consequent to the issue of Government orders in March 1999, permitting the contractors to use their own road rollers in the execution of works entrusted to them, the crew belonging to the road rollers of the Department were left with no work. Rupees 1.03 crore spent on the pay and allowances of the crew for the period April 1999 to March 2002 in four⁸ R&B Divisions test-checked, was rendered unfruitful.

4.1.7 Material management

Concealment of shortages due to delay in verification of stores

Shortages of material valuing Rs 56.24 lakh in Penukonda Sub-division

(i) The belated verification of stores for the period 1992-93 to 1997-98 of Penukonda Sub-division of the Roads and Buildings Division, Dharmavaram conducted by the Sub-divisional officer in December 1998 and November 1999 revealed shortages of materials (cement, steel and bitumen) valued Rs 56.24 lakh. Though an enquiry officer was appointed in January 2000 to enquire into the shortages, no progress had been made and shortages were not made good, even after a lapse of more than three years since they had come to light. Of the eight officials reported by the EE to be responsible for the shortages, two [one Assistant Executive Engineer (AEE) and one Assistant Engineer (AE)] had already retired from service. The failure to conduct annual verification of stores by the Deputy Executive Engineer (DEE) disregarding the codal provisions, as also the inaction on the part of the enquiry officer for over two years, had obliterated the chances of any recovery from the officials responsible for the shortages.

⁷ 45 officials in NH Division, Nellore, 57 in NH Division, Srikakulam and 25 in three Sub-divisions of NH Division, Kakinada

⁸ Cuddapah, Eluru, Kakinada and Mahabubabad

Rupees 27.01 lakh and Rs 44.50 lakh – value of material unrecovered and unaccounted for in Yelamanchili Sub-division

(ii) The AE, Yelamanchili section of Yelamanchili Sub-division of R&B Division, Visakhapatnam reported to the DEE, Yelamanchili in November 1991, of shortages of cement, steel and bitumen valuing Rs 27.01 lakh and also discrepancies in the stock account handed over by his predecessor AE. The EE who was informed of the same by the DEE in June 1995 sent a report in that regard to the SE, R&B, Visakhapatnam, only in May 1998, after a delay of 3 years. The SE too caused verification of records in December 1998 and desired further confirmation of the same from the EE which was received in May 2001. These shortages were in addition to the non-accountal of materials valuing Rs 44.50 lakh in Anakapalle section under the charge of the same AE. The ENC to whom the matter was reported in December 2001, appointed an enquiry officer in April 2002, for enquiring into the charges. Results of enquiry were awaited as of June 2002. The cost of materials found short remained unrecovered and the discrepancies in the stock account remained unreconciled, even after a lapse of ten years.

4.1.8 Programme implementation

The works in the Department are taken up by the executing divisions after preparation of detailed estimates and approval of the same by the competent authority. The works are entrusted to contractors, after call of tenders, except in cases of urgency where the works are awarded on nomination at estimate rates. The execution of the works is supervised and monitored by the respective CEs. For works taken up under Centrally sponsored schemes and the works relating to NH, prior approval of the GOI in the concerned Ministries is obtained.

I. Estimates and tenders

i) ***Incorrect preparation of estimates:*** Improvements to Vakalapudi - Edatam Road from KM 4/0 to 35.360 in East Godavari District was entrusted (December 2001) to a contractor for Rs 3.59 crore. In the estimate of the work as originally proposed, the item of work "PCC with Bituminous Macadam" was assessed as 8,220 cu m as per the levels taken. However, at the time of sanctioning the estimate, the PCC quantity was restricted by the ENC, Roads to 2,500 cu m on the ground that the work was financed by the GOI and sanction of estimate over the administrative approval was not permitted. The quantity actually executed worked out to 4,349 cu m, with an extra financial implication of Rs 51 lakh. The same was approved (December 2001) by the CE, Roads, on the statement of the SE, that considering the discount offered by the contractor and other savings in execution, the total expenditure was well within the estimated contract value of Rs 4.14 crore. Deliberate restriction of the quantity in the sanctioned estimate and subsequent partial

removal of the restriction during actual execution to afford higher rates to the contractor were not in order.

Extra cost of Rs 1.06 crore due to errors in preparation of tender schedules

ii) Defective preparation of tender documents: Tenders for the work "Widening and strengthening of Visakhapatnam-Araku road in KM 71/0 to KM 105 in Visakhapatnam district" were invited by the Chief Engineer, Roads in May 2001. The lowest tender of 'A' for Rs 8.19 crore at a discount of 3.06 per cent was recommended to the COT in July 2001 for acceptance. As there was a typographical error in the tender schedule in exhibiting the qualification criteria in respect of one item of work, the COT rejected all the tenders and desired fresh call. Accordingly, tenders were called for by the CE again in September 2001. The lowest tender of 'B' for Rs 9.25 crore, with a premium of 9 per cent, was accepted in November 2001. Thus, action of the CE in allowing the mistake to creep in necessitated recall of tenders which resulted in avoidable extra expenditure of Rs 1.06 crore at the tender stage.

II. Execution of works

i) Selection of unsuitable sites: According to the Indian Roads Congress (IRC) and MORTH specifications, detailed survey is to be carried out and most feasible and economical site is to be selected for construction of the bridges. However, in the following cases, the sites selected for execution of works proved unsuitable, which necessitated change of designs with consequent huge extra expenditure.

(a) Construction of bridge across Yenamaduru drain at Bhimavaram town limits (West Godavari District) was awarded to a contractor in September 2000 for Rs 1.41 crore. The bridge proper was completed at a cost of Rs 1.16 crore. The approaches could not be formed so far (June 2002). The non-formation of the approaches was attributed to restricted place on both sides of the bridge which necessitated the construction of pre-cast retaining walls for formation of approaches in place of CC walls contemplated in the sanctioned estimate. This resulted in excess expenditure of Rs 27 lakh.

Extra expenditure of Rs 1.67 crore on construction of over bridge in Palakol

(b) Construction of road over bridge in lieu of level crossing at Railway line at KM 21/00-11 in Palakol town limits (West Godavari District) was awarded (May 1999) to a contractor for Rs 9.15 crore. As the sub-soil was weak, it could not withstand the embankment with a height of 3.60 metres and the embankment suddenly formed a bowl shaped depression. This necessitated increasing the scope of the work, with provisions for additional quantity of earth work,

provision for retaining walls, dismantling of existing pipe culvert for replacement with box culvert, etc., necessitating extra expenditure of Rs 1.67 crore.

ii) Unfruitful expenditure: Construction of high level bridge at KM 3/0 of Karumanchi-Ethamokkala-Motumala road in Prakasam District was entrusted to a contractor in September 1998 for completion in 12 months. While the bridge proper was completed by June 1999 at an expenditure of Rs 30 lakh, the work on approaches was not taken up, and the contract closed in September 2000, as the land needed was not acquired. The work was not resumed even as of June 2002. Scrutiny revealed that while the work was technically sanctioned in September 1997 and was awarded to a contractor in September 1998, the cost of the proposed land (Rs 2.40 lakh) was deposited by the EE, R&B Division, Ongole, with the Land Acquisition Officer only in March 2000. The land was yet to be acquired (August 2002). Thus, action was not initiated by the Divisional Officer to ensure the acquisition of land in time. The expenditure of Rs 30 lakh on the construction of the bridge was rendered unfruitful.

iii) Deficiencies in Quality Control: The R&B Department has Inspection and Quality Control (I&QC) circle with headquarters at Hyderabad, headed by SE with five⁹ quality control divisions for the entire state. The main objective of the I&QC Circle was to (1) ensure standard of works to the required specifications, (2) alerting the executive staff towards quality of work to a better grade and (3) minimise or cut unfruitful and wasteful expenditure. During the course of inspection, the quality control engineer should assess the value of defective/ deficient work and suggest recoveries from the contractors/ officers responsible. While the defects pointed out by the quality control were to be got rectified by the executing divisions, the recoveries pointed out, were to be effected forthwith from the concerned contractors/ officials without undue delay.

**Recoveries of
Rs 5.66 crore
towards defects/
deficiencies in
works remained
unrecovered**

It was, however noticed that, of the recoveries of Rs 5.80 crore proposed by the I&QC circle during the period April 1996 to March 2002, towards defective/ deficient work, a sum of Rs 5.66 crore involving 3,733 cases was yet to be realised (July 2002). Of this, recoveries of Rs 96.03 lakh pertained to the period prior to 1998-99, Rs 1.48 crore, Rs 1.14 crore and Rs 2.08 crore related to the years 1999-2000, 2000-01 and 2001-02 respectively.

⁹ Quality Control Divisions, Hyderabad, Nellore, Rajahmundry, Vijayawada and Warangal

III. Other points of interest

Slow pace of settlement of cases with courts/arbitrators

i) Arbitration/court cases pending settlement: As many as 114 cases with regard to the disputes between the Department and the contractors executing the works were pending as on 31 March 2002 with various Courts/arbitrators, as against 104 cases pending as on 1 April 1999. This would reveal that no substantial clearance could be achieved in the settlement of cases pending for long.

ii) Outstanding Audit paragraphs: For 20 paragraphs included in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1999, 31 March 2000 and 31 March 2001, Explanatory Notes of the Department are awaited (September 2002). Important paragraphs along with a brief gist are indicated in *Appendix XXVIII*.

660 IRs (1978 paragraphs) remained unsettled

Further, 1978 paragraphs included in 660 Inspection Reports issued till the end of 31 March 2002 remained unsettled even as of June 2002.

The above points were referred to the Principal Secretary to Government (August 2002). Reply had not been received (September 2002).

SECTION 'B' - AUDIT PARAGRAPHS

IRRIGATION AND COMMAND AREA DEVELOPMENT DEPARTMENT (Irrigation Wing)

4.2 Avoidable extra expenditure due to lack of proper planning

Due to failure of Chief Engineer, Minor Irrigation, to arrange payment of a contractor's dues of Rs 0.62 lakh, the Government had to incur an avoidable extra expenditure of Rs 26.15 lakh.

The work of formation of a reservoir across Jajigedda near Burugupalem village in Visakhapatnam District, intended to create irrigation potential for 259 hectares, was awarded by Superintending Engineer, Irrigation Circle, Visakhapatnam (SE) to a contractor in February 1992 for Rs 38.37 lakh (at 13.48 per cent less than the estimated rates based on Standard Schedule of Rates (SSRs) for 1990-91), with a stipulation to complete the work by February 1993. While Rs 8.51 lakh had become payable to the contractor for the work done as of May 1992, the Executive Engineer, Watershed Management Division, Chodavaram (EE) paid him Rs 7.89 lakh by August 1992, leaving a balance of Rs 0.62 lakh unpaid, due to paucity of funds. For want of payment of his dues, the contractor stopped further work in June 1992. He represented (February/September 1993) to the SE to pay him for the balance work (assessed to cost Rs 27.74 lakh) at enhanced rates as per the prevailing SSRs. The representation of the contractor for enhanced rates was conceded (May 1995) by the Government. After receiving (August 1993) the amount of Rs 0.62 lakh due to him for the work done upto May 1992, the contractor resumed the work in November 1993 and completed (June 1996) at a cost of Rs 53.89 lakh. The work executed by him beyond November 1993 was paid at SSRs of 1993-94. This resulted in extra expenditure of Rs 26.15 lakh in getting the balance work completed.

This was attributable to the lack of financial planning on the part of the Government/CE in prioritising execution of works in accordance with the availability of funds.

The matter was referred to Principal Secretary to Government in June 2002 and followed up with reminder in August 2002. Reply had not been received (September 2002).

**IRRIGATION AND COMMAND AREA DEVELOPMENT
(Irrigation Wing)/REVENUE DEPARTMENT**

4.3 Unfruitful outlay on incomplete works

Failure to acquire lands before the award of works resulted in non-completion of two works rendering the expenditure of Rs 1.86 crore unfruitful and payment of avoidable interest of Rs 36.45 lakh.

Andhra Pradesh Public Works Department Code prescribes that no work should be started without possession of land. However, in the following two cases, works were awarded to contractors without taking possession of lands resulting in non-completion of works rendering the expenditure incurred on these works unfruitful.

(a) Superintending Engineer, Tungabhadra Project High Level Canal (TBPFLC) Circle, Anantapur (SE), called for tenders in October 1992 for the work, “Excavation of a link channel including construction of drops from Mylavaram Reservoir south canal to feed Kamalapuram tank in Cuddapah District under TBPFLC Scheme – Stage-II”, to provide irrigation to 2,675 acres, even before the requisition for acquisition of the required lands (82.36 acres) was sent (December 1992) to Land Acquisition Officer, Jammalamadugu (LAO). The Commissioner of Tenders (COT) rejected the tenders and instructed (January 1993) the CE to ensure acquisition of land before calling for fresh tenders. The work was, however, split into nine parts and fresh tenders were invited separately for each part in June 1993. The lowest tenders were approved (November 1993) by the COT, on the basis of a wrong statement given by the Deputy Chief Engineer, Major Irrigation, that the required land was available with the Department. SE entrusted the works in November/December 1993 to contractors for Rs 62.31 lakh for completion in 9 months.

Audit scrutiny revealed that as against 82.36 acres of land required, compensation had been paid only for 9.15 acres in November 2001 and for the balance land, the acquisition proceedings were still pending as of March 2002. While cross masonry and cross drainage works as also construction of drops involving only a small area of 0.35 acres could be executed to the end of March 1996 at a cost of Rs 35.17 lakh, the balance works mostly comprising excavation of channels could not be proceeded with due to objections raised by land owners who were not paid compensation due to non-release of funds by Government. The work had not been resumed so far (March 2002).

Thus, misrepresentation of facts by the Deputy Chief Engineer to COT and award of the works by SE ignoring COT’s specific

instructions as also the codal provisions, rendered the expenditure of Rs 35.17 lakh on incomplete works unfruitful and resulted in not providing the envisaged irrigation facilities even after a lapse of about 10 years.

(b) The formation of a new minor irrigation tank across Nunjerlavagu near Bhumireddypalli village of Chittoor District envisaged irrigation of an ayacut of 315 ha in Khariff and 158 ha in Rabi. The work was divided into two packages – one for head works and the other for supply channels. The Superintending Engineer, Irrigation Circle, Chittoor (SE) entrusted both the packages, after call of tenders, to a single contractor under two separate agreements concluded in April 1998 and March 1999 for Rs 1.28 crore and Rs 32.22 lakh for completion in 12 and 6 months respectively. While the contractor completed Package-I head works at the cost of Rs 1.39 crore by September 1999, he stopped the excavation of channels under Package-II midway in March 2001 after executing only a portion of the work valued Rs 12.16 lakh as full extent of the land required for the work was not made available. The requisition for land was originally sent to the Revenue Divisional officer, Chittoor (RDO) by the Executive Engineer, Irrigation Division, Chittoor (EE) in April 1997 followed by a revised one in November 1999 due to changes in alignment of the canals, the reasons for which were not on record. The contractor, resumed (4 March 2002) the work on the handing over of the lands by RDO in December 2001, and stopped the work (17 March 2002) due to objections raised by land owners to whom full compensation was not paid. Despite issue of several notices, the contractor did not resume the work and the contract was terminated with forfeiture of his deposits including value of work done but not paid. SE intimated (May 2002) that a requisition for additional funds of Rs 50,000 received from the RDO in April 2002 was under process. The balance work (Rs 18.77 lakh), however, was not entrusted to any agency (June 2002).

Thus, the commencement of work by SE without having adequate land coupled with the silence of RDO for over two years in requisitioning the additional funds resulted in incomplete work and rendered the expenditure of Rs 1.51 crore to end of March 2002 unfruitful. Further, as the work was being partly financed by National Bank for Agricultural and Rural Development loan assistance of Rs 1.22 crore at 12 per cent per annum the delay entailed an avoidable liability of Rs 36.45 lakh towards interest, besides denying the farmers the benefits under the scheme.

Both these cases were referred to Principal Secretaries to Government in June 2002, and followed up with reminders in August 2002. Replies had not been received (September 2002).

Irrigation Wing

4.4 Extra financial commitment due to delay in finalisation of tenders

The unwarranted action of Commissioner of Tenders (COT) in directing for re-evaluation of an already disqualified tender coupled with delay in resubmission of the tenders resulted in extra financial commitment of Rs 28.60 lakh.

As per the tender conditions, tenders should be decided within the validity period of three months, after expiry of last date prescribed for the receipt of the tenders. However, in the following work the delay in finalisation of tenders resulted in extra financial commitment.

Superintending Engineer, Irrigation Circle, Bobbili (SE), invited tenders in February 2000 for the work “Forming a new minor irrigation tank across Varahalagadda in Parvatipuram Mandal of Vizianagaram District”. The tenders with validity upto 2 June 2000 were to be received in two parts –the technical bid, and the price bid. The technical bid was to be opened first and the price bid was to be opened only in respect of those bidders, who were found qualified in the technical bid. Of the three tenders received, the SE opened the price bid of only ‘R’ as the other two tenderers ‘P’ and ‘Q’ did not submit certain documents¹⁰ along with the technical bids. The Chief Engineer (CE) accordingly recommended (31 March 2000) the lone qualified tender of ‘R’ for Rs 1.10 crore to the Commissioner of Tenders (COT) for acceptance.

In the meantime, the contractor ‘Q’, knowing fully well that he was not the lowest having been present at the time of opening of price bids, represented (27 March 2000) to the SE with a copy to COT that his tender be also considered as the documents required to be submitted with the technical bid were already submitted earlier along with his tender for another work, approved (September 1999) by COT. Consequently, COT returned (27 April 2000) the tenders to CE with directions to consider the genuineness of the representation of ‘Q’ and re-evaluate the bids, if necessary.

Accordingly, the price bid of ‘Q’ also was opened by CE on 3 May 2000. The bid was for Rs 1.39 crore, i.e., higher by Rs 28.60 lakh than that of ‘R’. The CE resubmitted the tenders of both ‘Q’ and ‘R’ to COT on 29 May 2000 recommending again the acceptance of the lowest tender of ‘R’. This recommendation was received by COT on 31 May 2000 leaving just two days before the expiry of their

¹⁰ (a) Income tax (b) sales tax clearance certificates and (c) an undertaking about particulars of annual turnover and the balance works – in-hand

validity on 2 June 2000. Meanwhile, the SE had sought (27 May 2000) extension of the validity of tenders. While 'Q' responded favourably, 'R' declined to do so. Thereupon, COT accepted the tender of 'Q' and work was awarded to him.

Thus, the unwarranted action of COT in returning the tenders to CE for re-evaluation merely on a representation of an already disqualified tenderer, coupled with the abnormal delay of more than one month on the part of the CE in resubmitting the tenders to COT, resulted in expiry of the tender validity period and consequential extra commitment of Rs 28.60 lakh at the award stage itself.

Further, the circumstances under which 'Q', knowing fully well that his was not the lowest tender, having been present at the opening of the price bids, chose to make an issue of the rejection of his technical bid, and finally secured the contract due to all these delays need to be investigated.

The matter was referred to Principal Secretary to Government in June 2002 and followed up with a reminder in August 2002. Reply had not been received (September 2002).

**Projects Wing
Nagarjunasagar Project**

4.5 Locking up of funds

The hasty decision of the Executive Engineer, Buildings and Roads Division, Nagarjunasagar Project, in depositing Rs 1.34 crore with APTRANSCO, for renovation of power supply system in the Project, despite the unwillingness of the latter resulted in locking up of the funds for over two years.

Nagarjunasagar Project (Project) was availing high tension (HT) power supply from the Andhra Pradesh State Electricity Board (Board – now APTRANSCO) for a contracted maximum demand (CMD) of 1300 KVA with effect from July 1985 for supply to dam and appurtenant works as well as residential and non-residential buildings of both the Government and quasi-government organisations of the Project.

Though the Project purchased the power at HT rates, power was supplied to private individuals and institutions located in the Project area at lower tariff.

A committee constituted (December 1995) by Government, recommended (January 1998) handing over of the entire power supply system at the Project to the Board and get the system renovated by the Board, at the cost of the Project. No progress has been made till July 2002, though a payment of Rs 1.34 crore towards

the estimated cost of renovation charges had been made in September 1999 to the Divisional Engineer, APTRANSCO, Miryalaguda (DE) without concluding any agreement. The DE accepted the payment only in January 2000, since he had no instructions in this regard. The renovation work was not taken up by APTRANSCO; reasons for which were not on record.

Thus, the hasty decision of the EE in depositing a large sum of Rs 1.34 crore with APTRANSCO, knowing well the unwillingness of the latter to take up the work immediately, resulted in the amount being locked up for over two years without any useful purpose.

The matter was referred to the Principal Secretary to Government in June 2002, followed up by a reminder in August 2002. Reply had not been received (September 2002).

Sriramsagar Project

4.6 Excess payment to contractors

Incorrect interpretation of agreement condition by Administrator-cum-Chief Engineer, Sriramsagar Project, in respect of two World Bank package works, led the Executive Engineers in recommending higher rate for earth excavation work resulting in excess payment of Rs 90.82 lakh to contractors.

Superintending Engineers, Godavari Valley Circle-III, Daroor Camp, Jagityal and Godavari Valley Circle-IV, LMD Colony entrusted two works¹¹ in July 1999 and August 1999 for Rs 21.70 crore and Rs 16.96 crore respectively, for completion in 36 months.

According to the agreements the contractors were entitled to full agreement rates for quantities upto 25 per cent in excess of the bill of quantities. For quantities in excess of this limit (above 25 per cent of bill of quantities) where the value of change (in quantities) exceeds one per cent of the initial contract price, the rate shall have to be adjusted by the Engineer to allow for the change. In the absence of a specific mention as to how the Engineer has to adjust the rate, the provisions of Andhra Pradesh Standard Specifications, which formed part of the agreement, should govern the derivation of rate. Thus, for excess quantities the rates payable shall be either the tendered rates or the estimate rates of the respective items plus or minus the overall tender percentage whichever was less.

¹¹ (1) Rehabilitation and modernisation of distributory system D/86 from Km 15.000 to Km 35.300 and minors from M 21R to 42R (including sub-minors) of Kakatiya canal, Sriramsagar Project

(2) Kakatiya canal D/83 from Km 20.932 to Km 35.372 lining for minors and sub-minors from 35 cusecs to one cusec and construction of new structures

It was noticed in audit that for the entire quantities of earth work which was 94 to 240 per cent in excess of bill of quantities, the Executive Engineers, Division No. I, Godavari Valley Circle-IV, Sultanabad and Division No. II, Godavari Valley Circle-II, Choppadandi (EEs) had allowed (March 2002 and November 2001) full agreement rates (ranged from Rs 36 to Rs 49 per cu m) instead of the estimated rate plus or minus overall tender percentage (working out to Rs 23.04 to Rs 25.49 per cu m) actually payable to contractor.

The EE justified payment of full agreement rates by quoting a clarification issued in August 2001 by the Administrator-cum-Chief Engineer, SRSP (ACE). Scrutiny revealed that the clarification quoted was applicable only for determining the rates for variations in the items of work not covered by the agreement.

Thus, the action of the EEs in recommending full agreement rate and that of the Pay and Accounts Officer in admitting the same resulted in excess payment of Rs 90.82 lakh for 4,81,010 cu m of earth work excavated over and above 25 per cent of the bill of quantities.

The matter was referred to Principal Secretary to Government in August 2002. Reply had not been received (September 2002).

TRANSPORT, ROADS AND BUILDINGS DEPARTMENT

4.7 Excess payment to contractors

Inclusion of seigniorage charges in the value of work in computing price adjustment, resulted in excess payment of Rs 3.06 crore to contractors.

The widening and strengthening of 12 state highway roads taken up with World Bank assistance was entrusted by the Engineer-in-Chief, Roads and Buildings, (Administration and External Aided Projects), to 7 contractors between March 1998 and March 2000, for an aggregate amount of Rs 1154.25 crore. The agreements with contractors provided, *inter alia*, for adjustment of contract prices for increase/decrease in the cost of labour, materials, fuels and lubricants in accordance with the formulae prescribed for each component, as a fraction of the total value of work done during the month. The agreement also contained a clause providing for compensating the contractors for increase in the cost of work due to legislation passed subsequent to conclusion of the agreement.

It was noticed in audit that the total value of work on which escalations were computed, included seigniorage charges paid to

contractor. The value of work done should not, however, include seigniorage charges for purposes of computation of price adjustment. These charges were recoverable from contractor's bills at the same uniform rates included in the estimate and reimbursed. Government too clarified in November 1994 that escalation was not to be paid on seigniorage charges. Inclusion of seigniorage charges in the total value of work for computing price adjustment resulted in excess payment of Rs 3.06 crore.

The Project Director stated (June 2001) that the agreement did not stipulate that the value of work done should not include seigniorage charges, and that executive orders would not have any bearing or operation on these contracts, unless a condition to that effect was incorporated therein.

The contention was not tenable as seigniorage charges paid were recovered at fixed rates provided in the estimates and more so, the contractors were compensated under “Subsequent Legislation Clause” for increase ordered by Government in June 2000 in the rates of seigniorage charges.

The matter was referred to Principal Secretary to Government (August 2002). Reply had not been received (September 2002).

4.8 Unfruitful expenditure on incomplete work and excess payment to contractor

The work of construction of 14 residential bungalows in Shaikpet village of Hyderabad District for Hon'ble judges of the High Court was left incomplete rendering the expenditure of Rs 5.12 crore to end of March 2000 unfruitful. Incorrect fixation of rate for a supplemental item resulted in excess payment to the contractor for the work to a tune of Rs 61.79 lakh.

(a) Construction of 14 residential bungalows in Shaikpet village of Hyderabad District for Hon'ble judges of the High Court of Andhra Pradesh was administratively approved by State Government for Rs 2.38 crore in November 1994. The Superintending Engineer, Roads and Buildings, Headquarters Circle, Hyderabad entrusted the work to a contractor in August 1997 for a contract value of Rs 2.45 crore, for completion in 12 months. The contract value was later revised to Rs 6.70 crore in May 1999 as a result of change in location of the project involving additional work. As desired by the Building Committee comprising of Hon'ble judges, a model bungalow was completed in all respects by March 2000 for their inspection when seven other bungalows were also completed except for colouring and six bungalows were under various stages of construction. The balance work on the project was stopped pending approval of the Building Committee. After inspection (July 2000) of

the model building, the Building Committee suggested certain additions and alterations which *inter alia* included widening the kitchen as also a bed room, provision for separate store room, servant quarters, garage and community facilities such as auditorium, recreation club, swimming pool, reading room, etc. Revised drawings incorporating the necessary changes were communicated by the Executive Engineer, Assembly Buildings Division (EE) to the Registrar, High Court in September 2000 for approval. The High Court authorities, on reconsideration dropped the proposals for additions and alterations, except for one toilet abutting drawing room. They communicated their decision to Engineer-in-Chief, Roads and Buildings, Andhra Pradesh (ENC) in June 2001 and desired that the balance work on the project be proceeded with. The work suspended in March 2000 was not resumed even as of September 2002 rendering the expenditure of Rs 5.12 crore on the incomplete project unfruitful.

Reply of the EE (May 2002) that the balance work was not resumed for want of clearance from the High Court was not in order as the latter had already communicated in June 2001 their decision.

(b) In the same work "Earthwork excavation in hard rock and boulders of more than 3 cum in size" not contemplated earlier was necessitated during execution of work. As per the provisions of the Andhra Pradesh Standard Specifications forming part of agreement with contractor, the rates payable for new items of work shall be the rates for that item in the Standard Schedule of Rates with which the estimate was prepared plus or minus the overall tender percentage. The rate for the new item thus calculated worked out to Rs 217 per cu m. However, the EE deduced (June 1998) a rate of Rs 723 per cu m from the rate of an item not similar to it in the agreement. Pending approval of the Chief Engineer (CE), the EE paid the contractor (between February 1998 and September 1999) at a provisional rate of Rs 560 per cu m. Adoption of incorrect method by the EE to arrive at the rate for supplemental item, coupled with his action in releasing a provisional rate of Rs 560 per cu m, as against the actually payable rate of Rs 217 per cu m, resulted in excess payment of Rs 61.79 lakh to the contractor, as of March 2000. The CE to whom the matter was referred had, concurred with audit, and instructed the SE to effect recovery. The memorandum of payments prepared by the EE and submitted (September 2002) to SE revealed that, the excess amounts paid, along with other statutory deductions and cost of materials supplied to the contractor amounted to Rs 88.11 lakh and was recoverable. The contractor therefore has no incentive to resume the work and why the EE allowed overpayments require investigation.

The issues were referred to Principal Secretary to Government in August 2002 and June 2002 respectively. Replies had not been received (September 2002).