Report of the
Comptroller and Auditor General of India
on
Economic Sector
for the year ended March 2016

Government of Telangana
Report No. 7 of 2016

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PREFACE

This Report for the year ended March 2016 has been prepared for submission to the Governor of Telangana under Article 151 of the Constitution of India.

The Report contains significant results of the performance audit and compliance audit of the Departments of the Government of Telangana under the Economic Services including Departments of Agriculture and Co-operation; Rain Shadow Areas Development; Animal Husbandry and Fisheries; Energy; Environment, Forests, Science and Technology; Industries and Commerce; Information Technology, Electronics and Communications; Infrastructure and Investment; Irrigation and Command Area Development; Public Enterprises; and Transport, Roads and Buildings. However, the other Departments are excluded and covered in the Report on General and Social Services.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2015-16 as well as those which came to notice in earlier years, but were not reported earlier. Instances relating to the period subsequent to 2015-16 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Chapter - I
Overview of Economic Sector

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Overview of Economic Sector

1.1 Introduction

Telangana State has a population of 3.50 crore and a geographical area of 1,12,077 sq.kms. For the purpose of Administration, there are 32 Departments at the Secretariat level headed by Principal Secretaries/Secretaries who are assisted by Directors/Commissioners and subordinate officers under them. This Report covers the functioning of 11 Departments of the Economic Sector listed in Table 1.1.

1.2 Expenditure of Economic Sector Departments

Expenditure incurred by the Departments during the period 2011-16 is given in Table 1.1.

Table 1.1: Table showing the expenditure during 2011-16*

(₹ in crore)

Sl. No.	Name of the Department	2011-12	2012-13	2013-14	2014-15	2015-16
1	Agriculture & Co-operation	3334.54	3633.36	2874.65	5380.31	5668.08
2	Rain Shadow Areas Development[1]					
3	Animal Husbandry & Fisheries	729.58	830.61	839.18	325.17	543.00
4	Energy	4367.68	6249.03	7553.28	3504.49	5195.32
5	Environment, Forests, Science and Technology	343.01	391.25	399.56	211.75	364.71
6	Industries & Commerce	380.74	760.53	705.66	670.96	777.56
7	Information Technology, Electronics & Communications	57.72	199.37	155.10	136.40	87.33
8	Irrigation and Command Area Development	17787.39	19704.27	18760.67	8052.87	10978.72
9	Public Enterprises	1.46	1.40	1.44	0.54	0.80
10	Roads and Buildings	3043.04	4188.66	4948.75	2598.97	2917.20
11	Infrastructure & Investment[2]					
Total		**30045.16**	**35958.48**	**36238.29**	**20881.46**	**26532.72**

** These figures represent the expenditure figures of the erstwhile composite AP State from 01 April 2011 to 31 March 2014 and expenditure figures of Telangana State from 02 June 2014 to 31 March 2016. Expenditure figures from 01 April 2014 to 01 June 2014 were depicted in Audit Report on Economic Sector Departments of Andhra Pradesh State*

*(**Source:** Appropriation Accounts of Government of Andhra Pradesh/Telangana for the relevant years)*

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1 Expenditure of this Department is covered under Grant No. XXVII – Agriculture

2 Expenditure of Infrastructure & Investment is covered under Grant No.XI – Roads, Buildings and Ports

Of the 11 Departments, with a total expenditure of ₹26532.72 crore, covered in this Report, a major portion of the expenditure was incurred by Irrigation and Command Area Development Department (41.38 *per cent)*, Agriculture & Co-operation Department (21.36 *per cent)*, and Energy Department (19.58 *per cent)* during 2015-16.

1.3 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from the audit of 11 Government Departments and Autonomous Bodies under the Economic Sector. Compliance Audit covers examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. Performance Audit examines whether the objectives of the programme/activity/Department are achieved economically, efficiently and effectively.

1.4 Authority for audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG conducts audit of expenditure of the economic sector Departments of the Government of Telangana under Section 13[3] of the DPC Act. CAG is the sole auditor in respect of four[4] autonomous bodies which are audited under Sections 19(2)[5], 19(3)[6] and 20(1)[7] of the DPC Act. In addition, CAG also conducts audit of other autonomous bodies under Section 14[8] of DPC Act which are substantially funded by the Government. Principles and methodologies for the various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

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[3] Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts kept in any Department of a State

[4] Telangana State Electricity Regulatory Commission (TSERC) under Section 19(2), Telangana Khadi and Village Industries Board (TKVIB) under Section 19(3), Environment Protection Training and Research Institute (EPTRI) under Section 20(1) and Telangana State Compensatory Afforestation Fund Management and Planning Authority (TSCAMPA) under Section 20(1) of DPC Act

[5] Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations

[6] Audit of accounts of Corporations (not being companies) established by or under law made by the State Legislature in accordance with the provisions of respective legislations

[7] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government

[8] Audit of all receipts and expenditure of (i) any body or authority substantially financed by grants or loans from the Consolidated Fund and (ii) any body or authority where the grants or loans to such body or authority from the Consolidated Fund in a financial year is not less than ₹ one crore

1.5 Planning and conduct of audit

The primary purpose of this Report is to bring to the notice of the State Legislature important results of Audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the executive to take corrective action as also to frame policies and directives that will lead to improved management of the organisations, thus contributing to better governance.

The Audit process starts with the assessment of risks faced by various Departments of Government, based on expenditure incurred, criticality/ complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous Audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of Audit are decided.

After completion of Audit, Inspection Reports containing Audit findings are issued to the heads of Departments, who are requested to furnish replies to the Audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, Audit findings are either settled or further action for compliance is advised. Important Audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports which are submitted to the Governor of the State under Article 151 of the Constitution of India. During 2015-16, various Departments/ Organisations under the Economic Sector were audited and 153 Inspection Reports containing 954 paragraphs were issued.

1.6 Response to Audit

1.6.1 Performance Audit and Compliance Audit observations

One Performance Audit and four compliance audit paragraphs included in this Audit Report were forwarded demi-officially to the Principal Secretaries/ Secretaries of the Departments concerned between August and October 2016, with a request to send their responses. Government/ Department's responses were received for Performance Audit and two compliance audit paragraphs. Responses of Government/Departments have been taken into account while finalising this Report.

1.6.2 Follow-up on Audit Reports

Finance and Planning Department had issued (May 1995) instructions to all Administrative Departments to submit Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) relating to the paragraphs contained in Audit Reports within six months. Audit reviewed the outstanding ATNs as of 31 October 2016 on the paragraphs pertaining to Economic Sector Departments of the Telangana State, included in the Reports of the Comptroller and Auditor General of India, Government of Andhra

Pradesh and found that two[9] Departments did not submit ATNs for the recommendations pertaining to seven audit paragraphs discussed by PAC.

1.6.3 Outstanding replies to Inspection Reports

The Accountant General (E&RSA), Andhra Pradesh and Telangana arranges to conduct periodical inspections of the Government Departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher Authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through replies. Serious financial irregularities are reported to the heads of Departments and the Government.

1944 IRs containing 7007 paragraphs issued upto 31 March 2016 were pending settlement as of 30 September 2016. The Department-wise details are given in ***Appendix 1.1***.

1.7 Significant Audit Findings

Performance Audit

Implementation of selected Medium Irrigation Projects

The Government had taken up (2005) nine Medium Irrigation (MI) projects with a cost of ₹ 888 crore to create an Irrigation Potential (IP) of 1.1 lakh acres in two years. Performance Audit of five selected MI projects was conducted (from January to June 2016) to assess (i) whether planning for the projects was comprehensive and individual projects were formulated properly; (ii) whether the execution of the project packages was systematic and in accordance with relevant provisions and (iii) whether the intended benefits were achieved.

[9] Irrigation and Command Area Development Department: 5 ATNs and Animal Husbandry and Fisheries Department: 2 ATNs

Major audit findings are summerised below:

- ***Though all the five projects were targeted to be completed within two years, only two were completed, except for some ancillary works. The remaining projects were not completed due to improper planning, delays in submission and approval of designs, rehabilitation and resettlement activities, obtaining forest clearances etc. Irrigation Potential (IP) of 13900 acres only was achieved (May 2016) against the targeted 52000 acres.***

- ***There were consistent savings (₹319.02 crore) across the projects and across the years. There were also reductions (₹224.56 crore) from original grants through re-appropriations in at least six years.***

- ***Despite receiving almost full grants under Accelerated Irrigation Benefit Programme (AIBP), three projects viz., Gollavagu, Neelwai and Peddavagu at Jagannathapur were yet to be completed even after 11 years. There were shortfalls in utilization of AIBP funds in respect of Gollavagu (₹2.24 crore) and Peddavagu at Jagannathapur (₹41.53 crore). Since none of the projects were completed within the time stipulated by AIBP, possibility of conversion of grants to loans cannot be ruled out.***

- ***Suggestions of the Central Water Commission (CWC), relating to adoption of rainfall – runoff relationship of Kaddam project to these projects, to review flood discharges and establish gauzing stations at dam sites were not complied with. As a result, audit could not verify the scientific basis for calculation of dependable yield for the projects.***

- ***Irrigation Potential to be created in each village, as prescribed in Public Works Department Code, was not contemplated in the Detailed Project Reports (DPR). In three projects, only mandal-wise IP was stipulated to contracting agencies. Though, village-wise IP was stipulated in the agreement in case of Mathadivagu project, the contracting agency did not comply with the stipulation, resulting in leaving out two villages and reduction of the proposed IP in six villages.***

- ***In Mathadivagu and Peddavagu at Jagannathpur projects head regulators were planned and constructed without corresponding canal systems.***

- ***There were cases of delays in survey and investigation (S&I) activities by the contracting agencies, non-submission of S&I reports as envisaged, delay in submission of proposal for forest land, defective S&I leading to deletion of IP, improper S&I resulting in delay in execution etc.***

- ***There were delays in submission and approval of designs, non-compliance with Government instructions in respect of timelines in finalisation of designs.***

- ***Estimates were not prepared by the agencies as stipulated in the agreements. Payment schedules were revised several times without justifications / recorded reasons.***

- ***There were cases of non extension or delay in extension of benefits of Rehabilitation and Resettlement (R&R) to the project affected families, resulting in delays in execution of projects.***

- ***There were instances of accepting changes in basic project parameters without corresponding changes in the cost of the agreement, leading to undue benefits to contracting agencies.***

- ***Drinking water facilities to villages en-route, as envisaged, were not ensured.***

[Paragraph 2.1]

Compliance Audit

Development of Textile and Apparel Parks

Textile and Apparel Parks were established with an objective of increasing the textile exports and to generate employment opportunities in handloom and textile sector. Audit of selected four Parks, out of eight Parks in Telangana were conducted during May-June 2016 to ascertain the reasons behind delay in completion of parks and non-achievement of specified targets.

Major audit findings are summerised below:

- ***There were significant time overruns in completion of the Parks ranging from seven months to 151 months.***

- ***The expenditure so far incurred by the State Government (₹6.04 crore) and GoI (₹14.34 crore) could not yield expected results in respect of Textile Park, Siricilla and Whitegold Integrated Spintex Park Private Limited (WISPL).***

- ***In Textile Park, Siricilla, the Department had incurred an expenditure of ₹5.86 crore on power supply, water supply and internal road network against the originally approved cost of ₹1.64 crore.***

- ***There were no export sales in respect of Textile Park, Siricilla and WISPL against the targets of ₹10 crore and ₹650 crore per annum respectively. In Handloom Park, Pochampally, the export sales were ₹1.53 crore (upto 2015-16) against targeted ₹17.50 crore per annum.***

- ***There was shortfall in establishment of units in the Parks ranging from zero to 100 per cent and, in respect of employment generation, it ranged from 81 to 100 per cent.***

- ***Due to delay in creation of the infrastructure for the Textile Park, Siricilla, the Department had lost the Government of India assistance to the extent of ₹1.04 crore.***

- ***In the Textile Park, Siricilla, the Common Effluent Treatment Plant constructed at a cost of ₹1.04 crore was not functional and Common Waste Water Treatment Plant constructed in Apparel Export Park, Gundlapochampally was not functioning since November 2011.***

- ***In Apparel Export Park, Gundlapochampally, 53 per cent of the total units belong to non-textile/apparel manufacturers, the Park had not achieved its intended purpose of being an apparel hub.***

[Paragraph 3.1]

Implementation of Crop Loan Waiver Scheme

Government of Telangana had introduced (August 2014) Crop Loan Waiver Scheme to alleviate the hardship of the farmers due to their indebtedness. The scheme covered short term production loans and crop loans disbursed by banks to farmers against gold. Each farmer family was eligible for waiver of crop loan amount which had been disbursed and was outstanding as of 31 March 2014, together with applicable interest on outstanding loan, up to 31 August 2014 or ₹ one lakh per farmer family, whichever was lower.

Major audit findings are summerised below:

- ***Verification of beneficiaries under 'farmer family' norm was conducted without Aadhar numbers, despite being mandatory in the scheme guidelines. No social audit was conducted to eliminate duplicate/multiple financing of beneficiaries.***

- ***The Department did not verify the crop loans taken by farmers from other district bank branches on agriculture lands in multiple districts/mandals.***

- ***Crop loans to Rythu Mitra Groups/ Rythu Mitra Sangams were waived, against the scheme guidelines to treat farmer families as units.***

- ***Banks claimed excess interest of ₹183.98 crore on the total outstanding crop loan of beneficiaries. Some of the banks did not claim interest, though stipulated in the scheme guidelines, resulting in eligible farmers being deprived of waiver of interest to an extent of ₹66.16 crore.***

- ***There was delay in remittance of unspent amount into Government account both by Joint Directors of Agriculture and banks, mainly due to delayed reconciliation of accounts by banks.***

- ***There were unspent balances with the nodal banks and also with the bank branches, even after furnishing of utilization certificates to Department.***

[Paragraph 3.2]

Telangana Road Sector Project

In order to reduce the growing funding gap in the road sector, a loan agreement (January 2010) was entered into between International Bank for Reconstruction and Development (IBRD) and Government of India. After bifurcation, the loan was divided and a separate Project Agreement was concluded between IBRD and Government of Telangana, fixing Telangana's loan at 66.5 Million USD. The objective of the project was to provide better quality, capacity and safe roads to users in a sustainable manner through enhanced institutional capacity of the Government in road sector.

Major audit findings are summerised below:

- ***In one upgradation package, the Roads and Buildings (R&B) Department had not levied delay damages of ₹19.23 crore while granting extension of time, despite dismal progress of the work***

- ***The R&B Department deleted some road stretches from the scope of contract due to their conversion as National Highways or having been taken up under other State schemes, resulting in short utilization of the loan. No efforts were made by the Department to fill the gaps by identifying alternate roads in lieu of the deleted stretches.***

- ***The PPP component of the Project remained underutilised, as only one road was identified to be executed under PPP mode, prior to bifurcation of the Andhra Pradesh State. After bifurcation, the R&B Department had not conducted any further studies to identify more roads to be developed under PPP mode.***

- ***The formulation of Road Safety Action Plan was lagging behind the schedule as the works related to demonstration corridor were yet to be completed and in only two out of ten black spots improvement works were completed.***

[Paragraph 3.3]

- ***Department incorrectly adopted 'total value of the work' for computation of fuel factor, leading to excess payment of ₹4.74 crore towards price escalation for fuel and lubricants.***

[Paragraph 3.4]

Chapter - II
Performance Audit

Chapter - II

Performance Audit

Irrigation and Command Area Development Department

2.1 Implementation of selected Medium Irrigation Projects

2.1.1 Introduction

Medium Irrigation (MI) projects are projects that have Culturable Command Area (CCA)[1] between 5000 and 25000 acres. The Government had taken up nine MI projects in 2005 with a cost of ₹888 crore to be completed in two years. These were to create an irrigation potential (IP) of 1.1 lakh acres.

2.1.2 Scope and Methodology of Audit

A Performance Audit on implementation of selected Medium Irrigation projects was carried out during January to June 2016. Out of nine MI projects, five projects viz., Gollavagu, Mathadivagu, Neelwai, Peddavagu at Jagannathapur and Ralivagu were selected, using simple random sampling without replacement method. In the process, Audit scrutinized the records of Special Chief Secretary, Irrigation and Command Area Development (I&CAD) Department, Chief Engineer (Projects), Adilabad (CEADB), two Superintending Engineers (SE)[2] and three Executive Engineers (EE)[3].

Audit methodology involved study of documents relating to Government decisions, policies, circulars, budgetary allocations etc., and joint inspections. Audit conclusions were drawn after obtaining information from I&CAD Department through issue of audit enquiries and replies thereto have been suitably incorporated in this Report. Audit objectives, scope and methodology were discussed with the Special Chief Secretary to Government of Telangana, I&CAD Department in the Entry Conference held on 6 May 2016. An Exit Conference was held on 31 October 2016 and the views of the Government have been taken into account in the Report.

2.1.3 Audit Objectives

The Performance Audit on "Implementation of selected Medium Irrigation Projects" was conducted to assess:

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1 The area, which can be irrigated from a scheme and is fit for cultivation is called command area

2 (i) Irrigation Circle, Nirmal and (ii) Dr BRAPCSS Construction circle, Bellampally

3 (i) IB division, Adilabad; (ii) Dr BRAPCSS Construction division, Bellampally and (iii) Medium Irrigation Projects division, Mancherial

(i) whether planning for the projects was comprehensive and individual projects were formulated properly;

(ii) whether the execution of the project packages was systematic and in accordance with relevant provisions; and

(iii) whether the intended benefits were achieved.

2.1.4 Audit Criteria

Performance Audit findings were benchmarked against the following sources:

(i) Central Water Commission (CWC)/ Ministry of Environment and Forest (MoEF) / Ministry of Tribal Affairs (MoTA) / Accelerated Irrigation Benefit Programme (AIBP) guidelines;

(ii) State Financial Code and State Public Works Department (PWD) Code;

(iii) Rehabilitation and Resettlement (R&R) Policy - 2005 of the State Government;

(iv) Guidelines relating to Engineering, Procurement and Construction (EPC) contracts and Internal Benchmark (IBM) estimations with relevant Schedule of rates;

(v) Government Orders, memos and circulars issued from time to time;

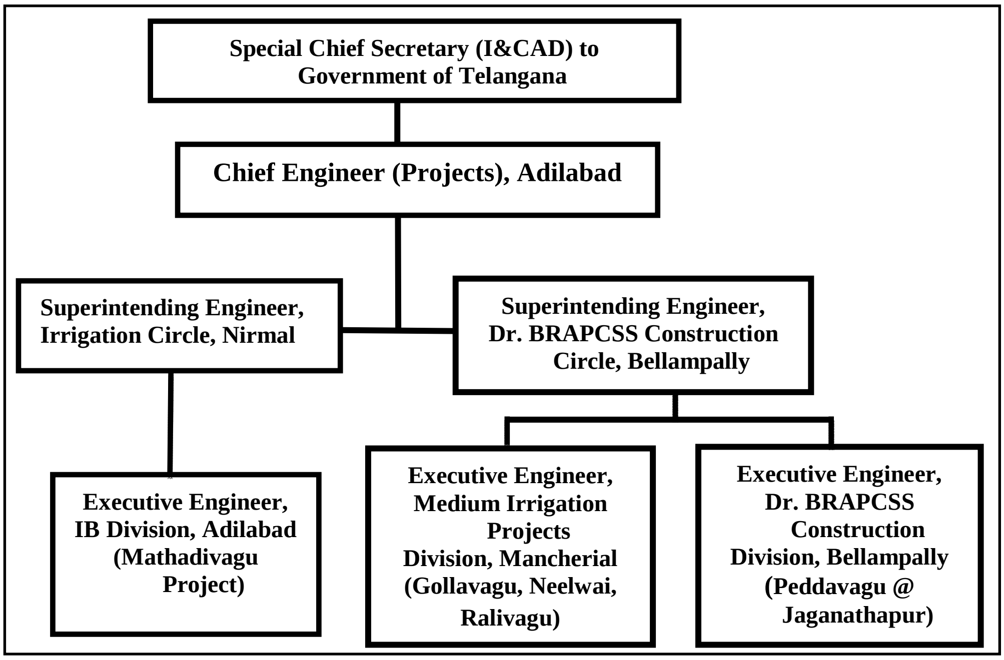
(vi) Provisions of Agreements for respective packages of projects concerned;

(vii) Annual Budgets and annual action plans; and

(viii) Detailed Project Reports (DPRs).

2.1.5 Organizational Setup

The organizational setup in respect of selected medium irrigation projects is depicted in the following organizational chart.



*(**Source:** Information furnished by Chief Engineer, Projects, Adilabad)*

Audit Findings

2.1.6 Physical and financial targets and achievements

All the five projects selected for Audit were entrusted (March 2005) to different agencies under Engineering, Procurement and Construction (EPC) contracts for completion within two years i.e., by March 2007. The present status of the projects is shown below.

Table 2.1: Details of contemplated irrigation potential and created, original cost, revised cost, expenditure and present status

Sl. No.	Project	Contemplated Irrigation Potential (IP) in acres	IP created in acres	Original cost (revised cost) (₹ in crore)	Expenditure as of March 2016 (₹ in crore)	Present status (as of May 2016)
1	Gollavagu	9500	4000	83.61 (96.61)	87.79	Head works and excavation of main canals completed.
2	Mathadivagu	8500	6900	50.40 (58.50)	58.50	Completed, except for a railway crossing.
3	Neelwai	13000	1000	90.50 (137.71)	119.39	Head works completed.
4	Peddavagu at Jagannathapur	15000	0	124.64 (163.78)	95.25	Head works in progress.
5	Ralivagu	6000	2000	33.30 (*)	48.00	Completed, except for ancillary works.
	Total	**52000**	**13900**	**382.45**	**408.93**	

* Revised Administrative approval is yet to be accorded

*(**Source:** Information furnished by CEADB, SEs of projects concerned and VLC data from AG (A&E))*

As can be seen from above, only one out of the five projects was completed fully (except for a railway crossing) and another project was completed except for ancillary works. The remaining projects were not completed due to improper planning and delays in land acquisition, submission and approval of designs, rehabilitation and resettlement activities, obtaining forest clearances etc., as discussed in the following paragraphs.

Government stated (October 2016) that two[4] out of the five projects were completed. In respect of Neelwai Project, the first contract was terminated (March 2011) due to slow progress and stoppage of work by the agency. Subsequently, the work was entrusted (December 2011) to another agency for completion by June 2013.

2.1.6.1 Funding pattern

All selected projects reviewed by Audit were included under the Accelerated Irrigation Benefit Programme (AIBP) of the Central Government which aimed at completion of the irrigation projects timely to derive early benefits. A review of original grants, supplementary grants, re-appropriations, total grants and actual expenditure incurred on the projects showed that an amount of ₹224.56 crore was re-appropriated from the original budget allocation of ₹948.15 crore from 2004-05 to 2015-16, while the Department could not spend ₹319.01 crore, as detailed below.

Table 2.2: Details of Excess / Savings of five selected medium irrigation projects

(₹ in crore)

Sl. No.	Project	Original Grants	Supple-mental Grants	Re-appro-priations	Total Grants	Expenditure	Excess (+) / Savings (-)
1	Gollavagu	129.40	0.00	4.26	133.66	87.79	(-)45.87
2	Mathadivagu	104.30	0.00	(-)12.89	91.41	58.50	(-)32.91
3	Neelwai	260.21	2.95	(-)42.93	220.23	119.39	(-)100.84
4	Peddavagu at Jagannathapur	375.84	0.00	(-)166.62	209.22	95.25	(-)113.97
5	Ralivagu	78.40	1.40	(-)6.38	73.42	48.00	(-)25.42
	Total	**948.15**	**4.35**	**(-)224.56**	**727.94**	**408.93**	**(-)319.01**

(***Source***: Information furnished by CEADB, SEs of projects concerned and VLC data from AG (A&E))

As can be seen from above, there were consistent savings across the projects. The original grants were also reduced through re-appropriations in eight out of 12 years in respect of Peddavagu at Jagannathapur, in seven years in respect of Mathadivagu and Neelwai projects and in six years for Gollavagu and Ralivagu projects (year-wise, project-wise details are given in ***Appendix 2.1***).

The Government stated (October 2016) that the budget allocations could not be utilized in the initial years as preliminary issues were to be tackled for starting the works and, in the later years, due to issues in Rehabilitation and Resettlement (R&R) and land acquisition process.

[4] Mathadivagu and Ralivagu

2.1.6.2 Assistance under AIBP

Information pertaining to Central assistance to the five selected projects under AIBP is given in ***Appendix 2.2***. As per clause 6 of AIBP Guidelines of 2006, in case State Governments failed to comply with the agreed date of completion i.e., four years, grants given under AIBP were to be converted into Central loans and recovered as per usual terms of recovery of Central Loans.

Though the Department had received financial assistance of ₹ 228.63 crore out of ₹ 238.04 crore under AIBP from Government of India (GoI) by 2010-11, it could complete only two projects (Mathadivagu and Ralivagu). Three projects, viz., Gollavagu, Neelwai and Peddavagu at Jagannathapur have not yet been completed even after lapse of 11 years. The expenditure incurred (March 2016), when compared to revised administrative approvals, was 90.87, 86.69 and 58.15 *per cent*, respectively. It was further observed that there were shortfalls in utilization of funds released under AIBP in respect of Gollavagu (₹ 2.24 crore) and Peddavagu at Jagannathapur (₹ 41.53 crore).

Thus, despite receiving 96.05 *per cent of* assistance under AIBP, the objective of the projects to create IP of 52000 acres was not achieved as only IP of 13900 acres has been created so far. Since none of the projects were completed within four years as contemplated under AIBP, the possibility of conversion of grants to loans as per the clause *ibid* cannot be ruled out.

The Engineer in Chief (Irrigation) stated (February 2016) that the shortfall in utilization was due to obstruction from farmers/landowners, problems in land acquisition and slow progress of works.

2.1.7 Planning

Planning a MI project involves checking water availability and estimating the location and extent of land to be irrigated. As per Public Works Department (PWD) Code, it starts with the preparation of a preliminary investigation report wherein the feasibility of the project is checked. If the project is found to be feasible, a Detailed Project Report (DPR) is to be prepared by the Department. The DPR forms the blue print for execution of the project.

2.1.7.1 Non-compliance with CWC guidelines

As per Section 3.8.6 of Central Water Commission (CWC) Guidelines on preparation of Detailed Project Report (DPR), availability of water and proposed gross utilization under the project, live storage[5] and water quality should be considered while preparing DPR. River flow discharge particulars for a minimum period of 10 years should be considered while calculating water availability.

5 Active or live storage is the portion of the reservoir that can be used for flood control, power production, navigation and downstream releases

It was observed that the river flow discharge observations were not made at the proposed dam sites while preparing DPRs in respect of four projects[6]. Instead, rainfall–run off relationship[7], earlier derived for the Kaddam Project[8], was adopted to work out the dependable yield of these projects. While according clearance, based on the above DPRs, CWC had suggested (June and November 2006) that flood studies used in the design be reviewed by using flood data and catchment rainfall at proposed dam sites. It had also suggested establishing gauging stations at the proposed dam sites for this purpose in Gollavagu and Ralivagu projects. However, neither flood studies used for designing of the projects were reviewed nor gauging stations were established at proposed dam sites as recommended by CWC. In the absence of flood studies at the proposed dam site, as suggested by the CWC, audit could not verify the scientific basis for calculating the dependable yield.

It was also observed that execution of works was entrusted (March 2005) to agencies prior to clearance of the projects by CWC (June 2006).

The Government stated (October 2016) that it was not feasible to set up individual gauging stations at all proposed sites as MI projects were scattered. Kaddam relationship was taken as only Kaddam project was the nearest available project with previous historical data of discharges etc.

The reply was not acceptable since rainfall-runoff relationship arrived at earlier for Kaddam might not be applicable in case of MI projects as dependable yield calculations could vary from major to medium projects. Further, the Department did not review flood studies as suggested by CWC.

2.1.7.2 Identification of area to be covered

According to Paragraph 391 of PWD code, if it is decided that a complete investigation be undertaken for a project, reports, plans and estimates should be prepared with full details; IP should be definitely fixed by the Department; main and minor channels and distributaries should be aligned and concurrence of farmers for inclusion of their lands in IP in the form of written statements or agreements by the Revenue Divisional Officer should be taken. Audit scrutiny showed the following:

- IP to be created in each of the villages, as prescribed in PWD code, was not contemplated in the DPRs in any of the projects. The agreements[9] also did not prescribe village-wise IP to be created. Instead, IP to be developed in mandals was stipulated. As per agreements, the contracting agencies

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[6] Gollavagu, Mathadivagu, Neelwai and Ralivagu

[7] Rainfall-runoff relationship depends on the dynamic interaction between rain intensity, soil infiltration and surface storage. Runoff occurs whenever rain intensity exceeds infiltration capacity of the soil. This is useful in preparation of DPRs

[8] Kaddam is a major irrigation project in erstwhile Adilabad district

[9] Except in agreements of Mathadivagu and Peddavagu at Jagannathapur projects, wherein village-wise IP was prescribed in agreements

were to prepare command survey plans marking villages for the command area and fix alignments. Thus, the contracting agencies had the flexibility of creating IP in villages, as the Department had not fixed the area at the time of preparation of DPRs.

Further, even in case of Mathadivagu, where village-wise IP was prescribed in agreements and project was completed, deviations from IP stipulated in agreement were observed as detailed below:

(i) According to the agreement, IP of 766 and 489 acres was to be developed in Boraj and Sirisanna villages, respectively. However, no IP was created in these villages. The details of IP to be created as per agreement, IP created and proposed to be localized with the Revenue Department are shown in ***Appendix 2.3***.

(ii) Further, IP proposed to be localized[10] in six villages[11] was less than the IP stipulated to be created as per agreement. In four villages[12], IP created was higher than the IP stipulated in the agreement.

(iii) Moreover, IP of 977.06 acres was proposed to be localized in five villages[13] under Mathadivagu, though these were not stipulated in the agreement.

Government replied (October 2016) that actual availability of IP in different villages could only be ascertained after joint inspection (joint *azmoish*) with Revenue Department, which was conventionally taken up after execution of canal system. It would not be feasible to ascertain village-wise command area with the Revenue Department at the planning stage.

The reply was not acceptable as the target IP was to be defined in the planning stage itself as per the PWD code.

- Concurrence of farmers in the form of written statements / agreements was not available on records. Not taking the stakeholders into confidence resulted in deletion of 1220 out of 6000 acres in Ralivagu project in May 2012, consequent to objections from land owners due to urbanization of Mancherial town in the vicinity of the project.

  Government replied (October 2016) that the command area proposed in Mancherial was still under cultivation and had not yet been urbanized at the time of entrustment of work. However, audit scrutiny showed that

[10] Localization is the term used for gazette notification of IP after joint inspection by the Irrigation and Revenue Department

[11] (i) Jamidi, E.Swargaon, Bandal Nagapur, Ghotkuri villages of Thamsi Mandal; (ii) Bhimsari and Jamdapur of Adilabad Mandal (6 villages)

[12] Mallapur, Waddadi, Khapparala of Thamsi Mandal and Chanda – T villages of Adilabad Mandal (4 villages)

[13] Tharoda (358.87 acres), Dimma (359.15 acres), Fouzpur (161.76 acres), Pochera (97.28 acres) under Adilabad Mandal, One village Nipponi (93.41 acres) in Thamsi Mandal

permission to conversion of land use for residential purposes from agricultural purposes was given in 1995 itself by the Government and Mancherial was a class I urban area as per Census 2001, much before the project was taken up in 2005.

2.1.7.3 Planning for construction of head regulators without canals

In two projects (Peddavagu at Jagannathapur and Mathadivagu), the Department had planned for construction of regulators without corresponding canals leading to unfruitful expenditure apart from non-creation of IP for which the regulators were planned.

(i) Regulator on left flank in Peddavagu at Jagannathapur*:* The work of construction of Peddavagu at Jagannathapur was entrusted (March 2005) to an agency for ₹118.90 crore. The scope of work as per agreement included construction of head sluices / regulators for both Left and Right Flank canals. However, only Right Flank (RF) canal, to serve an IP of 15000 acres, was contemplated and included in the scope of agreement, leaving out the Left Flank (LF) Canal. Audit scrutiny showed that though the Left Flank canal was neither contemplated nor included in the scope of the agreement, the Department went ahead with construction (September 2014) of the LF regulator at a cost of ₹30.91 lakh. However, corresponding LF canal was not taken up rendering the expenditure on LF regulator unfruitful.

Government replied (October 2016) that surveys were being taken up and proposals were being formulated for LF canal for an IP of 500 acres.

However, the reply was silent on not taking up LF canal along with the project, leading to farmers being deprived of benefit of 500 acres IP and idling of the LF regulator for more than two years. This was also indicative of inadequate planning.

(ii) Regulator for right flank canal in Mathadivagu: The work of construction of Mathadivagu was entrusted to an agency for ₹37.80 crore. The DPR as well as the agreement contemplated a left flank canal and corresponding regulator. There was no proposal for right canal system either in DPR or in agreement.

Subsequently, based on representation received from the public representative (August 2005) for construction of Right Flank (RF) canal to create an additional IP of 1200 acres, the Department constructed a Right Flank (RF) regulator to release water into the right canal on Mathadivagu at a cost of ₹28.92 lakh (September 2009). However, no canal was constructed even after seven years of completion of RF regulator, resulting in unfruitful expenditure of ₹28.92 lakh, besides non-achievement of IP of 1200 acres. It was also indicative of lack of planning by the Department.

Government replied (October 2016) that tenders for RF canal had since been invited for creating additional IP of 1200 acres.

The reply was silent about delay in execution of canal even after seven years of completion of RF head regulator.

Further, audit scrutiny also showed that the Department had clarified (July 2005) in a public discussion that construction of RF canal was not feasible due to non-existence of IP on right side and presence of three local streams.

2.1.8 Execution of the Projects

The agencies selected for execution under the system were to carry out Survey and Investigation (S&I), submit designs, prepare estimates and execute the works. Audit observed delays in / improper S&I activities, leading to delays in commencement of works, as discussed in subsequent paragraphs.

2.1.8.1 Survey and Investigation

The executing agencies were to finalize alignment, land acquisition and forest clearance proposals on completion of S&I activities. As per agreement conditions[14], the agency had to prepare land plan schedules and land acquisition proposals (private land, government land, forest land, etc), based on S&I. Audit observed delay in S&I and deficiencies leading to delay in completion as mentioned in subsequent paragraphs.

(*i*) *Delay in completion of S&I activities*: The stipulated time for completion of S&I activities in four Projects as per agreement was six months - three months for head works and main canal and another three months for distributary network. In the case of Mathadivagu Project, the time stipulated was three months.

Audit observed that in none of the projects, S&I activities were completed within the time stipulated in the agreement. The delays in completion of S&I activities ranged from six months (Mathadivagu) to 10 years (remaining four projects). In fact, S&I activities relating to field channels have not been completed till date (October 2016) in any of the Projects except Mathadivagu. The details are given in ***Appendix 2.4***. Inordinate delays in completion of S&I activities commensurate with milestones prescribed in the agreements resulted in delay in commencement of works and consequent delays in completion of projects.

Government stated (October 2016) that S&I was an ongoing activity which was being taken up concurrently along with execution, especially in the canal system.

[14] Clause 3.8 of Scope of Services – Survey and Investigation (Appendix SI)

The reply of the Government was not acceptable as the agencies had failed to adhere to the milestones prescribed in the respective agreements.

***(ii) Non-submission of S&I reports*: ** The agencies were to submit S&I Reports[15] to the Department on completion of the S&I activity. They were also required to prepare estimates as per basic project parameters, based on S&I.

Audit observed that S&I reports were not on record even for the components for which S&I activities were completed, except for Gollavagu and Neelwai projects. In the absence of S&I reports, there was no assurance that S&I activities were conducted by agencies in accordance with the norms and requirements of the Department.

The Government stated (October 2016) that though reports might not have been prepared in standard format, approval of structures, alignment etc., were based on S&I data.

The reply, however, was silent on non-submission of the S&I Reports by the agencies, as per the requirement of the agreements.

***(iii) Delay in submission of proposals for acquisition of forest land*:** As per the agreement, the agency for Peddavagu at Jagannathapur had to prepare land plan schedules and land acquisition proposals, including forest land etc., based on S&I by September 2005.

However, the agency reported (March 2007), 18 months after due date, that forest lands were required for execution of canal at Km 18.50 to Km 21.00. The delay on the part of the executing agency led to delay in initiation of process of obtaining forest clearances. Final forest clearances have not yet been obtained (May 2016). This led to delay in execution of main canal and consequent delay in completion of the project.

***(iv) Defective S&I leading to deletion of IP*:** Preparation of village-wise ayacut[16] register was a part of S&I activity as per agreement[17] of Ralivagu project.

It was, however, observed that Mancherial village, selected for creation of IP under Ralivagu project had become urbanized and the same was not noticed by the agency during S&I activities. The Department was informed (June 2010) that the command area proposed in Mancherial village was near the Mancherial municipality and that approval for layouts including house sites had been given by Municipal Administration and Urban Development Department (1995) before entrustment of work (March 2005). No other land was made available for development of command area. Consequently, Government had to delete

[15] Clauses 1.3, 2.4 of Scope of Services – Survey and Investigation (Appendix SI)
[16] Local term for command area
[17] Clause 3.5 of Scope of Services – Survey and Investigation (Appendix SI)

(May 2012) the distributary and field channels under it from the scope of the agreement with a cost reduction of ₹56.14 lakh.

Due to defective S&I, the Department had allowed the agency to execute the original irrigation infrastructure facilities i.e., reservoir and canal systems for irrigating 4500 acres, instead of 3280 acres that were actually available, leading to execution of main canal with higher discharge.

Government stated (October 2016) that though the command area was reduced, the infrastructure created could be used in good monsoon years for supplementing drinking water and recharging of ground water.

The reply was not acceptable as no separate mechanism had been established for providing drinking water facilities, as mentioned in paragraph 2.1.9.2. Moreover, the main canal also could not serve to recharge ground water as it was a lined canal through which water would not percolate down.

***(v) Delay in execution of canal work due to improper soil investigation*:** It was also observed that soil investigation, which formed part of S&I, was not properly carried out by the agencies in Gollavagu, Neelwai and Peddavagu at Jagannathapur projects. During execution of lining of main canals of these projects, the executing agencies, however, informed the Department (October 2013 to April 2014) that the canal banks were slipping into the canal at certain places due to poor nature of soils and lining of canals would not stand in these reaches.

The first executing agency of Neelwai Project, which conducted S&I for main canal, did not inform the Department about non-suitability of soils. Subsequently, the second agency, to whom the balance work was awarded, noticed (October 2013) slippage of canal banks into the canals during execution and suggested for construction of guide / trough walls at a cost of ₹55.29 crore. Similarly, agencies executing Gollavagu and Peddavagu at Jagannathapur projects also informed (November 2013 and April 2014) the Department about the issue only during execution, when the concrete lining executed was found to be slipping into the canal. In Gollavagu project, construction of RCC trough for the damaged portion was proposed with a cost of ₹0.87 crore. The contracting agency of Peddavagu at Jagannathapur had submitted a proposal for alternative methods with a cost of ₹22.54 crore. These proposals are yet to be approved by Government (May 2016).

Thus, improper S&I by the agencies and delay in finalization of the alternatives suggested by the Department has resulted in delay in execution of canal works and completion of projects.

The Government replied (October 2016) that certain geological anomalies in isolated patches would only be exposed during execution and it was not feasible to conduct sub-soil exploration at minute level due to cost constraints.

Moreover, the cost of repairs of damaged portion was the liability of contractor.

The reply was not acceptable as the scope of work included survey and investigation by the agencies including exploration. Further, the reply was also silent on the alternative measures to be taken up.

2.1.8.2 Submission and approval of designs

As per the milestones prescribed in the agreement, executing agencies were to complete survey, detailed investigation, designs and drawings within six months. SE/CE of the project concerned or Chief Engineer, Central Designs Organization (CECDO) was to approve the designs submitted by the agencies depending upon the size and complexity of the structure.

- Information furnished by CECDO showed that the office had returned several times the designs submitted by the agencies in all projects for want of information / lack of data, indicating that the agencies were not submitting proposals as per the standards required. The Department had not included any criteria relating to experience in designing of projects while empanelling the agencies for medium irrigation projects. Thus, non inclusion of professional experience in designing in the eligibility criteria at the time of tendering had an adverse impact on timely finalization of designs.

  Government replied (October 2016) that it would be difficult to prescribe the eligibility criteria relating to designs. Further the nature of designs and drawings was not uniform across the projects and, hence, additional data had to be supplied to CECDO. However, lack of uniformity and requirement of additional data did not justify the abnormal delays in finalization of designs.

- There were considerable delays in submission of designs and drawings to the CECDO in Mathadivagu and Peddavagu at Jagannathapur (***Appendix 2.5***). In respect of Peddavagu at Jagannathapur project, the agency had not submitted nine out of 93 designs for main canal, and 182 out of 281 designs for distributaries (March 2016).

- Audit also observed that no specific timelines were prescribed for the CECDO to approve the designs received by it. As a result, CECDO took two to 99 months for approval of designs ***(Appendix 2.5)***, leading to delay in execution.

- Considering the delays in finalization of designs, Government had prescribed (April 2007) a procedure for approval of designs of structures in EPC packages, which stipulated *inter alia* that on receipt of design proposals, the CE concerned had to examine the designs for structures and send the same to CECDO for approval within three days. The CE concerned was to inform CECDO the expected date of approval of designs, depending on priority;

Information furnished by CECDO to audit showed that expected date of approval by CE and expected delay by CECDO to the CE concerned**,** as prescribed by the Government, were not communicated/ kept on record. This indicated that the Government orders intended for early finalization of designs were not complied with, leading to continued delay in finalization of designs.

2.1.8.3 Preparation of estimates by agencies

As per the basic project parameters of the agreements, the agencies were required to prepare estimates for head works, main canal, distributaries, CM & CD works and submit the same to the Department for approval.

In none of the projects, the agencies had submitted detailed estimates to the Department as per the terms of the contract. Executive Engineer, Mancherial division (EEMCL) confirmed that the agency for Gollavagu had not submitted any detailed estimate. In respect of four out of five projects, estimates were prepared by the Department and not by the executing agencies, as prescribed in the agreement.

The Government replied (October 2016) that the payment to the agencies was governed by payment schedules which were being calculated on percentage basis of the contract and there was no direct effect of the detailed estimate on payment schedule.

The reply was silent on non-preparation of estimates by the agencies in compliance with agreement conditions.

2.1.8.4 Payment Schedules

Payments under EPC turnkey system adopted by the Government were to be regulated on percentage basis relating to portions of work completed as per payment schedules mentioned in the agreements. The payment schedule was to be revised in the light of later information.

The Department approved several revisions of payment schedules as detailed below.

Table 2.3: Revisions to payment schedules

Sl. No.	Project	S&I actually completed in	Number of revisions to payment schedules	Payment Schedules revised in month/year
1	Gollavagu	NA	3	August 2006, May 2007, February 2016
2	Mathadivagu	December 2005	4	December 2006, May 2007, May 2008, November 2008
3	(a) Neelwai (First agency)	January 2007 for canals, S&I not completed for distributary, field channels	3	December 2006, February 2008, May 2008
	(b) Neelwai (Second agency)	Not furnished	4	January 2012, May 2013, November 2013, December 2015
4	Peddavagu at Jagannathapur	In progress as of May 2016	3	August 2007, August 2013, November 2013
5	Ralivagu	November 2005 for distributary, field channels not completed	3	August 2006, June 2007, November 2007

(***Source:*** *Information furnished by Superintending Engineers concerned*)

The Department allowed payment schedules to be revised in Neelwai and Peddavagu at Jagannathapur even before completion of S&I activities and without submission of detailed estimates by EPC agencies. The Department also allowed revision of payment schedules in Mathadivagu and Ralivagu Projects, four and three times respectively, after completion of S&I without detailed estimation / justification, thus giving scope for manipulation and front loading of payments. Further, frequent revision of payment schedules after completion of S&I was also indicative of improper S&I and cost analysis by executing agencies.

The Government replied (October 2016) that percentages fixed for major components were not modified and further breakup was done within such percentages fixed for major components.

However, revision/ breaking up of payment schedules were made without any recorded reasons/ justification.

2.1.8.5 Implementation of Rehabilitation and Resettlement

Government had introduced (April 2005) Rehabilitation and Resettlement (R&R) policy to address the issue of displacement due to construction of projects. To take up R&R, the Government was to appoint an Administrator for R&R who would conduct socio economic survey to arrive at the benefits to be provided. R&R Policy defined Project Affected Family (PAF) as "a family whose source of livelihood is substantially affected by the process of acquisition of land for the project or practicing any trade, occupation or vocation continuously for a period of not less than three years in the affected zone."

Timely completion of R&R was also essential for smooth and timely completion of the projects.

- In Mathadivagu, Peddavagu at Jagannathapur and Ralivagu projects, it was observed that lands measuring 1182, 825 and 203.76 acres were acquired within full reservoir level (FRL) from 945, 1236 and 284 land owners, respectively. However, despite submergence of the lands, R&R was not taken up on the ground that no family was displaced from the villages.

  Government replied (October 2016) that the village referred to in Mathadivagu project was not isolated due to construction of project and hence R&R was not extended. The reply was not acceptable as the issue raised in audit was about extension of R&R benefits to PAFs whose land was submerged under FRL and not whether villages were submerged leading to displacement of families. The land was acquired in respect of three projects within FRL and PAFs were eligible for financial assistance under R&R benefits as per Government policy, which was not extended to them.

- In Neelwai project, the Department had contemplated R&R for three villages[18] at the DPR stage (June 2001). However, the CE had requested (July 2006) appointment of Project Administrator for R&R after 15 months of award of the work (March 2005). The Government took two months to appoint R&R Administrator. Due to non-completion of R&R activities, the contracting agency had stopped (June 2009) the work. Consequently, the Department had terminated (March 2011) the contract.

  The Department entrusted (December 2011) the work to a second agency for completion in 18 months. However, the Department failed to ensure that the R&R activities were completed even before awarding the balance work to the second agency. Consequently, due to non-shifting of Project Affected Families (PAFs) from the reservoir area, extension of time totalling 390 days was granted to second agency also.

  Government replied (October 2016) that the remaining work had to be entrusted to a second agency immediately as the original agreement was terminated under clause 61 of PS to APDSS[19].

[18] Katepalli, Gudepalli and Gerregudem

[19] Clause 61 of preliminary specifications to Andhra Pradesh Detailed and Standard Specification (APDSS) stipulates that if the expenditure incurred by the Department for completion of the work by a second agency exceeds amount that would have been payable to the first agency, the difference shall be paid by the first contractor to Government

The reply was not acceptable, as the department failed to ensure completion of R&R activities before entrustment of work to second agency. Moreover, extension of time for 390 days had to be accorded to second agency also due to non-shifting of PAFs.

2.1.8.6 Extension of Time

As per clause 24.10 of general conditions of contracts (general), reasonable extension of time (EoT) was to be allowed by the officer competent to sanction EoT for unavoidable delays which resulted from causes which were beyond the control of the contractor. Further, the officer was to permit extension of time for additional 25 *per cent* over and above the actual working period lost, if such loss of working period was on account of written instructions issued by the officer.

However, it was observed that on 15 occasions, where EoT was granted, the Department added 25 *per cent* extra time to the working period actually lost in respect of Gollavagu (156 days), Mathadivagu (156 days), Neelwai (169 days for first agency), Peddavagu at Jagannathapur (198 days) and Ralivagu (74 days) although no written instructions were given by the EEs / SEs for stopping the work.

The Government stated (October 2016) that the excess working period of 25 *per cent* over and above the actual period was calculated by the concerned EEs, based on the records, which reflected the progress/ stoppage of work at site.

The reply was not acceptable, as additional 25 *per cent* was to be given only when the Engineer in Charge gave instructions to stop the work or if there was hindrance caused due to his written instructions; the additional time was not to be given in any other case.

In Gollavagu Project, the Department had recommended EoT for two years from 31 December 2009 to 31 December 2011 (730 days), though actual time loss due to hindrance was noted as 246 days. No reasons for grant of EoT for the additional 484 days were on record.

The Government stated (October 2016) that EoT of two years was granted without any financial liability to the Department. The reply was not acceptable, as allowing EoT beyond actual time lost had delayed the completion of the projects. The reply also did not take into account the financial liability on the Department owing to price variation with efflux of time.

2.1.8.7 Undue benefit to the contractors

In all the EPC contracts, as per the clarification[20] issued by the Government, the change in cost, except due to change in basic parameters, was to be borne by or was to accrue to the contractor. In case there were changes in basic parameters, the modalities for effecting consequent changes in the cost were to be worked out. It was seen that there were multiple instances where changes in designs proposed by the agency were approved by the Department. However, no reductions in value of agreements were effected, leading to undue benefit to agencies, as discussed in the succeeding paragraphs.

(i) In Peddavagu at Jagannathapur project, the original agreement proposal (March 2005) was for providing an anicut for a length of 390 meters. Accordingly, the work was awarded to a contracting agency for a contract value of ₹118.90 crore. The Internal Benchmark (IBM) for the work estimated by the Department was ₹120.39 crore. As per this IBM, the Department estimated the cost of anicut at ₹65.69 crore. Subsequently, the agency requested the Department for construction of barrage / falling shutters, instead of an anicut, which was accepted by the Department without any reduction in the agreement value. The Department estimated the cost of construction of the barrage to be ₹62.83 crore. However, no cost adjustment was made, though basic project parameters were changed, resulting in undue benefit of ₹2.82 crore[21] to the agency.

Government replied (October 2016) that the savings due to change in the scope from anicut to barrage did not cover the cost of the road bridge over the barrage which would be required. The total cost had increased by ₹3.63 crore.

The reply was not tenable as the Department had failed to reduce the cost due to change in basic parameters from anicut to barrage. Further, the Department had also not executed the road bridge till the date of audit. Moreover, the accepted revised design from anicut to barrage had provision for construction of Road Bridge also.

(ii) In the case of Ralivagu project, the agreement had stipulated design discharge of left and right main canals at 1.486 cumecs[22] and 0.771 cumecs, respectively, as basic project parameters. It was to have an IP of 6000 acres of Khariff as per the DPR.

However, during execution, the design discharges were reduced (March 2007) to 0.869 cumecs and 0.493 cumecs, respectively. Similarly, the lengths were also decreased from six km to 5.3 km in respect of left main canal and from five km to 4.2 km in case of right main canal. It was observed that these

[20] Government Memo No.34843/Reforms/2006, dated 7 May 2008

[21] (₹65.69 crore - ₹62.83 crore) X (100 - 1.2449)/100; 1.2449 being tender discount as per agreement

[22] Cubic meter per second

changes were initially adopted in the designs submitted by the agency though not stipulated in the agreement. Further, the IP was also changed as 4500 acres Khariff and 1500 acres Rabi in the agreement, when compared to 6000 acres of Khariff as per DPR, for reasons not on record. This was again reduced to 3280 acres Khariff due to urbanization of Mancherial as mentioned in earlier paragraphs.

However, no cost adjustment was done for reduction in design discharge, which was a basic project parameter as per the norms defined (May 2008) by the Government.

Government replied (October 2016) that the discharges and lengths of canals shown in basic parameters were only a projection and could be assessed accurately only after detailed survey and investigation.

The reply was not acceptable as it was in contrast with the clarification of the Government which had defined basic project parameters (May 2008).

(iii) The work of construction of Mathadivagu was entrusted to an agency for ₹ 37.80 crore. The work included construction of a bridge on a distributary for crossing National Highway (NH). As per agreement conditions[23], all the crossings of canal system in respect of NH, State Highways, R&B Roads and Panchayat Raj Roads were to be provided with suitable bridges as per the standards of the respective Departments and as per the permissions granted by them. The costs of the bridges were deemed to have been included in the contract price quoted and no claim whatsoever on account of the condition were to be entertained.

However, the bridge on the distributary was constructed by National Highway Authority of India (NHAI). Despite this, the Department did not recover the cost of the bridge (assessed at ₹ 32.55 lakh in May 2008) from the agency.

The Government replied (October 2016) that recovery was not affected as the provision for NH was excluded from the Internal Benchmark (IBM).

The reply was not acceptable as the agreement had clearly stipulated that the bid value was to include cost of the bridges on National Highways too. IBM value was to be used only for internal assessment of the Department and tender evaluation. The bidders had quoted their prices based on the tender conditions, as per which the costs of the bridges on National Highways were deemed to have been included in the contract price quoted by the bidders.

(iv) As per the bid documents of Gollavagu project, the bidders were advised to quote taking into account that the works of the canal systems were likely to have several crossings in respect of National Highways etc., and costs of those

[23] Clause 21.0 Appendix – OS, “System requirements and conditions” in Volume I part D”

crossings were to be included in the bid. The same condition was included in the agreement[24] concluded with the contractor for ₹ 53.60 crore.

Scrutiny of records showed that though the Department had included construction of crossings in the agreements by the agency, the NHAI constructed the crossing for which the Department deposited ₹ 2.25 crore[25]. The State Level Standing Committee (SLSC) had recommended (September 2015) to the Government deletion of construction of NH crossing from the scope of the work. Accordingly, the Department had deleted NH crossing from the scope of agreement. However, it reduced the cost of agreement by ₹ 14.90 lakh only, instead of ₹ 2.25 crore deposited to NHAI.

Government replied (October 2016) that NHAI would not have allowed the agency to take up the work. Further, the scope of crossing as per agreement was only for a double lane bridge and hence the cost as per provision made in the IBM was recovered from the agency.

The reply was not tenable as the agreement did not mention the number of lanes on the bridge. Since the works were entrusted on turnkey basis, the Department should have recovered ₹ 2.25 crore from the agency, which was paid by it to NHAI.

2.1.8.8 Avoidable expenditure

As per 61 of PS to APDSS, when possession of work and site is taken by Government, the portion of the work not completed by contractor is to be completed by the Government through another agency at the risk and expense of the contractor until whole of the work is completed by other agency.

In Neelwai Project, the first executing agency had stopped the work after June 2009. As no work was done in spite of giving EoT up to March 2011, the contract was terminated (March 2011) by the Department as per clause 61 of PS to APDSS. The remaining work was entrusted (December 2011) to another agency. The second agency had informed (March 2012) the Department that bund in gorge portion from 1212 meters to 1325 meters, from 1600 meters to 1625 meters and from 3960 meters to 4100 meters, stated to have been completed by the first agency, was not available on ground. Since, these reaches were outside the scope of the second agreement, the agency requested for extra amount for completion of the missing portion. This was accepted by the Department and a supplementary agreement for ₹ 79.70 lakh was concluded (December 2015) with the second agency.

The Government replied (October 2016) that the cost of repair of damaged portion for the length of 125 meters would be recovered from the first agency as the first agreement was terminated under clause 61 of PS to APSS.

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[24] Clause 21.0 Appendix - OS
[25] September 2008 – ₹ one crore; March 2011 – ₹ 1.25 crore

However, the Department had not initiated any action to recover the amount from the first agency till the date of audit.

2.1.9 Completion and Maintenance

All the five projects were targeted to be completed within two years. Audit observations on completion of projects, achievement of irrigation potential, accrual of benefit contemplated, maintenance of project system and drinking water facilities are discussed in the succeeding paragraphs.

2.1.9.1 Achievement of Irrigation Potential

Out of the five projects, two projects viz., Mathadivagu and Ralivagu were completed. IP contemplated and IP created in the selected projects are shown below:

Table 2.4: Details of Irrigation potential contemplated as per DPR and created

(in acres)

Sl. No.	Project	IP Contemplated as per DPR for Khariff	IP created so far
1	Gollavagu	9500	4000
2	Mathadivagu	8500	6900
3	Neelwai	13000	1000
4	Peddavagu at Jagannathapur	15000	0
5	Ralivagu	6000[#]	2000
	Total	**52000**	**13900**

[#] Target was revised to 3280 acres Khariff and 1500 acres Rabi due to urbanization around Mancherial town

(**Source:** *Information furnished by Executive Engineers of respective projects and Chief Engineer (Projects), Adilabad during Entry Conference)*

- As may be seen from the table, while Mathadivagu project was completed in full to yield intended IP, except for a railway crossing to be completed by Railways department, Peddavagu at Jagannathpur, it did not yield even partial benefits due to non-completion of head works. The remaining three projects achieved partial IP ranging between 7.66 *per cent* (Neelwai) and 42 *per cent* (Gollavagu) of the targeted IP.

- In DPR of Mathadivagu 18.978 m.cu.m of water was assessed as the requirement for irrigation for 8500 acres. Against this, only 6900 acres of IP was created due to non-construction of a railway crossing at the time of audit. On a proportionate basis, irrigating 6900 acres would require 15.40 m.cu.m *per annum*. Information furnished by Executive Engineer, Adilabad division (EEADB) for the past four years showed that water releases in all the years were less than the proportionate requirement for 6900 acres as shown below:

Table 2.5: Water releases during last four years from Mathadivagu for 6900 acres

		2012	2013	2014	2015
1	Releases for irrigation (in m.cu.m) (Requirement – 15.40 m.cu.m)	5.73	3.21	5.78	4.03
2	IP that can be served (in acres)	2566	1438	2589	1805

(*Source: Information furnished by Executive Engineer, IB division, Adilabad)*

While the IP created as of 2011 was only 6900, the Department had proposed (January 2014) localization of IP of 8750.01 acres. No joint inspection with Revenue Department (*Joint Azmoish*) was, however, conducted. Without localization and *Joint Azmoish*, actual coverage of land under command area could not be confirmed.

Government replied (October 2016) that created IP was not related to the actual IP irrigated. Quantity of water released varied from year to year. Further, the crop in the command area was cotton, for which water requirement was less, compared to groundnut and paddy which were proposed in the DPR. It also stated that *Joint Azmoish* with Revenue Department would be taken up after execution of canal system.

The reply was not acceptable since, as per the DPR, the Department had proposed Jowar, Groundnut and Cotton and not Paddy.

2.1.9.2 Drinking water facilities

The DPRs of the projects also provided for drinking water facilities to villages *en route*. Establishment of drinking water facilities was mentioned as one of the objectives in the Administrative Approvals. The number of beneficiaries envisaged under the Projects are given below:

Table 2.6: Details of persons to be benefited with drinking water facilities

Project	No. of persons
Gollavagu	18650
Mathadivagu	12500
Neelwai	16000
Peddavagu at Jagannathapur	9750
Ralivagu	9550

(***Source***: *Administrative Approvals of projects concerned)*

Basic project parameters of respective agreements (March 2005) also stipulated provision of drinking water to villages *en route*, by providing sluices at appropriate places as per requirement. In all the DPRs, drinking water needs were specifically taken into account. Water was to be supplied through Rural Water Supply (RWS) Department in rural areas.

However, there was no record to show that the I&CAD Department was providing drinking water to villages *en route* by itself or through any arrangement/ memorandum of understanding (MoU) made with RWS Department.

Government replied (October 2016) that no separate system was being provided for drinking water and that it was to be taken in conjunction with irrigation.

The reply confirmed that drinking water facilities were not created, though contemplated as one of the objectives.

2.1.9.3 Maintenance of project systems

As per the agreements, the agency was to be responsible for maintenance of the project for two years or two Khariff seasons, whichever was later, after completion of work.

In Mathadivagu and Ralivagu projects, the works were completed to an extent of 96.49 *per cent* (July 2011) and 92.06 *per cent* (July 2009), respectively. However, it was observed that agreements for Mathadivagu and Ralivagu projects were not extended after August 2011 and July 2009, respectively. The Department had neither taken over the projects for maintenance nor had entrusted the same to any agency.

In reply, EEADB stated (March 2016) that the agency had taken up Operations and Maintenance (O&M) works before letting out water to the distributaries every year. Water regulation and operation were being done by the agency though agreements were not in force for the last five years.

The reply was not acceptable as the agencies were not contractually liable for the maintenance of canal system as the agreements were not in force after August 2011. Further, O&M was a continuous activity, not to be taken up just before letting out water into the distributaries.

2.1.9.4 Non-utilization of building constructed at dam site

In Mathadivagu project, the Department had constructed (December 2011) quarters, section office with store room, flood control room and Water User Association (WUA) meeting hall at a cost of ₹36.76 lakh through the EPC agency. However, it was seen that the infrastructure had not been utilized till date as shown in the photograph below:

The Executive Engineer, Adilabad stated (April 2016) that the WUA meeting hall would be utilized whenever meetings would be conducted and flood monitoring would be done during flood operations in monsoon period. However, as confirmed by the EE, no WUA was formed (April 2016) and there were no field officials to whom staff quarters could be allotted or who would use the flood control room.

This indicated that the Department had created infrastructure worth ₹36.76 lakh without ascertaining actual requirement.

2.1.10 Conclusion

Projects were planned without properly taking into account water availability and planning village-wise irrigation potential. Survey and investigation activities were deficient and delayed. Submission of designs by the agencies was deficient and delayed. There were also delays in approval of designs. R&R activities were taken up with delay leading to grant of extensions of time to agencies. Payment schedules were repeatedly revised without adequate justification on record. There were instances of conferring undue benefits to the agencies with changes in basic parameters or owing of agencies' liabilities by the Department. Drinking water facilities, as envisaged, were not provided in any of the projects. Localization of IP created was yet to be completed. Only Mathadivagu project, out of the five sample projects was completed and it was serving full IP as intended (excepting for IP of 1600 acres not created due to non-completion of railway crossing); Ralivagu project, though completed except for ancillary work, could only serve 3280 acres against 6000 acres contemplated. The construction of remaining projects was in progress even after 11 years.

2.1.11 Recommendations

- ***Tenders should include specifications regarding experience in major activities like survey, investigation and designing of projects in addition to experience in executing civil works.***
- ***Department may consider completing R&R activities before taking up execution of the project works.***

- ***Department may consider prescribing specific timelines for approval of designs to facilitate completion of projects within time schedules.***
- ***Department may consider putting in place a mechanism for achieving the objective of drinking water facilities along with the creation of irrigation facilities.***
- ***Joint exercises with Revenue Department may be conducted within specific time schedules to arrive at actual IP created.***

Chapter - III
Compliance Audit

Chapter - III

Compliance Audit

Industries and Commerce Department

3.1 Development of Textile and Apparel Parks

3.1.1 Introduction

As part of implementation of government policies, plans were formulated to establish Textile and Apparel Parks starting from 1995-96. The objective of setting up of these parks was to increase textile exports and to generate employment opportunities in handloom and textile sector. The agencies chosen to implement them were the Directorate of Handlooms and Textiles (DHT), Telangana State Industrial Infrastructure Corporation Limited[1] (TSIIC) and private parties. Currently there are eight such Parks in the State as detailed in ***Appendix 3.1***. Out of the eight Parks, two Parks received assistance from Government of India (GoI) under the Scheme for Integrated Textile Parks (SITP)[2], three Parks under Textile Centre Infrastructure Development Scheme (TCIDS) and one Park under Critical Infrastructure Balancing Scheme (CIB)[3].

Audit reviewed four Parks, two developed by private parties with Government support (Handloom Park, Pochampally and Whitegold Integrated Spintex Park Private Limited (WISPL)), one under TSIIC (Apparel Export Park (AEP), Gundlapochampally) and one under DHT (Textile Park, Siricilla). The Handloom Park, Pochampally and WISPL received GoI assistance under SITP, AEP Gundlapochampally under CIB and Textile Park, Siricilla under TCIDS. The funds allotted, released and expenditure incurred on these parks are detailed in ***Appendix 3.2***.

Records maintained at the Offices of the Assistant Directors of the Parks developed by DHT, Zonal Managers of the concerned Zones in case of the Parks developed by TSIIC and at the Offices of the private developer were reviewed (May-June 2016) to ascertain the reasons behind delay and non-achievement of targets. Significant audit findings are discussed below:

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1 Andhra Pradesh Industrial Investment Corporation Limited (APIIC) before bifurcation.

2 SITP was launched in July 2005 to create new textile Parks of international standards at potential growth centres. Under the scheme GoI support by way of grant or equity will be limited to 40 *per cent* of the project cost subject to a ceiling of ₹ 40 crore for Parks

3 Critical Infrastructure Balancing Scheme is for assistance from GoI for providing appropriate infrastructure for the development and growth of exports

Audit findings

3.1.2 Preparation of faulty Detailed Project Reports

Detailed Project Reports (DPR) were prepared to implement the Textile and Apparel Parks, which envisaged creation of common infrastructure and common facilities in the Parks. Out of the four projects reviewed, DPRs of two projects were not prepared properly as discussed below:

In Textile Park, Siricilla, the extent of land earmarked for setting up of units in the Park, as proposed in the DPR, could not meet the demands of the entrepreneurs. Thus, the areas identified for establishment of infrastructure facilities like cotton processing and sizing units, texturizing unit and common facility centre were sold out to entrepreneurs, leaving no area for development of the above stated facilities. Further, though the DPR had recognised the problem of water scarcity, an unreliable source was identified to meet the requirements. The source dried up, leaving the Park unable to meet the water requirement. Due to non-availability of water, processing units were not established and though Common Effluent Treatment Plant (CETP) was constructed, it could not be used. Had a reliable water source been identified and secured, the situation could have been avoided.

In case of Handloom Park, Pochampally, the DPR initially submitted in April 2006 was revised in May 2008, increasing the total outlay from ₹18.49 crore to ₹34.00 crore mainly to improve the common facilities, such as effluent collection and treatment system, testing equipment, etc. As per both the DPRs, 2000 looms were to be installed, whereas only 500 were installed. The DPR overestimated the international demand for its products and the increased outlay did not serve its purpose.

3.1.3 Delay in completion of the project

Audit observed significant time overruns in completion of the Parks ranging from seven months to 151 months, as detailed in ***Appendix 3.3.***

Two projects viz., Textile Park, Siricilla (with a delay of 151 months) and WISPL (with a delay of seven months) have not been completed (July 2016), even though they were proposed to be completed by December 2003 and December 2015, respectively.

In respect of AEP Gundlapochampally and Handloom Park, Pochampally, there were delays of 60 and 42 months, respectively, in completion of the Parks. The delays were attributed to revision of DPRs, problems in acquisition of land and delay in conversion of land use.

3.1.4 Cost overrun

Out of the four Parks reviewed, in case of two Parks, significant cost overruns were observed.

In Textile Park, Siricilla, it was observed that there was increase in the cost of the components such as power supply, water supply and internal road network. The cost overrun was ₹4.22 crore, as the Department incurred an expenditure of ₹5.86 crore (July 2016) on the above three components against the originally approved cost of ₹1.64 crore. Further, the park has not been completed even after incurring expenditure of ₹8.88 crore (July 2016), against the original outlay of ₹7.73 crore.

In Handloom Park, Pochampally, there was an overall increase in the project cost by ₹1.04 crore (actual cost of ₹35.04 crore against the approved cost of ₹34.00 crore).

The reasons for cost and time overrun are discussed below:

3.1.5 Non-provision of utilities

As per Textile and Apparel Promotion Policy of 2005, State Government was to give necessary assistance in providing power, water and other utilities to the Integrated Textile Parks developed by the Private Parties. The Government was also responsible for providing the same utilities to the Parks being developed either by DHT or by TSIIC. Once the units in the Parks became functional, the developers were required to maintain the utilities by collecting service and user charges from unit holders in the Parks as per the SITP guidelines. TSIIC was also to collect user charges from the units in the Parks developed by it.

Audit observed that the provision of utilities was deficient in three Parks. Textile Park at Siricilla did not have water supply and WISPL had no water supply and connectivity with external roads. In AEP, Gundlapochampally, water supply was stopped (October 2010) as unit owners were not paying user charges. The Park-wise details are given below:

3.1.5.1 Textile Park, Siricilla

As per the progress report of the Textile Park at Siricilla as on 30 June 2016, water supply and storm water drains were not completed. Construction of common facilities like processing, sizing and warping units, creche, medical centre and security quarters were not yet started. The peak water requirement in Siricilla Park was estimated to be 1.25 lakh gallons /day in the DPR. Till the year 2010, the water requirement was met from Manair river at Rallapet at a cost of ₹97.63 lakh (₹40.85 lakh was reimbursed under TCIDS). However, the supply of water was stopped afterwards, purportedly due to depletion of groundwater levels and damage to pipelines carrying water to the Park. Audit also observed that from April 2011 to November 2014, no expenditure was incurred by the Park Administration for providing water to the units. The Assistant Director (Handlooms and Textiles), Karimnagar, who was also the Park Administrator, had requested (February 2014) for sanction of ₹ 2.75 crore for drawing water from Lower Manair Dam at Ragudu and ₹ two crore was sanctioned (August 2014) by State Government for the purpose. A contract was entered into (September 2015) with Kaveri Infra Projects Private Limited for construction of the pipeline at a cost of ₹ 2.61 crore with a stipulation to complete the work within six months. However, the work has not been completed (July 2016). Meanwhile, the units were meeting their needs by getting water through private tankers.

3.1.5.2 Whitegold Integrated Spintex Park Private Limited, Ibrahimpatnam

Whitegold Integrated Spintex Park Private Limited had requested (November 2011) the Government for external road connectivity to National/ State Highway. The Government accepted[4] the request and proposed the road connectivity at a cost of ₹ two crore. Subsequently, TSIIC requested (November 2013) Roads and Buildings (R&B) Department to examine the feasibility of developing a service road of Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB), instead of the existing R&B roads and Panchayat Raj roads connecting the area to the State Highway. R&B Department had informed that the road pertained to Panchayat Raj Department. The matter is still pending (August 2016).

Similarly, water supply was to be provided to the Park by HMWSSB as per Government instructions. However, the same was not provided to the Park (August 2016). Thus the Park had no reliable external road connectivity and source of water supply.

3.1.5.3 Apparel Export Park, Gundlapochampally

As per DPR, the establishment of AEP, Gundlapochampally was to be completed by December 2003. However, the works relating to approach road, internal roads, side drains and street lights were completed during the period from March 2004 to March 2010. More importantly, water supply and common effluent pipe line from the Park to main sewerage was completed in March 2008 and the common waste water treatment plant was established only in March 2009. All these led to considerable delays in completion of the Park.

[4] G.O.Ms. No. 162 of Industries and Commerce (Tex) Department dated 30 November 2012.

As per the agreement between HMWSSB and TSIIC, internal water supply was being provided by HMWSSB using the distribution system developed by TSIIC. TSIIC had been paying the bills for units in the Park upto 2005, irrespective of whether the amount was actually collected or not. The TSIIC had failed to collect the dues from the unit owners from the beginning and stopped payment of dues to HMWSSB. Subsequently, water supply was stopped by HMWSSB due to non-payment of dues to the tune of ₹35.27 lakh in October 2010.

The TSIIC – Industrial Area Local Authority (IALA) had informed (October 2010) unit holders to make independent arrangement for water supply. TSIIC had intimated HMWSSB (November 2010) of discontinuation of water supply made to AEP, Gundlapochampally. The water supply can be renewed only if entrepreneurs approached the HMWSSB or TSIIC entered into a fresh agreement with HMWSSB. However, no agreement was signed and the units were deprived of reliable water supply.

3.1.6 Non-achievement of objectives

Audit observed substantial shortfalls in achievement of the objectives of increase in export sales and employment generation.

Shortfall in export sales ranged from 94.8 to 100 *per cent*. There were no export sales in respect of Textile Park, Siricilla and WISPL against the targets of ₹10 crore and ₹650 crore per annum, respectively. In Handloom Park, Pochampally, the export sales were ₹1.53 crore (upto 2015-16) against targeted ₹17.50 crore per annum. AEP, Gundlapochampally stated that information relating to export sales was not available and no targets were mentioned in the DPR.

While the shortfall in establishment of units was in the range of zero to 100 *per cent,* it ranged from 81 to 100 *per cent* in employment generation.

- No units have been established in WISPL so far, resulting in non-generation of any employment till date against proposed employment for 5000 persons.
- Handloom Park Pochampally, developed as a single unit, was to install 2000 looms (cotton looms: 1495; silk looms: 505) as proposed in the DPR. However, 500 looms (cotton looms: 425 and silk looms: 75) could be installed (July 2016), and out of these, only 150 to 200 looms could be operated on an average per month due to inadequate working capital and other allied reasons. This resulted in generation of employment for only 300 to 350 persons on an average per month against the expected direct employment of 5050 and indirect employment of 3000 persons. It was also observed that the Park had been incurring losses ranging from ₹0.44 crore

to ₹4.73 crore since its inception (2009-10 to 2014-15) and was being sustained mainly through grants received from the GoI.

- In AEP, Gundlapochampally, against 58 units contemplated, only 56 units were established, thereby generating employment for only 2500 persons against the proposed 55350.
- In Textile Park, Siricilla, out of 192 units proposed to be established, only 114 units were completed and functioning as of July 2016. Against the proposed generation of employment for 6600 persons, the Park could generate employment for 1250 only.

3.1.7 Non-availability of financial assistance from Government of India

As mentioned in preceding Para 3.1.1, out of four Parks, GoI did not release full assistance to Textile Park, Siricilla due to delay in completion of work as discussed below.

The GoI share was ₹4.11 crore out of the approved project outlay of ₹7.73 crore. However, due to the slow progress of the Park and also due to discontinuation of TCIDS scheme, the GOI stopped its financial support to the Park from September 2011 after releasing ₹2.83 crore towards development of common facilities like common processing unit, sizing unit, sectional/ beam warping unit, etc on reimbursement basis. Thus the department lost the GoI assistance to an extent of ₹1.04 crore and this affected the construction of storm water drainage in the Park, for which an amount of ₹0.24 crore had been committed by Government of India.

3.1.8 Idling of infrastructure created

In the Textile Park Siricilla, the Common Effluent Treatment Plant (CETP) established in 2006 at a cost of ₹1.04 crore was not functional due to water problem. The last trial run of the CETP was conducted in September 2008 and has been lying idle since then. Due to water scarcity, even further trial runs had not been conducted, and as a result it was not possible to ascertain whether the CETP facility was in working condition.

Similarly, in AEP Gundlapochampally, the Common Waste Water Treatment Plant (CWWTP) has not been functioning in the Park since November 2011 as the unit holders, responsible for running the plant, were unable to form an association or collect charges for running it. As a result, the sewage water has been flowing through open spaces, thereby causing pollution. No permission or clearance from Pollution Control Board was obtained.

3.1.9 Allotment of plots to non-textile/ apparel units in Apparel Export Park at Gundlapochampally

As per the terms of sale deeds, each allottee was to use the land for setting up of factory for readymade garments only and no structure/ building other than factory building was to be put up without prior permission from TSIIC. Change in the line of manufacturing activity was to be approved by the Corporation.

A total of 126 plots were sold to 58 investors to set up apparel units. It was observed from the Joint Inspection Report on AEP conducted by the officials of DHT and TSIIC (April and May 2016) that out of the 58 units, 45 had commenced production and, out of these 45 units, 31 units were not involved in manufacturing of garments. Though 16 units had been approved by TSIIC to change their line of activity, the remaining 15 units had changed their line of activity without the approval of TSIIC. As 53 *per cent* of the total units belonged to non-textile/ apparel manufacturers, the Park had not achieved its intended purpose of being an apparel hub.

There was no mechanism in TSIIC to ensure that conditions of sale deeds were being adhered to. Audit observed that there was no clarity in the sale deeds as to the course of action to be taken in the event of change in the line of activity by the developers without the approval of TSIIC.

The Zonal Manager replied (August 2016) that notices had been issued to the units for changing their line of activity without prior approval.

3.1.10 Financial impact on Government exchequer in terms of acquisition of land, incentives received under State Industrial Policy

The acquisition of land for these Parks followed different procedures, based on the implementing agency and the scheme, if any, under which they were covered.

- In case of Parks developed under DHT, the land was being provided by the District Administration
- As per the SITP guidelines, in case of Parks developed by private parties, the entity developing the Park was to procure the land. The State Government was to assist in identification and procurement of suitable land.
- The objectives of establishment of the Park included creation of common infrastructure for pre-weaving operations such as warping, sizing and yarn processing, design development and textile processing. Processing unit is required for removing impurities from the woven fabric in its loom state and for further treatment to develop its full textile potential.

For Textile Park at Siricilla, DHT had requisitioned (February 2002) the District Collector for 75 to 100 acres in Siricilla and was allotted (May 2003) 60 acres of land. All the plots demarcated were allotted to weaving units, leaving no space for setting up cotton sizing and dyeing units, processing units and common facility centre. Additional 15 acres were released (October 2004) to the Park on further requisition by DHT (April 2004) for extension of the Park. It was noticed by the Department (July 2011) that only 11 acres were available against 15 acres allotted. Even after five years (June 2016), survey to finalise the 15 acres had not been taken up. Audit observed that in the absence of Common Facilities Centre and processing units, the project was not fully functional and could not achieve its intended objective.

- Whitegold Integrated Spintex Park Private Limited had purchased (February 2012) 135 acres in Ibrahimpatnam from TSIIC. As per the sale deed, the plot was situated in an industrial Park. However, as per the Draft Metropolitan Development Plan 2031 of Hyderabad Metropolitan Development Authority (HMDA), the land was classified as 'Residential, Public, Semi-public and utilities'. Due to this difference in classification, the layout approval from HMDA for the Park was obtained only in December 2015 after paying ₹ 1.07 crore to the Authority for the same as development and processing charges. This delayed the establishment of the Park by seven months (upto July 2016), which otherwise was to be completed by December 2015.
- In respect of Handloom Park Pochampally and AEP Gundlapochampally, Audit observed that there were no issues relating to land. The land was acquired by the developers themselves.

Due to the delayed acquisition of additional land for Textile Park, Siricilla and delayed re-classification of land in respect of WISPL, the expenditure so far incurred by the State Government (₹ 6.04 crore) and GoI (₹ 14.34 crore) could not yield expected results.

3.1.11 Conclusion

The establishment of handloom and textile parks was intended to increase employment and export of handlooms and textiles. There were delays ranging from seven to 151 months in establishment of parks due to non-completion of utilities. Functioning of parks was hampered due to non-provision of amenities and utilities. Further, units changed their line of activity without approval of competent authority. This resulted in non-achievement of objectives of parks as envisaged.

Agriculture and Co-operation Department

3.2 Implementation of Crop Loan Waiver Scheme

3.2.1 Introduction

Government of Telangana had introduced (August 2014) Crop Loan Waiver Scheme[5] (Scheme) to alleviate the hardship of the farmers due to their indebtedness. The scheme covered short term production loans[6] and crop loans against gold, disbursed by lending institutions[7] to farmers. Each farmer family was eligible for waiver of crop loan amount which was disbursed and outstanding as of 31 March 2014 together with applicable interest on outstanding loan up to 31 August 2014 or ₹one lakh per farmer family[8], whichever was lower. The expenditure under the scheme was estimated to be ₹17000 crore to be released in four installments of ₹4250 crore each. Out of these, two installments of ₹4250 crore and ₹4086 crore were released in September 2014 and July/August 2015.

The scheme was implemented by the Department of Agriculture and Cooperation. The Department functions under the administrative control of the Principal Secretary, who is assisted by the Director of Agriculture, Additional and Joint Directors of Agriculture (JDA) in the Directorate and one Joint Director for each district other than Hyderabad.

Audit of the implementation of the scheme was taken up to assess whether the beneficiaries selected were eligible for the waiver and implementation of the scheme was as per the scheme guidelines. A test-check of records pertaining to the periods 2014-15 and 2015-16 relating to the scheme in offices of three out of nine JDAs viz., Mahabubnagar, Nalgonda and Warangal, and Office of Director of Agriculture were scrutinised during May - July 2016

3.2.2 Budget releases and Expenditure

Details of release of funds and expenditure incurred for implementation of the scheme during 2014-15 and 2015-16 in the State are as follows:

Table 3.1: Budget releases and Expenditure

(₹ in crore)

Year	Releases	Expenditure	Unspent amounts refunded as per UC	Number of beneficiaries
2014-15	4250	4040	171.32	35,29,944
2015-16	4086	4040	Not available	

***(Source:** Budget figures of 2014-15 and 2015-16, Socio Economic Survey 2016 and records of the department)*

5 G. O. Rt. No. 69 Agriculture and Cooperation (Agri. II) Department dated 13 August 2014

6 A loan given in connection with the raising of crops which is to be repaid within 18 months

7 Includes scheduled commercial banks, cooperative credit institutions (including urban cooperative banks) and regional rural banks

8 Defined as head of family, spouse and dependent children

In the sampled districts, JDAs had released ₹3509.23 crore to banks of which an amount of ₹3441.68 crore was utilised for implementation of scheme during 2014-15 and 2015-16. The position of release and utilisation of funds in the test-checked districts were as under:

Table 3.2: Budget release and utilisation of funds

(₹ in crore)

District	Year	Releases	Expenditure	Unspent amount remitted into Government account as per UCs	Number of beneficiaries
Mahabubnagar	2014-15	681.46	673.91	7.55	5,98,990
	2015-16	673.91	671.75	2.15	
Nalgonda	2014-15	633.61	587.86	45.89	4,96,629
	2015-16	587.86	587.86	Not available	
Warangal	2014-15	472.24	460.15	12.06	4,03,856
	2015-16	460.15	460.15	Not available	
Total		**3509.23**	**3441.68**		**14,99,475**

***(Source:** Records of the Department)*

Audit findings

3.2.3 Improper verification of beneficiaries

The stages of beneficiary identification are given in the chart below:

Each bank branch prepares Annexure A (list of crop loans) and Annexure B (list of agricultural gold loans). They were compared to arrive at Annexure C (list of eligible farmers who had outstanding crop loan together with agriculture gold loan limited to a maximum extent of ₹ one lakh). Annexures A, B and C were to be sent to Lead District Manager (LDM) and District Collector.

At Joint Mandal Level Bankers' Committee (JMLBC) meeting, Annexures C containing beneficiaries of different bank branches were compared in each mandal and Mandal Tahsildars checked the land records to eliminate fake beneficiaries. Co-operation Department was also to cross-verify Annexures A, B, and C pertaining to Primary Agricultural Cooperative Societies and District Co-operative Central Banks. After this, final Annexure D (list of farmers with loans from multiple banks) was shared with bank branches at mandal level

Each bank prepared initial Annexure E based on Annexure C and the common Annexure D. This Annexure was to be exhibited village-wise and social audit was to be conducted by a team of Mandal Parishad Development Officer, Tahsildar, Assistant Registrar/Sub Divisional Level Cooperative Officer and Branch Manager.

After social audit and taking into consideration objections raised, final Annexure E (village-wise beneficiary list) was to be prepared and displayed at each of bank branches after authentication. It was also to be sent to the LDM and the District Collector.

District Level Bankers' Committee convened by LDM sent district details of loan waivers bank-wise and farmer-wise to State Level Bankers' Committee (SLBC). SLBC was to intimate Bank wise, Branch wise farmers' eligible amounts to the Government in Annexure E.

For release of amount, all the banks consolidated district-wise and village-wise claims from lists prepared by District Level Bankers' Committees (DLBC) and submitted claims to the Government. The amounts were reimbursed to the banks by Directorate of Agriculture through Joint Director of Agriculture.

For release of scheme funds, all banks designated a nodal branch of each bank in the district and informed the details like name of the branch, account number (nodal bank account number), to which the loan waiver amount was to be credited, etc., to JDA and LDM. The process was to be completed by 30 September 2014.

Audit observed that the date for completion of the process was extended multiple times and supplementary claims were allowed based on decisions taken by DLBC/SLBC. This continued till June 2015 when the JDAs were finally instructed by Government to stop the payments.

This showed that the verification of beneficiaries was not done in time despite the mandatory verification process at different levels as there were additions/ deletions in final Annexure E.

3.2.3.1 Verification of beneficiaries under 'farmer family' norm without Aadhar

As per scheme guidelines, verification of beneficiaries by the bank branches, elimination of duplicate/multiple financing and restricting the benefit of loan waiver to ₹ one lakh to a farmer family was to be done at mandal level. For detecting multiple claims by farmers, Aadhar number of each of the beneficiaries was to be recorded in the prescribed Annexures containing list of beneficiaries.

It was observed that, Aadhar numbers were not recorded in the list of beneficiaries (Annexure E) pertaining to six banks viz., SBI, APGVB, HDFC Bank, Andhra Bank, Axis Bank and ICICI Bank in the sampled districts in more than 95 *per cent* of the cases.

Agriculture Department had no mechanism to ensure that the amounts released were going to the eligible farmers as it was not involved in the verification process at any stage i.e., preparation of list of eligible beneficiaries', verification of Annexures A to E and participation in social audit. The Chief Secretary to Government and Secretary (Institutional Finance), in a meeting (June 2015) with the District Collectors, had assured that a software package would be developed at the Centre for Good Governance for updating the Aadhar numbers and other details such as voter cards, bank accounts, etc., for integrating the data. In the absence of Aadhar card details, Audit could not verify whether beneficiaries had availed the benefits from multiple sources.

Government stated (November 2016) that the scheme was implemented in a short span of time. Further, mentioning of Aadhar number in the Annexures was not mandatory as few farmers had Aadhar cards.

However, 95 *per cent* of the population of Telangana had Aadhar cards (December 2014). Further Department had itself prescribed mentioning the Aadhar card number in Annexures A to E.

3.2.3.2 Non conducting of Social Audit

After consolidating the loan details of farmer family members, who had taken loans from more than one bank branch (comparing Annexure C and D), each bank was to prepare Annexure E. Annexure E was then to be exhibited village-wise and social audit was to be conducted by a team consisting of MPDO, Tahsildar, Branch Manager or his representative. After conducting social audit and settlement of all objections bank-wise the final list of farmers was to be prepared in Annexure E (final). This, along with the farmer-wise amounts eligible for waiver, was to be displayed at all bank branches after due authentication and sent to the LDM and the District Collector.

In the sampled districts, documents relating to conducting of social audit, verification and elimination of duplicate/multiple financing of beneficiaries were not made available to Audit.

Government stated (November 2016) that for social audit the data was sent to villages in Annexure E by the banks. After conducting of social audit, final village-wise Annexure E was prepared by bank branches and sent to LDM and District Collectors.

However, no document to support the reply was furnished, during audit or even at the time of reply.

3.2.3.3 Waiver of loan pertaining to beneficiaries of other district branches

In order to avoid the risk of excess loan waiver to beneficiaries who had borrowed funds from multiple mandals, Government had clarified (September 2014) that each lending bank should send village-wise beneficiary lists for social audit to other mandals where the beneficiaries were holding agriculture land. This was to be taken into consideration while preparing Annexure-E.

Audit observed that the village-wise beneficiary list was not furnished by the banks situated in other mandals. The verification process was not conducted due to the non-availability of details relating to loans taken by the villagers from other mandals. In the three districts test checked, HDFC Bank, Axis Bank and ICICI Bank included beneficiaries who had availed of crop loans on their agricultural land from the bank branches of other mandals in other districts.

The details of accounts and amount waived off (June 2016) in three banks were as follows.

Table 3.3: Details of beneficiaries whose loan amount was waived off pertaining to other mandals in sampled districts

(₹ in lakh)

Name of bank	No. of beneficiaries pertaining to other districts	Total amount waived off in two installments
Mahabubnagar		
HDFC Bank	245	117.62
Nalgonda		
AXIS Bank	23	10.01
HDFC Bank	51	25.50
ICICI Bank	13	6.50
Warangal		
HDFC Bank	11	5.50
ICICI Bank	19	6.33
Total	**362**	**171.46**

*(**Source**: Records of test checked banks)*

LDMs in the selected districts stated that many of the banks had not submitted the lists to them for such cross verification. This clearly showed that Annexures E were prepared without proper verification and Government instructions were not followed.

Government stated (November 2016) that the RBI had removed the service area approach and the banks could now lend to farmers of other mandals. However, the title deed book was taken by the bank while sanctioning the loan, due to which farmers could not avail of loan from other banks. For social audit purpose, the farmers belonging to same village in the mandal, covered by the banks within the mandal were covered under JMLBC. But there were very few cases as pointed out by the audit wherein the bankers had issued crop loans to farmers of other mandals by taking their land title pass book in the custody of the bank, so that farmers could not avail crop loan/ other loan from other banks.

However, Government reply was silent on non verification of loans taken by the beneficiaries who availed crop loans in multiple mandals on their agriculture lands. In the absence of beneficiary verification, the possibility of waiver of crop loan in excess of prescribed limit of ₹ one lakh to the beneficiary could not be ruled out.

Deficiencies in utilisation of funds

3.2.4 Scheme implementation by Banks

3.2.4.1 Waiver of crop loan to ineligible beneficiaries

The beneficiary unit, as per the scheme guidelines, was to be a farmer family consisting of the head of the family, spouse and dependent children.

A test-check of list of beneficiaries showed that banks had extended the benefit of loan waiver (₹2.75 crore) to 455 Rythu Mitra Groups/Rythu Mitra Sangams (RMGs) by splitting the group accounts into 1159 individual accounts, though this was against the scheme guidelines. The details are furnished in the table below:

Table 3.4: Details of loan waiver to Rythu Mitra Groups Rythu Mitra Sangams

(₹ in crore)

Name of Bank	No. of Groups	No. of beneficiaries	Amount waived off
Mahabubnagar			
Andhra Bank	97	97	0.32
State Bank of India	32	32	0.15
APGVB	84	84	0.36
District Cooperative Central Bank*	3	44	0.04
Nalgonda			
APGVB	17	34	0.11
State Bank of India	40	40	0.17
Warangal			
APGVB	166	811	1.56
State Bank of India	16	17	0.04
Total	**455**	**1159**	**2.75**

* in test-checked Devarakadra Branch, Mahabubnagar district only

*(**Source**: Records of test checked banks)*

Further, as seen from the table, while some banks treated an entire group as a single beneficiary, others treated each group member as a separate beneficiary.

Government stated (November 2016) that the individual loan requirement prepared by the convener of the group was submitted to the bank for sanction of crop loans. Based on the crop loan sanctioned, waiver benefit has been extended to the farmers under RMG.

The reply of the Government was not tenable since as per the scheme guidelines, crop loan waiver was to be given only for farmer families as units. In cases where loans were waived off taking groups as individual beneficiaries, the possibility of farmer families receiving inadmissible excess benefits could not be ruled out.

3.2.4.2 Discrepancies in release of funds

Audit observed that the scheme guidelines were not followed while releasing the amounts, as discussed below:

- For the release of amounts to banks towards first instalment, SLBC was to furnish final Annexure E as received from all the LDMs to the Director, Agriculture. However, the data furnished by SLBC was not as prescribed in scheme guidelines i.e., it did not have list of 'bank-wise branch-wise' beneficiaries. Instead, it contained 'mandal-wise bank branch-wise' list of beneficiaries or 'had different formats'.
- It was seen that while the Director had sanctioned the total amount to each JDA, list of beneficiaries was not communicated along with the sanction. There was no mechanism for JDAs to verify whether the utilisation certificates (UCs) furnished by banks corresponded to disbursements made to actual eligible beneficiaries.
- The JDA was required to release the payment to bank branches through the nodal bank in his mandal as per the Annexure E received from the Director, Agriculture. However, the JDA released the payment on the basis of a bank-wise statement of amounts received from District Collector in violation of the scheme guidelines.

These discrepancies caused differences between the amounts claimed by banks and amounts made available to JDAs for release. Final releases were not in line with the initial lists prepared due to improper beneficiary verification. Audit test-checked the documents relating to claims and disbursements in six[9] out of 25 banks in Warangal district and observed the following deviations:

Initially, based on decisions taken in DLBC**,** District Collector had communicated (September 2014) to JDA that claims worth ₹240.11 crore were to be waived off in these six banks. Accordingly, JDA released ₹243.38 crore to these banks, though finally loans worth ₹227.62 crore were waived off till April 2015. However, as per the data made available to Director of Agriculture by SLBC for first instalment (produced to Audit in July 2016), the amount of claims received was ₹229.82 crore. No explanation was furnished to Audit regarding the discrepancy. As the list of beneficiaries were not available with the Department, Audit could not verify reasons for discrepancy in release of funds.

[9] AP Grameena Vikas Bank, HDFC Bank, ICICI Bank, Punjab National Bank, State Bank of India and Warangal District Co-operative Central Bank

As the list of supplementary claims was not furnished, Audit could not verify whether these were included in the list communicated by SLBC to the Director, Agriculture. Further, neither the list of beneficiaries for supplementary claims nor the final list of beneficiaries, to whose accounts the amounts were credited under the scheme, was available with the JDAs.

Government stated (November 2016) that there was no major deviation from guidelines in furnishing of beneficiaries' data in Annexures-A to E by SLBC. The list of beneficiaries, bank branch-wise, was prepared by banks and was available with bank branches, District Collectors, LDM and mandal level team. The Department released the actual amount only as mentioned in the Annexures of bank branches.

However, JDAs did not maintain list of beneficiaries, because of which no verification could be done by the Department.

3.2.4.3 Discrepancies in amounts waived off

Under the scheme, loan waiver was applicable to the outstanding crop loan and gold loan as on 31 March 2014, along with the interest upto 31 August 2014. Government clarified[10] that penal charges including penal interest, inspection charges, etc. would not be covered under the scheme. The only amount eligible for waiver other than the loan amount was the premium paid for crop insurance and notice charges. In the sampled districts, the UCs furnished by nodal banks showed the total eligible amount of claims, together with/without interest amount calculated upto 31 August 2014, as ₹7529.63 crore[11]

- Audit observed from UCs furnished by banks in the three test-checked districts that in 26 out of 35 banks, interest claimed upto 31 August 2014 was in excess when computed at seven *per cent* per annum[12]. On the total outstanding claim of ₹5229.33 crore as of March 2014, interest claimed was ₹336.50 crore, instead of the permissible ₹152.52 crore. Thus, there was excess claim of interest to the extent of ₹183.98 crore. The banks confirmed that they had utilised the amount to waive off the loans which had higher interest rates on account of non-repayment of loans and had included other charges like inspection charges in the outstanding loan amount. Though the banks had undertaken to refund the excess amount, neither the banks had refunded the amount on their own nor did the JDAs take any action for the recovery of the excess amount of interest charged by the banks.

[10] In Inter-departmental Committee Meeting dated 14.8.2014 and errata issued by Agricultural and Cooperation Department dated 14.8.2014

[11] Mahabubnagar district: ₹2778.64 crore, Nalgonda district: ₹2739.06 crore and Warangal district: ₹2011.93 crore

[12] Interest on crop loans

- It was observed in the test checked districts that four to 13 banks did not claim interest upto 31 August 2014 on the outstanding loan of ₹2268.28 crore as on 31 March 2014 though the scheme guidelines stipulated that the eligible amount of waiver included interest upto 31 August 2014. Due to non-inclusion of the interest amount, the eligible farmers were deprived of the benefit of interest waiver to the extent of ₹66.16 crore, as detailed below:

Table 3.5: Details of non-claiming of interest amount by banks

(₹ in crore)

District	Number of banks in which discrepancy was noticed	Eligible amount excluding interest	Interest amount up to 31.08.2014 not included
Mahabubnagar	13 out of 29	808.10	23.57
Nalgonda	8 out of 25	1084.07	31.62
Warangal	4 out of 25	376.11	10.97
Total		**2268.28**	**66.16**

*(**Source**: Utilisation Certificates furnished by banks)*

The differences in implementation of the scheme by the banks showed that instructions regarding waiver were not clearly communicated.

Government stated (November 2016) that instructions were issued to all the controllers of bank branches through SLBC about the interest calculation on outstanding crop loans.

However, in both the cases, the Department took no action to recover the excess amount waived off or ensure that the beneficiaries received their dues.

3.2.4.4 Delay in remittance of unspent balances to JDAs

Utilisation certificates were to be submitted by all the bank branches to the JDAs within 30 days from the date of receipt of the amount from the Government. Unutilised amount, if any, was to be remitted to the Government accounts within 30 days of release by the Government.

Audit observed in the sampled districts that the unutilised amounts were refunded by banks to the bank accounts of JDAs directly, instead of Government account. Further, the details/reasons for refunds were also not furnished to JDA.

Audit also observed delay in remitting the amounts. In Nalgonda district, there were delays ranging from 101 days to 233 days in refund of unutilised amount by banks to JDA concerned. Banks stated that the delay was mainly due to non-finalisation of list of eligible beneficiaries and delay in reconciliation of amounts by banks.

Government accepted the delay in refunding the unutilised amounts by banks to JDAs.

3.2.4.5 Retention of unspent balances for which utilisation certificates were submitted

In Mahabubnagar district, out of the total release amount of ₹1355.37 crore, banks had furnished UCs for ₹1343.62 crore and remitted the unspent balances to JDA.

However, in nodal bank accounts of Andhra Bank and District Co-operative Central Bank, ₹61.98 lakh had been lying in the designated bank accounts[13] though UCs were furnished including this amount as 'being credited to beneficiary accounts'. The details were as follows:

Table 3.6: Details of amounts retained by the banks without waived off

(₹ in lakh)

Name of bank	Account No.	Amount retained
Andhra Bank	035011100001167	8.61
District Co-operative Central Bank	068905000514	53.37
Total		**61.98**

*(**Source**: Utilisation Certificates furnished by banks)*

Three out of eight test-checked bank branches also retained ₹28.83 lakh even after furnishing of UCs, without surrendering the amounts to their nodal bank.

Table 3.7: Details of amounts not surrendered by the banks

(₹ in lakh)

Name of bank branch	Account No.	Amount retained
State Bank of Hyderabad, ADB, Mahabubnagar	62372058659	26.52
State Bank of Hyderabad, Devarakadra	62372119716	2.06
State Bank of India, Bijinepally	34244638341	0.25
Total		**28.83**

*(**Source**: Utilisation Certificates furnished by banks)*

Audit observed that nodal branches not only failed to reconcile the released amounts with the amounts credited to beneficiaries' account by their bank branches, they also retained amounts without remitting them to Government Account. The Department also failed to detect it as the UCs were not verified by them.

Government stated (November 2016) that books of accounts of the banks relating to crop loan waiver scheme would be audited by Co-operation

[13] For the receipt of scheme funds from treasury through JDA and release of funds out of the received funds to their bank branches for crediting it to beneficiaries' loan accounts

Department in respect of co-operative banks and special audit as per Reserve Bank of India (RBI) norms would be taken up in respect of scheduled banks.

3.2.4.6 Delay in furnishing of utilisation certificates to JDAs

In the sampled districts, none of the nodal banks furnished the UCs for the utilised amount within 30 days and there were delays ranging from 137 to 266 days.

The delay in furnishing of UCs was mainly due to non-finalisation of beneficiaries and the amounts retained by banks without crediting to beneficiaries' loan account. Banks did not furnish list of beneficiaries whose accounts were credited, along with UCs.

In Nalgonda and Warangal districts, nodal banks did not furnish UCs for the second instalment even after lapse of 10 months, which indicated that the initial verification of the beneficiaries was not done properly.

Government stated (November 2016) that there was delay in sending UCs by banks to JDAs as the reconciliation of accounts and further verification of beneficiaries had taken much time for bankers.

3.2.5 Scheme implementation by Agriculture Department

3.2.5.1 Delay in remittance of unspent balances by JDAs

As per the Government instructions, unspent amounts were to be remitted into Government account within 30 days of release of funds.

The banks had remitted the funds into accounts of JDAs instead of Government account. There were delays ranging from 125 to 249 days in remittance of unspent amounts of ₹67.65 crore into Government account by JDAs after the stipulated time of 30 days from the release of funds.

The delayed remittance of unutilised funds into Government account by JDAs was due to delayed refund of unutilised amounts by banks. The JDAs also waited for banks to remit the entire unutilised amount, instead of remitting partial amounts as soon as they were received, thereby delaying the process.

Government stated (November 2016) that the JDAs had asked the bankers to refund the unutilised amounts pertaining to the scheme.

3.2.5.2 Unauthorised operation of bank accounts by JDAs for unspent amount refunded by banks

Out of the total amount of ₹3509.23 crore[14] released to banks, the unspent amount of ₹117.66 crore was refunded by banks to JDAs, instead of remitting the amounts directly to Government account. An amount of ₹40 lakh was also credited to bank accounts of Nalgonda and Warangal JDAs towards accrued interest on scheme funds. As the amounts were released on the basis of claims, banks should have furnished reasons while refunding the amount. However, no reasons were furnished by the banks while refunding.

Further, instead of remitting the unspent amounts received into Government account, JDAs irregularly opened bank accounts and parked the unspent amounts. JDAs, Warangal and Nalgonda opened savings bank accounts and JDA Mahabubnagar opened a current account. Out of ₹117.66 crore refunded, ₹67.65 crore was remitted into Government account by JDAs and an amount of ₹45.67 crore were again released by JDAs to nodal banks for waiving off subsequent claims in three sample districts, leaving a balance of ₹4.34 crore in the JDAs accounts of Warangal and Nalgonda, though this was not permissible.

It was observed that JDA, Nizamabad had utilised ₹9.70 lakh out of the accrued interest on the unspent balances available in saving bank account for implementation of other schemes, instead of remitting it to Government account.

Government stated that JDAs had to open a bank account for depositing the unutilised amounts received from banks through demand drafts/ cheques. JDAs remitted the unspent amount to Government account after releasing the amounts for supplementary claims by banks.

However, no instructions had been officially issued allowing JDAs to open bank accounts. The amounts were to be remitted to the Government account. The reply was also silent on unauthorised expenditure incurred from the funds in these accounts.

3.2.5.3 Delay in furnishing of Utilisation Certificates by JDAs for the utilised amount

There were delays ranging from 185 to 229 days in furnishing of UCs. JDAs Nalgonda and Warangal did not furnish UCs for the second instalment due to non-receipt of UCs from nodal banks even after lapse of 10 months which indicated lack of monitoring.

Government accepted the delay in furnishing the UCs by JDAs.

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[14] First and subsequent releases for initial and supplementary claims. This is the gross amount released and not the net amount

3.2.6 Conclusion

The implementation of Crop Loan Waiver Scheme in the Telangana State to alleviate the hardship of the farmers due to their indebtedness through waiver of outstanding agricultural loans was not achieved fully. Proper verification of eligible beneficiaries in accordance with scheme guidelines was not done. There was no coordination between various agencies involved in implementation of scheme. There were discrepancies in claiming of interest amounts by banks on outstanding crop loans. While some banks charged higher rate of interest on outstanding crop loans, some banks did not claim interest thereby depriving the benefit of loan waiver to farmers. There was delay in remittance of unspent amounts into Government account and in furnishing of utilisation certificates. The departmental officers in some cases parked the unspent amounts received from banks unauthorizedly in separate bank accounts and in one case part of interest received was utilized for implementation of other schemes.

Transport, Roads and Buildings Department

3.3 Telangana Road Sector Project

3.3.1 Telangana Road Network

The Roads and Buildings Department, Telangana has its jurisdiction over National Highways (NHs) - 2592 Km, State Highways and Major District Roads (MDR) - 11211 Km, Rural Roads - 9014 Km, and Core Road Network[15] (CRN) - 4020 Km, totalling 26837 Km. In the combined State of Andhra Pradesh, CRN was managed and maintained by the Andhra Pradesh Road Development Corporation (APRDC). After the State of Telangana was formed in June 2014, it is being managed and maintained by the Roads and Buildings Department of Telangana.

In order to reduce the growing funding gap in road sector, a Loan Agreement (January 2010) was entered into between International Bank for Reconstruction and Development (IBRD) and Government of India (GoI). After bifurcation, the loan was divided and a separate Project Agreement was concluded between IBRD and Government of Telangana (5 May 2015), fixing Telangana's loan at 66.5 Million USD, including expenditure incurred on the project during the period before bifurcation. As per the original agreement, the project was to be completed by June 2015. After bifurcation of State into Andhra Pradesh and Telangana, it was rescheduled to May 2017.

3.3.2 Project Components

As per the terms of loan agreement, the project comprised (a) Road Improvement component, (b) Public Private Partnership (PPP) facilitation support component, (c) Institutional Strengthening component and (d) Road Safety component.

3.3.3 Implementing agencies

The Roads and Buildings Department, Telangana (T-RBD) was entrusted with the overall responsibility for implementation[16] of the project. Audit of the implementation of the Project was conducted to ascertain whether the Project components were effectively implemented in a timely manner and the objective of providing better quality, higher capacity and safe roads to users in a sustainable manner through enhanced institutional capacity had been achieved.

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[15] The roads with high traffic and strategic importance selected from the State Highways and Major District Roads

[16] In the combined State of Andhra Pradesh, the Roads and Buildings Department of Andhra Pradesh assisted by APRDC was the implementing agency

Audit examined the project records since inception (January 2010) to March 2016 at Roads and Buildings Department, Telangana Headquarters Office[17] and seven field Divisions[18] during the period from January to February 2016 and during June to July 2016. Six out of 11 Long-term Performance Based Maintenance Contracts (LTPBMC) works and all upgradation packages were selected for test check.

Audit findings

3.3.4 Road Improvement Component

The component comprised upgradation of 125 km of priority state highways and maintenance of 1717 km of the CRN under Long-term Performance based Maintenance Contracts.

3.3.4.1 Upgradation packages

APRDC had engaged a consultant (2007) for feasibility study, design and detailed engineering of 2000 km of state roads. Based on the recommendations of the consultant, Andhra Pradesh Road Development Corporation had identified Kandi – Shadnagar (KS-05) road and Jagityal – Peddapalli (JP-06) road for upgradation under the project.

***(i) Kandi – Shadnagar Road*:** The Kandi – Shadnagar (KS-05) road provides connectivity between NH 7 and NH 9. The road starts at Kandi on NH 9 and passes through Shankarpalli, Chevella and ends at Shadnagar on NH 7. The upgradation work was awarded to a contractor in August 2012 at a contract value of ₹163.03 crore for completion by March 2015. The cost was later revised (September 2015) to ₹192.31 crore due to the proposal for four laning of the road stretch from 12.540 km to 35.050 km.

The observations on this up-gradation work are discussed below:

- **Granting of extension of Time without delay damages:** As per the agreement, the work was stipulated for completion by March 2015. Extension of Time (EoT) for the work was given (March 2015) upto 30 September 2015, based on the request of the contractor. The consultant appointed for supervising the work recommended (November 2015) termination of the contract, owing to dismal progress. The Department accordingly requested (December 2015, April 2016 & May 2016) the Government to terminate the contract and entrust it to a new contractor so as to utilize the loan amount before closure of the agreement with IBRD

[17] Engineer-in-Chief (R&B), Roads, CRN & Joint MD, APRDC, Hyderabad
[18] EE, R&B Divisions at Bodhan, Hyderabad, Jagtial, Kalwakruthy, Nirmal, Sangareddy and Wanaparthy

(May 2017). Government, however, instead of terminating the contract, decided (June 2016) to grant EoT up to May 2017 without levying damages on the condition that the contractor would furnish additional performance security of ₹ 10 crore.

Audit observed that granting of EoT on furnishing of additional performance security was not governed by the contract. As per clause 8.7 of the agreement, delay damages upto a maximum of 10 *per cent* of final contract price had to be levied for non-completion of work within stipulated time. Despite continued slow progress, the Department had not levied delay damages of ₹ 19.23 crore while extending the completion time. This resulted in extension of undue benefit to the contractor.

- **Changes in the scope of work at the fag end of loan closure period:** During execution, the Government accorded approval (May 2015) for modification of the existing proposal of upgradation from double lane between Kandi – Chevella to four-lane from Shankarpalli to Chevella deleting the stretch from Kandi to Shankarpalli and entrusted the work to the existing contractor.

  It was observed that though the contractor had not shown interest in completing the original work and the consultant as well as the Department had recommended termination of the contract due to slow progress, the additional work of four-laning was also awarded (October 2015) to the same contractor with additional scope worth of ₹ 29.28 crore at the fag end of the loan closure period. During the extended period upto September 2015, the contractor completed only 40 *per cent* of the original scope of work. Despite dismal progress, awarding the additional work to the same contractor was injudicious. The contractor's work progress till July 2016 was only 39 *per cent* inclusive of additional work.

(ii) Jagityal – Peddapalli Road: The work of Jagityal- Peddapalli road (JP-06) for a length of 58.750 Km was awarded to a contractor in March 2010 for ₹ 64.01 crore and the work was completed in December, 2013.

The observations on this upgradation work are discussed below:

- **Irregular Issue of Taken Over Certificates:** The Department had issued Taken Over Certificates (TOC) for the Sections as per clause 10.1 of the agreement. The date of TOC of Section I comprising 31.360 Km was 5 July 2013. Similarly, the date of TOC of Section II comprising 27.390 Km was 31 December 2013.

However, some components were still pending for completion when TOCs were issued. This included works worth ₹1.01 crore for Section I and ₹1.89 crore for Section II. Details are given in ***Appendix 3.4.***

While granting TOC for Section I, the department had instructed the contractor to complete the balance works by October 2013. However, these works remained unattended even though TOC of Section-II was issued. It may be mentioned here that the consultant appointed for monitoring the work had issued many notices to the contractor to complete the works. Though the Department extended the Defect Notification Period[19] (DNP) upto June 2015, the contractor has not completed all the balance works.

The department deleted (March 2015) certain items of works like construction of bus shelters, drains, access roads, and minor bridges etc., worth ₹1.46 crore from the scope of work after issuing TOCs citing reasons such as problems in land acquisition, shifting of utilities etc. The financial implication of some of the works like construction of minor bridges and construction of slab culverts has not been included in the above figure. However, the problems cited for deletion were not mentioned either in the records relating to these components or in the notices issued to the contractor. These deleted works will have to be taken up through separate contracts, which may lead to increase in cost. The situation could have been avoided had the Department insisted upon the contractor to complete the work before issuing TOCs.

- **Non submission of Maintenance Manual:** As per Task 4.7 of Consultant's Methodology[20], the Construction Supervision Consultant (CSC) supervising the work was to prepare a Maintenance Manual outlining the routines to be adopted for maintenance of the roads and bridges which would be adopted during and beyond DNP. It was to be submitted within 12 months from the date of commencement of the work being supervised by him. However, the same had not been submitted by the consultant though the Jagityal-Peddapalli road has been taken over by T-RBD and DNP was over in December 2015.

  The Department replied that the Manual was under preparation and would be submitted. However, the Manual was to be adopted during the DNP.

[19] the time line to complete the balance works

[20] Agreement with the Consultant

3.3.4.2 Long Term Performance Based Maintenance Contracts

Telangana Roads and Buildings Department had taken up 11 works across various districts in Telangana under Phase - I & II under Long Term Performance Based Maintenance Contracts which provided for maintenance of CRN. The stated economic benefits of these works were savings in vehicle operating costs, travel time costs, distance and maintenance costs. While the Phase-I works were completed by March 2014, Phase-II works were nearing completion.

As per the Project agreement, the T-RBD had to maintain a length of 1717 Km for a five year period under LTPBMC. It was, however, observed that the works were awarded only for a length of 1663 Km. Thus there was a shortfall of 54 Kms in initial award of works. The Department had not stated specific reasons for short award of work.

***(i) Absence of Strategic Road Development Plan*: ** Audit observed that T-RBD had no strategic plan in place for improvement/ widening of MDR/Rural Roads. The maintenance works were brought under other schemes on ad hoc basis.

It was observed that in the absence of a strategic plan, out of the 921.243 Km of road length test-checked under LTPBMC works, 43.600 Km had been proposed to be upgraded as National Highways and another 88.200 Km were taken up for widening/ improvement by the State Government. Both these roads were deleted from the scope of the project and the Department had not evolved any replacement plan for the packages, though the terms of the loan as well as the agreement did not prohibit taking up of other reaches for maintenance. This resulted in deletion of stretches from LTPBMC packages and short utilization of loan to the extent of the length deleted.

For example, for the LTPBMC Package no. 23 in Medak District, proposal for improvement of 114 Km was administratively sanctioned for ₹ 36 crore. After bid evaluation (September 2012), the package was cancelled by the IBRD (May 2013) on the request of the Department, due to declaration of a major stretch under this package as National Highway. Subsequently, the Department had not taken any action to identify any other stretch under CRN for maintenance and failed to utilise the related loan amount.

Absence of strategic road development plan led to deletion of stretches of road after awarding the work and consequent short utilization of the loan.

***(ii) Non evaluation of benefits*: ** As per Section II.A.1 of the Project agreement, the T-RBD was to monitor and evaluate the progress of the project on the basis of indicators agreed with the IBRD. Though Phase-I works under

LTPBMC were completed upto March 2014, no study on evaluation of benefits was carried out. It was also observed that no analysis was conducted to study the trend of accidents. Hence audit could not assess decrease/increase in road accidents in respect of completed Phase-I works.

The Department replied that the APRDC report on the same would be used for future guidance. However, applying the results obtained in Andhra Pradesh to Telangana would be injudicious as the problems faced by the states might not be the same.

***(iii) Remedial actions not taken despite survey results showing marginal/ no improvements in LTPBMC works*:** The APRDC had appointed (December 2010) a consultant to carry out the Road User Satisfaction Survey (RUSS) for all the package works taken up under the Project. The goal was to help in improving road transport in State by giving senior management in the RBD an insight into the issues raised by road users and thereby making better future strategic and operational decisions. The survey on these roads was to be conducted twice, i.e. before implementation (RUSS-I) and during implementation (RUSS-II) of works. The consultant had submitted reports for RUSS-I in March 2013, RUSS-II in August 2015 for the combined State and RUSS-II in June 2016 exclusively for Telangana State. The report was to be made public as per clause 3.2 of the contract agreement with the consultant.

As per the survey results, the Project had not shown considerable improvement over the existing road features (before commencement of these works), in terms of overall user satisfaction and in particular road safety aspect. Despite this, the Department had neither taken any action on the recommendations/ suggestions made therein nor made the report public.

The Department stated that the Report would be made public after incorporation of all suggestions/ information.

3.3.5 Public Private Partnership Facilitation Component

The component was included to strengthen the capacity of the Government to develop selected high traffic density corridors under Public Private Partnership (PPP), via toll revenues and viability gap support from the Central Government. Except for one PPP in Telangana i.e. Hyderabad – Karimnagar–Ramagundam road, for which agreement had been executed by APRDC in August 2010, Audit observed that no further studies were conducted to identify high traffic density corridors under PPP arrangement by T-RBD.

3.3.6 Institutional Strengthening Component

This component was to provide technical assistance, training and advisory services for strengthening of T-RBD, with requisite capacity for its responsibilities in managing the CRN and aiding in various aspects of project implementation, including the Asset Management Program, the Governance and Accountability Action Plan (GAAP) and the Institutional Strengthening Action Plan (ISAP), plus associated monitoring and coordination. The following observations are made:

3.3.6.1 Non-formation of Project Implementation Unit

A Project Implementation Unit (PIU) was to be established within T-RBD for assisting it in the implementation of the Project in the areas of procurement, contract management, financial management, safeguards, environment and social management, etc.

It was observed that PIU and sub-committees were not formed even after lapse of more than a year after conclusion of the amended loan agreement. Thus the assistance/ support in implementation of the project, envisaged in loan agreement, was not utilized.

The Department replied that the CRN wing was functioning as the PIU for the Project and though a sub Committee was not formally constituted, the works were being reviewed periodically.

However, the CRN wing had no staff with background in financial, environmental or social management which adversely affected the implementation of the Project.

3.3.6.2 Non-implementation of recommendations of consultant

The Government of Andhra Pradesh had accorded Administrative Sanction[21] (February 2011) for the work "Consultancy Service to Institutional Strengthening Action Plan" (ISAP) for ₹5.50 crore. The work was awarded (March 2011) to a consultant for ₹9.49 crore for completion by December 2013.

The Consultant had submitted (February 2014) recommendations for the combined State. The Department did not take any action on the final report stating that the Policy of the State was under development. However, after two years, the Government extended the services of the consultant (June 2016), though the contract had not been awarded. The loan period is due to end in May 2017 and the State may lose the opportunity to utilize this component in

[21] G.O.Ms.No.28, TR&B R(IV) Department, dated 18 February 2011

case immediate action is not taken. Due to non-implementation of the recommendations and delay in policy formulation, the intended objective of institutional strengthening could not be achieved.

3.3.6.3 Non-revision of Institutional Strengthening Framework

As per Section-I (E) of the Project Agreement, the Project Implementing Entity was to ensure that the Project was carried out in accordance with the terms, conditions and procedures set forth in the Environmental and Social Management Framework (ESMF), Resettlement & Rehabilitation (R&R) Policy Framework, Environmental Management Plans (EMPs), Resettlement Acton Plans (RAPs), Governance Accountability Action Plan (GAAP) and Institutional Strengthening Action Plan (ISAP) etc. In the light of incorporation of Telangana as a new State, the Project Implementing Entity was to revise and re-disclose the content of the above policy frameworks so as to reflect the new implementation requirements on or before 31 May 2015. Further, the project envisaged formation of an Institutional Strengthening (IS) Cell to provide support on ISAP implementation, coordination and progress monitoring.

Audit observed that neither the revised policy framework was prepared nor the IS cell formed.

The Department replied that revisions were being examined in consultation with the Bank experts. The proposal for engaging consultants for ISAP had been submitted to IBRD and the IS cell would be initiated after the formulation of ISAP.

However, as the loan period is due to end in May 2017, it is unlikely that the component would be completed due to paucity of time.

3.3.6.4 Non-adherence to Governance Accountability Action Plan (GAAP)

The GAAP referred to the governance and accountability action plan of the Project Implementing Entity adopted on April 1, 2009 which set out the key actions to be undertaken by it to strengthen governance, transparency and accountability under the Project. The same plan was adopted by Telangana State after bifurcation.

However, the GAAP was not adhered to as discussed below:

(i) As per the agreed disclosure policy under GAAP, the Department needed to disclose information related to the Project for allowing greater access to information including disclosure of mid-term review reports, environmental and social safeguard information/policies, audit reports, results of the road user satisfaction surveys etc. The expectation for the RBD, besides complying with on-demand access to information, was to fully comply with provisions on *suo motu* disclosure under section 4 of the RTI Act.

Audit observed that the Department had not established a website, though required as per the policy for disclosure of the project related information.

(ii) The GAAP *inter alia* included third party field-based physical verification of quality by reputable engineering university professors and their post-graduate students to ensure that the contractor, the supervision consultant and the Department were following the agreed engineering design in the construction of the proposed roads projects. However, such a monitoring of the project works was not undertaken, though Phase-I of the LTPMBC works were completed (2014) and Phase-II works were nearing completion (2017).

The Department replied that as per Supervision Matrix in the Project Appraisal Document, the need for engaging university professors and students had to be assessed by IBRD. As such, it had no role in it.

The reply was not tenable since as per the Procurement Plan approved by IBRD, the third party field-based physical verification was to be done and the Government had given administrative sanction for the same.

3.3.6.5 Road Management System

As a part of institutional strengthening, a Road Management System (RMS), to significantly improve the Road Development Corporation (RDC)/T-RBD planning for both capital and maintenance budget received from various sources, was to be rolled out.

The consultancy work to establish RMS was awarded (April 2011) to a consultant for ₹ 6.18 crore. The consultant had not delivered the output owing to non-furnishing of basic road data by the APRDC in the erstwhile combined State. After bifurcation of State, though T-RBD had compiled road data relating to 9000 Km out of a total requirement of 24,245 Km, the Department neither engaged a consultant for establishing the RMS nor took any action to complete the balance road data collection. It was observed that the draft Request for Proposal (RFP) for appointing the consultant had been submitted to IBRD for no-objection in July 2016 and the contract was yet to be awarded.

3.3.7 Road Safety Component

This component was to help in providing safer road corridors by initiating measures to reduce road accidents on major corridors by assisting the T-RBD to:

(a) Undertake 'demonstration projects' on selected CRN corridors;

(b) Carry out an extended black-spot[22] improvement program; and

(c) Implement institutional and policy action plans for improving the State's road safety responsibility framework and capacities.

3.3.7.1 Development of a demonstration corridor

The Demonstration (demo) corridor was to be a model corridor to be developed with multi sector road safety measures adopted by different Departments viz., Roads and Buildings, Transport, Police and Medical & Health. Taking into account the results of the demonstration project, the Department was to develop and adopt a policy and strategy for improving road safety in Telangana by 31 December 2016.

Considering the increase in number of accidents due to high traffic and also due to diversion of traffic from NH9 to NH7, the Government of Andhra Pradesh had identified (January 2010) Hyderabad - Bijapur Road as the demo corridor to test and implement a new road safety programme. It was proposed to undertake geometric improvements to the road, street lighting, translocation of trees etc. The work was awarded (February 2014) to a contractor for ₹ 13.37 crore for completion in 12 months. On scrutiny of records relating to the work, the following audit observations are made:

- The financial progress of the work after more than 29 months was only 71 *per cent*. Three curve improvement works were not taken up for want of forest clearance and two junction improvement works were not taken up as the utilities had not been shifted.

- Procurement of goods/services by other stakeholder Departments was not done due to multiple modifications and delay in submission of estimates. The civil works were yet to be completed. Lack of co-ordination among the stakeholder Departments resulted in delay in procurement of goods/ services for demo corridor.

The Department in its reply accepted that finalization of the specification/estimate and co-ordination with other Departments had taken time. It also stated that the estimates had since been finalized and procurement had already been initiated. The entire process would be completed well before the loan closure period.

[22] a location on a road where accidents are highly concentrated based on historical data

3.3.7.2 Improvement of Black Spots

A black spot is defined as a location on a road where accidents are highly concentrated based on historical data. A black spot could be a curve, intersection or a regular stretch of a road and can vary in length, but usually is about 200 - 400m. It was proposed to take up 10 black spots improvement works under the amended loan agreement and ₹38.84 crore was allocated under the programme.

Though the Department had instructed (April, 2013) all Superintending Engineers(SEs) to furnish information regarding five black spots in each District along with details for the previous five years, only one out of eight SEs had submitted the required information, based on which the Department identified two black spots against the target of 10. The work was awarded (May 2014) for ₹3.33 crore and completed at a cost of ₹3.27 crore. However, no evaluation study was taken up to ascertain the reductions in number of accidents to assess the effectiveness of the improvement works. Besides, the loan component was also not fully utilized.

The Department in its reply stated that the remaining eight black spots had been identified on Hyderabad-Medak-Bodhan road and the design and estimate have been finalized. It was also stated that the road stretch passed through forest area and action was being taken for getting permission from the Forest Department.

3.3.8 Non adherence to Procurement Plan timelines

The Procurement Plan which included different procurement methods or consultant selection methods was to be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

It was observed from the records that though timelines were given in the procurement plan, they were not being adhered to. Timelines for some of the components were not provided and those of others were revised multiple times. This led to delay in completion of various component/sub-components of the project.

3.3.9 Conclusion

The Project was taken up to remedy the funding gap in road sector in the State. However, significant deficiencies were observed. Despite continued dismal progress, the Department had not levied damages on the contractor in one case and, instead, had given EoT. Additional work was also awarded to the same contractor without considering his poor performance. The JP-06 *upgradation package, although stated to have been completed, remained incomplete and certain amenities were deleted, instead of getting them executed by the contractor. Due to absence of strategic road development plan, road stretches were deleted from the scope of contract due to their conversion as NHs or having been taken up under other State schemes resulting in short utilization of the loan. No efforts were made by T-RBD to fill the gaps by identifying alternate roads in lieu of the deleted stretches. The PPP Component of loan was underutilized. After bifurcation, sufficient efforts were not made towards Institutional Strengthening and separate PIU was not formed. The works relating to Demo corridor remained incomplete, two works in respect of black spot improvements were completed against the proposed 10 and road safety action plan was lagging behind the schedule.*

Irrigation and Command Area Development Department

3.4 Excess payment of price escalation for fuel and lubricants

The work "Investigation, Design, Execution of Tunnel of minimum internal diameter 4.00 m 'D' shaped/modified horse shoe with carrying capacity of 15.30 cumecs water from Dharmasagar tank to Railway Station Ghanpur in Warangal district (Package-IV/Phase-III of JCRDLIS[23])" was entrusted (February 2009) to an agency under EPC[24] turnkey system for ₹855.87 crore for completion by February 2012. Extensions of time were granted from time to time by the Department up to August 2016. Total value of work done and paid to the agency was ₹725.92 crore (July 2016), including price adjustment.

Agreement clause 14.16.1 provided price adjustment of contract prices for increase/decrease in cost of fuel. The rates prevailing in the nearest fuel station/stations to work spot on the last day of filing bids were to be adopted as base rates. Any increase or decrease of more than five *per cent* over base rates was to be compensated in accordance with the following formula.

$$V_f = 0.85 \times P_f /100 \times R_1 (F_1 - F_0)/F_0$$

Where

V_f = Increase or decrease in the cost of work done during the quarter under consideration due to change in the rates for fuels and lubricants;

[23] JCRDLIS – J.Chokka Rao Devadula Lift Irrigation Scheme
[24] EPC - Engineering, Procurement and Construction

P_f = Percentage of fuel and lubricants component of the work;

R_1 = Value of work done during the quarter;

F_0 = The average official retail price of High Speed Diesel (HSD) at the existing consumer pumps of IOC/IBP/HP/ Reliance nearest to the work spot on the last day of filing the bids; and

F_1 = The average official retail price of High Speed Diesel (HSD) at the existing consumer pumps of IOC/IBP/HP/ Reliance nearest to the work spot on the 15^{th} day of the middle calendar month of the quarter under consideration.

The State Level Standing Committee (SLSC) constituted by the Government was to decide the **"**Percentage of fuel and lubricants component of the work (P_f)" based on the inputs furnished by the Department for each work. For computing the percentage of fuel and lubricants, SLSC was to consider the components of total value of fuel in the work and total value of the work.

Scrutiny of calculations relating to computation of the P_f factor for this work showed that for arriving at the P_f factor, the SLSC had considered the value of civil works only and had excluded the components of electro-mechanical works and hydro-mechanical works from the total value of the work. As a result, the P_f factor arrived at was 9.283 *per cent*, instead of 6.273 *per cent* as explained in the table below:

Total value of the work	₹855,86,72,500
Total value of civil works excluding value of Electro-mechanical works and Hydro-mechanical works	₹578,31,60,000
Value of fuel and lubricants for the work as worked out by Department	₹53,68,47,379
Fuel factor (P_f) approved by SLSC	$\frac{₹53,68,47,379}{₹578,31,60,000}$ X 100 = **9.283** *per cent*
Fuel factor (P_f) to be taken (as computed by Audit)	$\frac{₹53,68,47,379}{₹855,86,72,500}$ X 100 = **6.273** *per cent*

The Department, as a result of this, paid ₹13.48 crore calculated at 9.283 *per cent* towards price adjustment for fuel to the agency on total value of work done for the period from July 2009 to March 2016 (upto Running Account bill No.74) paid in July 2016 against admissible amount of ₹8.74 crore calculated at 6.273 *per cent*.

Thus, incorrect adoption of 'total value of the work' by the Department for computation of percentage of fuel and lubricants for the work, resulted in excess payment of ₹ 4.74 crore towards price adjustment for fuel.

Department accepted (December 2016) the error in calculation of price escalation for fuel. However, the Department was silent on recovery of excess amount paid to the agency.

(LATA MALLIKARJUNA)
Accountant General
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Andhra Pradesh and Telangana

Hyderabad
The

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Comptroller and Auditor General of India

New Delhi
The

Appendices

Appendix 1.1

(Reference to paragraph 1.6.3, page 4)

Department-wise break-up of outstanding Inspection Reports and Paragraphs

Department	Number of IRs/Paragraphs issued up to 31 March 2016 and pending as of 30 September 2016	
	IRs	Paragraphs
Agriculture and Cooperation	411	1711
Animal Husbandry and Fisheries	148	757
Energy	5	20
Environment, Forests, Science and Technology	253	789
Industries and Commerce	136	526
Information Technology, Electronics and Communications	8	70
Infrastructure & Investment	4	27
Irrigation and Command Area Development	730	2304
Rain Shadow Areas Development	4	13
Roads and Buildings	224	713
Works and Projects wing of Finance Department	21	77
Total	**1944**	**7007**

Appendix 2.1

(Reference to paragraph 2.1.6.1, page 14)

Details of Original Grant, Supplemental Grant, Re-appropriation, Total Grant, Expenditure and Excess or Savings in respect of five Medium Irrigation Projects

(₹ in crore)

Project (Head of account)	Year	Original Grant	Supple-mental Grant	Re-appropriation	Total Grant	Expenditure	Excess / Savings
Gollavagu (4701-03-207)	2004-05	0.00	0.00	5.68	5.68	2.68	-3.00
	2005-06	5.00	0.00	7.00	12.00	11.97	-0.03
	2006-07	35.00	0.00	12.94	47.94	36.16	-11.78
	2007-08	34.00	0.00	**-10.53**	23.47	14.11	-9.36
	2008-09	12.50	0.00	0.00	12.50	8.63	-3.87
	2009-10	12.50	0.00	0.00	12.50	4.49	-8.01
	2010-11	11.05	0.00	**-3.76**	7.29	3.65	-3.64
	2011-12	5.60	0.00	**-1.16**	4.44	0.84	-3.60
	2012-13	3.36	0.00	**-0.27**	3.08	3.08	0.00
	2013-14	5.00	0.00	**-4.47**	0.53	0.53	0.00
	2014-15	2.15	0.00	**-1.16**	0.99	0.99	0.00
	2015-16	3.25	0.00	0.00	3.25	0.66	-2.59
	Total	**129.41**	**0.00**	**4.26**	**133.66**	**87.79**	**-45.88**
Mathadivagu (4701-03-211)	2004-05	0.00	0.00	3.78	3.78	1.89	-1.89
	2005-06	5.00	0.00	6.50	11.50	10.08	-1.42
	2006-07	35.00	0.00	**-6.35**	28.65	21.79	-6.86
	2007-08	35.00	0.00	**-13.00**	22.00	10.73	-11.27
	2008-09	12.50	0.00	0.00	12.50	7.95	-4.55
	2009-10	5.00	0.00	**-2.47**	2.53	2.48	-0.05
	2010-11	2.30	0.00	**-1.49**	0.82	0.19	-0.63
	2011-12	1.50	0.00	1.58	3.08	1.55	-1.53
	2012-13	0.50	0.00	**-0.50**	0.00	0.00	0.00
	2013-14	2.00	0.00	**-0.44**	1.56	1.56	0.00
	2014-15	0.50	0.00	**-0.50**	0.00	0.00	0.00
	2015-16	5.00	0.00	0.00	5.00	0.28	-4.72
	Total	**104.30**	**0.00**	**-12.89**	**91.41**	**58.50**	**-32.91**
Neelwai (4701-03-237)	2004-05	0.00	0.00	0.00	0.00	2.95	2.95
	2005-06	6.00	2.95	5.25	14.20	9.87	-4.33
	2006-07	40.00	0.00	3.00	43.00	34.67	-8.33
	2007-08	39.00	0.00	0.00	39.00	10.55	-28.45
	2008-09	30.10	0.00	**-13.00**	17.10	2.55	-14.55
	2009-10	24.00	0.00	-0.43	23.58	5.35	-18.22
	2010-11	24.10	0.00	**-3.03**	21.08	2.94	-18.14
	2011-12	8.50	0.00	**-0.51**	7.99	4.99	-3.00
	2012-13	28.51	0.00	**-5.11**	23.40	23.40	0.00

	2013-14	35.00	0.00	**-24.33**	10.67	10.67	0.00
	2014-15	10.00	0.00	**-4.77**	5.23	5.23	0.00
	2015-16	15.00	0.00	0.00	15.00	6.24	-8.76
	Total	**260.21**	**2.95**	**-42.93**	**220.23**	**119.39**	**-100.84**
Peddavagu at Jagannathapur (4701-03-225)	2004-05	0.10	0.00	9.36	9.46	5.95	-3.51
	2005-06	9.21	0.00	0.00	9.21	8.55	-0.66
	2006-07	50.00	0.00	**-34.40**	15.60	8.89	-6.71
	2007-08	70.00	0.00	**-28.10**	41.90	16.60	-25.30
	2008-09	45.50	0.00	**-8.50**	37.00	12.12	-24.88
	2009-10	49.00	0.00	0.00	49.00	14.30	-34.70
	2010-11	47.00	0.00	**-46.00**	1.00	0.07	-0.93
	2011-12	28.50	0.00	**-16.04**	12.46	7.87	-4.59
	2012-13	18.54	0.00	**-17.79**	0.75	0.75	0.00
	2013-14	22.00	0.00	**-15.24**	6.76	6.76	0.00
	2014-15	13.00	0.00	**-9.92**	3.08	3.08	0.00
	2015-16	23.00	0.00	0.00	23.00	10.30	-12.70
	Total	**375.85**	**0.00**	**-166.62**	**209.22**	**95.25**	**-113.97**
Ralivagu (4701-03-236)	2004-05	0.00	0.00	0.00	0.00	1.40	1.40
	2005-06	5.00	1.40	4.19	10.59	8.42	-2.16
	2006-07	35.00	0.00	3.17	38.17	31.13	-7.04
	2007-08	20.00	0.00	**-11.00**	9.00	2.52	-6.48
	2008-09	5.10	0.00	1.00	6.10	3.35	-2.75
	2009-10	4.50	0.00	0.00	4.50	0.74	-3.76
	2010-11	2.25	0.00	**-1.32**	0.93	0.00	-0.93
	2011-12	1.20	0.00	**-0.25**	0.95	0.00	-0.95
	2012-13	0.60	0.00	**-0.52**	0.08	0.08	0.00
	2013-14	1.00	0.00	**-1.00**	0.00	0.00	0.00
	2014-15	1.00	0.00	**-0.64**	0.36	0.36	0.00
	2015-16	2.75	0.00	0.00	2.75	0.00	-2.75
	Total	**78.40**	**1.40**	**-6.38**	**73.42**	**48.00**	**-25.42**
Grand Total		**948.16**	**4.35**	**-224.56**	**727.95**	**408.93**	**-319.02**

***(Source:** Information furnished by Chief Engineer (Projects), Adilabad; Pay and Accounts Officer, Nirmal and VLC data from Office of the Principal Accountant General (A&E), Andhra Pradesh and Telangana)*

Appendix 2.2

(Reference to paragraph 2.1.6.2, page 15)

Details of central assistance received under AIBP

	Gollavagu	Mathadivagu	Neelwai	Peddavagu at Jagannathapur	Ralivagu
Year of inclusion in AIBP	2006-07	2006-07	2006-07	2006-07	2006-07
Proposed for completion as per CWC	2008-09	2008-09	2008-09	2009-10	2008-09
Cost approved under AIBP (₹ in crore)	75.68	42.21	77.77	124.64	29.82
Percentage of financial assistance from GoI	90	90	25	90	25
Financial assistance to be provided (₹ in crore)	60.975	37.99	19.44	112.176	7.455
Financial assistance received so far (₹ in crore)	60.470	37.020	18.40	106.025	6.710
Shortfall in Utilization of AIBP assistance as of March 2016 (₹ in crore)	4.30	--	1.39	57.19	--
Expenditure as on March 2016	87.79	58.50	119.39	95.25	48.00

(Source: *Information furnished by Chief Engineer (Projects), Adilabad, Chief Engineer, Central Water Commission, Krishna Godavari Basin Organization)*

Appendix 2.3

(Reference to paragraph 2.1.7.2, page 17)

Details of Irrigation potential stipulated in agreement and proposed to be localized in Mathadivagu

(in acres)

Sl. No.	Mandal	Village	Extent of IP to be created in acres (as per agreement)	Proposed command area to be localized with Revenue authorities
1	Thamsi	Waddadi	250	581.93
2		Jamidi	227	79.98
3		Khapparla	731	948.98
4		E.Swargaon	1348	1306.02
5		BandalNagapur	916	876.27
6		Gotkuri	339	224.67
7		Mallapur	269	458.74 #
8		Nippani	0*	93.41
9	Jainath	Sirsanna	489	0
10		Boraj	766	0
11	Adilabad	Bhimsari	579	369.33
12		Jamdapur	1507	1377.36
13		Chanda – T	1079	1456.26
14		Taroda	0*	358.87
15		Dimma	0*	359.15
16		Fouzpur	0*	161.76
17		Pochera	0*	97.28
Total			**8500**	**8750.01**

(Source: *Information furnished by Executive Engineer, IB division, Adilabad)*

shown under Adilabad mandal

* Not stipulated as per agreement

Appendix 2.4

(Reference to paragraph 2.1.8.1, page 19)

Time taken for completion of Survey and Investigation

Sl. No.	Project	Date by which S&I was to be completed	S&I completed in			
			Head works	Canals	Distributaries	Field Channels
1	Gollavagu	September 2005	*			Not completed
2	Mathadivagu	June 2005	December 2005			
3	(a) Neelwai (First agency)	September 2005	September 2005	January 2007	Not completed	Not completed
	(b) Neelwai (Second agency)	June 2012	Not applicable	Not applicable	Information Not furnished	Not completed
4	Peddavagu at Jagannathapur	September 2005	In progress			
5	Ralivagu	September 2005	May 2005	May 2005	November 2005	Not completed

(Source: *Information furnished by Executive Engineers concerned)*

*Completion dates not furnished to audit.

Appendix 2.5

(Reference to paragraph 2.1.8.2, page 22)

Time taken for receipt and approval of designs

Sl. No.	Project (Month / Year of agreement)	Date by which S&I, drawings and designing to be completed	Period during which CECDO received designs and drawings	Delay in months	Time taken for approval (range in months)
1	Gollavagu (March 2005)	September 2005	April 2005 – June 2005	Nil	1-2 months
2	Mathadivagu (March 2005)	-do-	November 2005 – April 2008	2 – 35 months	1 – 99 months
3	Neelwai -1st Agency (March 2005)	-do-	August 2005	Nil	3 – 6 months
4	Neelwai -2nd Agency (26-12-2011)	June 2012	NA	NA	NA
5	Peddavagu at Jagannathapur (March 2005)	September 2005	November 2007– March 2013	26 –78 months	1 – 36 months
6	Ralivagu (March 2005)	-do-	June 2005	Nil	2 -30 months

***(Source:** Based on information furnished by Chief Engineer, Central Designs Organization)*

Appendix 3.1

(Reference to paragraph 3.1.1, page 35)

Details of Textile/ Apparel Export Parks

Sl. No.	Park (District)	Developer	GoI Scheme	Year of sanction	Total outlay (₹ in crore)
1	Textile Park, Siricilla (Karimnagar)	DHT	TCIDS	2002-03	7.73
2	Textile Park, Malkapur (Nalgonda)	DHT	TCIDS	2003-04	3.31
3	Textile Park, Warangal	DHT	*	2005-06	12.8
4	Handloom Park, Gadwal (Mahabubnagar)	DHT	*	2006-07	8.21
5	Apparel Export Park, Gundlapochampally (Rangareddy)	TSIIC	CIB	1995-96	14.11
6	Textile Park, Pashamylaram (Medak)	TSIIC	TCIDS	2002-03	13.37
7	Handloom Park, Pochampally (Nalgonda)	Private party[1]	SITP	2005-06	34.00#
8	White Gold Integrated Spintex Park Pvt. Ltd, Ibrahimpatnam (Rangareddy)	Private party[1]	SITP	2011-12	108.12

* DPRs were not finalized and no progress made

The project was approved (July 2006) by the Project Approval Committee (PAC) under the SITP with an estimated project cost of ₹ 18.49 crore out of which Govt. of India grant was 40 *per cent*, i.e. ₹ 7.40 crore. However, this was revised subsequently on submission of revised proposal (May 2008) by the Park developers for including better facilities in the Park. The investment in the Park was increased from ₹ 18.49 crore to ₹ 34 crore (June 2008).

[1] Special Purpose Vehicle

Appendix 3.2

(Reference to paragraph 3.1.1, page 35)

Statement showing the details of funds allotted, released and expenditure incurred on the parks

(₹ in crore)

Sl. No	Name of the park	Project outlay	Govt. of India funds			State Govt. funds			Expenditure from other sources #	Total expenditure
			Allocated	Released	Expenditure incurred	Allocated	Released	Expenditure incurred		
1	Textile Park, Siricilla	7.73	4.11	2.83	2.83	5.43	5.43	5.43	0.61	8.87
2	White Gold Integrated Spintex Park Pvt. Ltd, Ibrahimpatnam	108.12	38.40	11.52	11.51	0	0	0	19.74	31.25
3	Apparel Export Park, Gundlapochampally	14.11	6.03	6.03	6.03	2.88	2.88	2.88	3.69	12.60
4	Handloom Park, Pochampally	34.00	13.60	13.60	13.60	2.00	2.00	2.00	19.44	35.04
Total		**163.96**	**62.14**	**33.98**	**33.97**	**10.31**	**10.31**	**10.31**	**43.48**	**87.76**

Expenditure from other sources include sale proceeds, interest in case of Textile Park, Siricilla. In respect of WISPL and Handloom Park, Pochampally, other source was SPVs and in respect of AEP Gundlapochampally, other source was TSIIC own funds.

Appendix 3.3

(Reference to paragraph 3.1.3, page 36)

Statement showing the time-overrun in completion of parks

Sl. No.	Park	Project outlay (₹ in crore)	Year of sanction	Schedule date of completion	Actual date of completion	Time over run (in months) as on July 2016	No. of units contem-plated	No. of units completed	No. of units function -ing	Employ-ment envisaged	Employ-ment generated
1	Textile Park, Siricilla	7.73	2002-03	December 2003	Not completed	151	192	114	114	6600	1250
2	White Gold Integrated Spintex Park Pvt. Ltd, Ibrahimpatnam	108.12	2011-12	December 2015	Not completed	7	10	NIL	NIL	5000	NIL
3	Apparel Export Park, Gundlapochampally	14.11	1995-96	December 2003	2008#	60	58	56	45*	55350	2500
4	Handloom Park, Pochampally	34.00	2005-06	December 2007	June 2011	42	01	01	01	5050	350

Exact date of completion is not known. However, the Park was completed in 2008

* includes 31 non-garment units

Appendix 3.4

(Reference to paragraph 3.3.4.1, page 59)

The section-wise pending and deleted items and their financial implications

(₹ in lakhs)

Sl. No.	Items of work	Financial implication		
		Value of pending items Section I	Value of pending items Section II	Value of deleted items
1	Bus Shelters	8.28	12.42	20.70
2	Line open drains	20.80	0	13.97
3	Unlined drains	19.15	22.29	21.25
4	Rectangular Brick Masonry	0	103.71	77.42
5	Turfing in slopes	0	17.12	1.16
6	Pitching and filter media	3.45	10.35	2.76
7	Construction of Cement concrete Kerb – with 325 mm high	1.19	1.48	2.67
8	Construction of Cement concrete Kerb – with 250 mm high	1.23	2.82	4.05
9	Access roads	47.15	18.52	1.68
Total		**101.25**	**188.71**	**145.66**

Glossary

Glossary

AEP	:	Apparel Export Park
AIBP	:	Accelerated Irrigation Benefit Programme
APDSS	:	Andhra Pradesh Detailed Standard Specification
APGVB	:	Andhra Pradesh Grameena Vikas Bank
APRDC	:	Andhra Pradesh Road Development Corporation
CCA	:	Culturable Command Area
CE ADB	:	Chief Engineer, Adilabad.
CE Projects	:	Chief Engineer, Projects
CECDO	:	Chief Engineer, Central Designs Organisation
CETP	:	Common Effluent Treatment Plant
CIB	:	Critical Infrastructure Balancing
CM & CD Works	:	Cross Masonry and Cross Drainage Works
CRN	:	Core Road Network
CSC	:	Construction Supervision Consultant
Cumecs	:	Cubic Meter per Second
CWC	:	Central Water Commission
CWWTP	:	Common Waste Water Treatment Plant
DHT	:	Directorate of Handlooms and Textiles
Director M&A	:	Director (Monitoring and Appraisal)
DLBC	:	District Level Bankers Committee
DNP	:	Defect Notification Period
DPR	:	Detailed Project Report
Dr.BRAPCSS	:	Dr. Bheem Rao Ambedkar Pranahita Chevella Sujala Sravanthi
EE	:	Executive Engineer
EE ADB	:	Executive Engineer, Adilabad
EE MCL	:	Executive Engineer, Mancherial
EMP	:	Environmental Management Plan
EoT	:	Extension of Time
EPC	:	Engineering, Procurement and Construction

ESMF	:	Environmental and Social Management Framework
FRL	:	Full Reservoir Level
GAAP	:	Governance and Accountability Action Plan
GoI	:	Government of India
HMDA	:	Hyderabad Metropolitan Development Authority
HMWSSB	:	Hyderabad Metropolitan Water Supply and Sewerage Board
I&CAD	:	Irrigation & Command Area Development
IALA	:	Industrial Area Local Authority
IBM	:	Internal Benchmark
IBRD	:	International Bank for Reconstruction and Development
IP	:	Irrigation Potential
IS	:	Institutional Strengthening
ISAP	:	Institutional Strengthening Action Plan
JC	:	Joint Collector
JCRDLIS	:	J.Chokka Rao Devadula Lift Irrigation Scheme
JDA	:	Joint Director of Agriculture
JMLBC	:	Joint Mandal Level Bankers Committee
KGBO	:	Krishna and Godavari Basin Organisation
LDM	:	Lead District Manager
LF canal	:	Left Flank Canal
LF Regulator	:	Left Flank Regulator
LTPBMC	:	Long Term Performance Based Maintenance Contract
m.cu.m	:	Million Cubic Meters
MDDL	:	Maximum Drawn Down Level
MDR	:	Major District Road
MPDO	:	Mandal Parishad Development Officer
NH	:	National Highway
PAC	:	Project Approval Committee
PIU	:	Project Implementation Unit
PPP	:	Public Private Partnership
R & B	:	Roads and Buildings
R&R	:	Resettlement & Rehabilitation

RAP	:	Resettlement Action Plan
RFP	:	Request for Proposal
RMG	:	Rythu Mitra Group/ Rythu Mitra Sangam
RMS	:	Road Management System
RUSS	:	Road User Satisfaction Survey
SBI	:	State Bank of India
SITP	:	Scheme for Integrated Textile Parks
SLBC	:	State Level Bankers Committee
SLSC	:	State Level Standing Committee
TCIDS	:	Textile Centre Infrastructure Development Scheme
TOC	:	Taken Over Certificate
T-RBD	:	Roads and Buildings Department, Telangana
TSIIC	:	Telangana State Industrial Infrastructure Corporation Limited
UCs	:	Utilisation Certificates
WISPL	:	Whitegold Integrated Spintex Park Private Limited