Chapter - 3
Compliance Audit

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Industries and Commerce Department

3.1 Andhra Pradesh Khadi and Village Industries Board

3.1.1 Introduction

With an objective of development of Khadi and Village Industries in the State, Andhra Pradesh Khadi and Village Industries Board (APKVIB) was established (1959) under APKVIB Act - 1958. For carrying out the purposes of the Act, Government of Andhra Pradesh (GoAP) made APKVIB Rules, 1969. As per the Act, major functions of the Board were:

- To plan, organize, promote marketing and implement programmes for development of Khadi and Village Industries;
- To assist institutions carrying on Khadi or other Village industry by providing loans and other assistance;
- To conduct survey or assess the potentialities of Cottage and Village industries and scope of their development with a view to promote industries to eliminate unemployment;
- To build up reserve of raw materials and implements and to supply them to persons engaged in Khadi/Village Industries at economical rates;
- To promote, encourage and organize co-operative efforts among manufacturers of Khadi and Village Industries;
- To plan and organize training for persons with a view to equip them with necessary knowledge for starting/carrying on Khadi/Village industries; etc.

The Board implements Centrally Sponsored Schemes in the field. Operations of the Board are carried out from its main office at Hyderabad and its district offices in 22 districts headed by Deputy/Assistant Directors. The Board has been receiving Grants from GoAP and Khadi and Village Industries Commission (KVIC) of Government of India (GoI).

3.1.2 Audit objectives and scope

Audit of the Board was conducted (December 2013 - February 2014 and June 2014) covering its activities during the period from 2009-14 with a view to assess whether:

(i) the Board planned and carried out its activities in line with the functions prescribed in APKVIB Act;

(ii) programmes/schemes envisaged were implemented and desired results achieved;

(iii) Financial management was sound and efficient; and

(iv) monitoring and control mechanisms were in place and were effective.

Records at Board's Head Office and eight selected district offices[1] were test checked in audit.

Audit findings

3.1.3 Operational spread of the Board

The APKVIB Act stipulated several functions of the Board, as stated in para 3.1.1. However, Audit noticed that the operations of the Board, during the period covered by Audit, did not include all the functions, but were limited to implementation of the centrally sponsored scheme of 'Prime Minister's Employment Generation Programme (PMEGP)', operation of Khadi Gramodyog Maha Vidyalaya for conducting training programmes relating to Khadi and village industries, and recovery of loans disbursed under old schemes of 'Pattern Approach Programme' and 'Consortium of Bank Credit'.

As regards the other functions stipulated in the Act, it was noticed that:

- Though as per the APKVIB Act, the Board was to (i) conduct survey/make assessment of the potentialities and scope of Khadi and Village Industries (KVIs) with a view to promote such industries and eliminate unemployment; (ii) Encourage/promote research in this field and study the problems relating to KVIs; and (iii) promote cooperative efforts among KVI manufacturers, it did not undertake any such studies/ research/ activities. The Board did not have any details/database of various KVIs in the State and the persons engaged in each type of industry, which could be used for planning purposes.

- The board neither built up any reserve of raw materials and implements nor supplied them to persons engaged in KVIs, as required under the Act. It was stated (September 2014) that there was no Central or state sponsored scheme to build a reserve of raw material, the entrepreneurs were mainly using locally available raw materials and hence there was no demand to the Board.

- As regards providing financial assistance to KVIs, loans were provided only under PMEGP with GoI funds and no schemes were taken up independently by the Board/State Government.

3.1.4 Preparation of Annual Programme of Schemes/works and budget estimates

APKVIB Act and Board Rules stipulated[2] that the Board shall prepare and submit to Government before 30th September every year an annual programme of schemes and works to obtain necessary sanctions. Keeping in view the Annual Plan, Annual Budget Estimates are to be prepared[3] showing receipts

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[1] Chittoor, Kurnool, Medak, Prakasam, Ranga Reddy, Visakhapatnam, Warangal and West Godavari

[2] Section 13 of the Act and Rule 21 (1) of the Board Rules

[3] As per Section 20 of the Act and Rule 11 of Board Rules

and capital/revenue expenditure in two separate parts, viz. (i) for expenditure to be incurred in respect of schemes financed by the Commission and (ii) for expenditure to be met from establishment grant given by the Government.

Audit observed that no such comprehensive annual programme of schemes/works was prepared by Board during the last five years. Board was preparing/submitting budget estimates covering only the non-plan expenditure like salaries and contingent expenditure. No estimates were prepared in respect of PMEGP and recovery of outstanding loans for old schemes like 'Pattern Approach Programme' and 'Consortium of Bank Credit' which were implemented up to the year 1994-95 and 1997-98, respectively.

Board replied (September 2014) that Annual programmes were not being prepared as it was implementing PMEGP with KVIC funding. The reply is contrary to the Act provisions. Further, there was no justification for non-preparation of annual programmes/estimates in respect of recovery of loans.

3.1.5 Implementation of PMEGP

Prime Minister's Employment Generation Programme (PMEGP) is a credit linked subsidy scheme, fully funded by GoI, introduced[4] in August 2008. Khadi and Village Industries Commission (KVIC) Mumbai was the nodal agency. At State level, the Board (APKVIB), being one of the three implementing agencies[5], implements the programme. Under the programme, subsidy in the form of Margin Money (MM) is given to individuals/Self Help Groups/institutions for setting up new ventures/projects/micro enterprises under manufacturing with maximum project cost of ₹25 lakh and business/service sectors with maximum project cost of ₹10 lakh. The balance project cost is met from beneficiary's own contribution and loan provided by financing bank[6]. The percentages of MM eligible, beneficiary contribution and loan are shown below:

Table 3.1 – Percentage of beneficiary contribution and eligible Margin Money

Category of beneficiaries	Percentage of Beneficiary contribution	Percentage of Margin Money in Project Cost		Percentage of loan (excluding Margin Money)	
		Urban	Rural	Urban	Rural
General Category	10	15	25	75	65
Special Category[7]	5	25	35	70	60

Source: *PMEGP guidelines*

The total project cost including margin money but excluding beneficiary's contribution is provided by financing banks to the selected applicants as term

4 by merging two earlier schemes viz., 'Prime Minister's Rozgar Yojana' and 'Rural Employment Generation Programme'

5 along with District Industries Centres (DICs) in co-ordination with KVIC's State directorates

6 KVIC periodically releases lump sum amounts of MM to the Nodal Banks (20 banks identified in the State). Financing Banks are the local branches of the Nodal Banks which sanction loans to the selected beneficiaries for setting up units

7 SC / ST / OBC / Minorities / Women / Ex-service men / physically challenged, etc.

loan. After release of first installment of loan, the financing bank submits claim for release of MM. The Board processes the claim, sanctions MM and authorizes the nodal bank to release MM to the financing bank. The MM so released is kept in a term deposit[8] with the bank and adjusted against the loan after a period of three years.

Since inception of the scheme (2008-09), the Board disbursed a total MM of ₹151.78 crore to 5148 beneficiaries till March 2014. Audit observations on implementation of the Scheme are as follows:

3.1.5.1 Selection of beneficiaries

As per Scheme Guidelines, project proposals shall be invited at district level from the potential beneficiaries through media publicity. A District level Task Force Committee (DTFC) consisting of representatives from KVIC, the Board, DICs and Lead Bank Managers and headed by the District Magistrate / Deputy Commissioner/Collector concerned will scrutinize, shortlist, interview and select the beneficiaries. Number of persons who applied, those appeared for interview, number of applications rejected and recommended during the period 2009-14 in the test checked districts are as shown below:

Table 3.2 –Details of applications received, applicants interviewed, applications rejected, recommended and units for which loans were sanctioned in test checked districts during 2009-14

District	Number of Applications received	Applicants Absent for interview	Number of Applicants interviewed	Number of Applications rejected (Percentage)	Applications Recomm-ended	Number of units sanctioned loan (Percentage out of recommended)
Chittoor	896	297	599	224 (37.40)	375	76 (20.27)
Kurnool	683	217	466	44 (9.44)	422	158 (37.53)
Medak	590	186	404	84 (20.79)	320	96 (29.69)
Prakasam	1464	500	964	198 (20.54)	766	256 (33.42)
Ranga Reddy	561	172	389*	72* (18.50)	315*	146 (46.35)
Visakha-patnam	488	95	393	38 (9.67)	355	163 (45.92)
Warangal	1227	344	883	178 (20.16)	705	266 (37.73)
West Godavari	1320	378	942	422 (44.80)	520	313 (60.19)
Total	**7229**	**2189**	**5040**	**1260 (25.00)**	**3778**	**1474 (39.00)**

*discrepancy of 2 in the figures furnished by department

Source: *All the information/data mentioned in this report is as per records of the Board, unless mentioned otherwise*

[8] No interest is paid on this TDR and no interest is levied on the corresponding amount of term loan

As seen from the above, on an average 25 *per cent* of applications were rejected. Percentage of rejection was 44.8 in West Godavari district followed by 37.40 in Chittoor district. Though KVIC guidelines stipulated that the reasons for rejection of applications shall be recorded in the minutes of DTFC meeting 'in clear terms', specific reasons were not recorded in any of the test checked districts. No reply was furnished on this issue.

Audit noticed in Prakasam district that the Deputy Director selected 25 units with MM worth ₹1.93 crore between April and June 2010, which was ratified by the District Collector even prior to the convening of DTFC meeting (July 2010). These units were, then, included in the final list of beneficiaries. Board replied that these units were subsequently approved by DTFC. However, this was against the prescribed procedure.

Thus, transparency in selection process was not ensured.

3.1.5.2 MM disbursed vis-à-vis units sanctioned and employment generated

PMEGP guidelines (Para 23.1) stipulated estimated targets in terms of amount of MM to be released and employment to be generated at an MM of ₹12000 per employment. Every year, KVIC was fixing targets for sanction of MM, establishment of units and employment generation. As per the financial and physical targets fixed for AP State by KVIC, the cost per employment during 2009-14 ranged between ₹12000 and ₹28744. Though the Board has consistently been exceeding the targets for sanction of MM every year by seeking and getting additional funds from KVIC, there was a shortfall in employment generation during the period 2009-14. The actual employment generated vis-à-vis the amount of MM disbursed during last five years in the State is shown in the table below:

Table 3.3 – Details of employment generated vis-à-vis MM disbursed

Year	Target for sanction of MM (₹ in lakh)	MM actually released (₹ in lakh)	MM per employment as per targets (₹)	Employment to be generated	Achievement	Shortfall in employment generation	Percentage of shortfall
2009-10	1595.96	4254.79	12000	35456	14262	21194	59.78
2010-11	1915.15	3395.52	12000	28296	10943	17353	61.33
2011-12	1560.99	1724.84	14000	12320	5415	6905	56.05
2012-13	2156.96	2537.48	28744	8828	7702	1126	12.75
2013-14	1448.75	1854.33	16598	11172	5061	6111	54.70
Total	**8677.81**	**13766.96**		**96072**	**43383**	**52689**	**54.84**

Board replied that MM was sanctioned in line with Para 9 of PMEGP guidelines. The action of the Board in sanctioning the MM under Para 9 is not correct in as much as Para 9 stipulates the maximum limit of 'capital cost' of the project per employment as ₹1 lakh in plain areas and ₹1.5 lakh in hilly areas. The targets in respect of MM and employment generation are required to be fixed under Para 23 of the guidelines.

Audit made a comparison of the cost in terms of MM per unit and cost per employment in the State in the last five years against the national averages taken from the KVIC's official webpage[9] on PMEGP:

Table 3.4 – Average cost per unit and per employment vis-à-vis national average

Year	Average MM per Unit (₹)		Average MM per employment (₹)	
	AP	National	AP	National
2009-10	299212	186334	29833	17941
2010-11	275387	181636	31029	18543
2011-12	334271	191864	31853	21348
2012-13	272554	189330	32946	25236
2013-14	328782	231755	36640	32859
Five year average	295048	188812	31734	21002

It was observed that the average cost per unit as well as the average cost per employment generated during 2009-14 in the State were far higher than the national averages.

3.1.5.3 Low coverage of special categories

KVIC has been stipulating (since December 2008) that coverage of prescribed percentages of special categories like SC, ST, OBC, Minorities, etc. has to be ensured while implementing the programme.

During the period 2009-14 a total of 4666 units were sanctioned under the programme by the Board and total amount of ₹137.67 crore was disbursed as MM. The targets fixed by KVIC in respect of the above mentioned social categories and actual coverage under the programme during this period was as follows**:**

Table 3.5 –Targets and achievement in coverage of various social categories under PMEGP

Category	Target percentage of beneficiaries	Achievement percentage of units sanctioned	(+) Excess (-) Shortfall	Achievement percentage of MM released	(+) Excess (-) Shortfall
SC	15	10.87	(-) 4.13	5.88	(-) 9.12
ST	7.5	4.20	(-) 3.30	2.01	(-) 5.49
OBC	27	44.26	(+) 17.26	38.48	(+) 11.48
Minorities	5	5.51	(+) 0.51	5.40	(+) 0.40
PHC	3	0.96	(-) 2.04	0.79	(-) 2.21
Ex-Servicemen	1	0.26	(-) 0.74	0.31	(-) 0.69
Women	30	43.40 (overall)	(+) 13.40	55.23	(+) 25.23

It can be seen from the above table, while achievement in terms of units sanctioned/established and also MM released exceeded the targets in respect

9 'www.kviconline.gov.in/pmegp/pmegpweb/'

of OBC, Minorities and Women categories, there was shortfall in respect of SC, ST, PHC and Ex-Servicemen categories.

In test checked districts, it was noticed that the District level Task Force Committees were recommending substantial number of applications under each category. But, loans were being sanctioned by banks to only to some applicants at their discretion. When the details of procedure followed for ensuring sanction of prescribed percentage of loans to the special category applicants were called for, the Board gave a general reply that after forwarding the loan applications, the district officers of the Board pursued with the banks for sanction of loans and also in different forums like District Coordination Committee meetings and Mandal Level Bankers Committees, etc., for coverage of special categories. However, no documentary evidence in support of the above reply was found in the records of the test checked district offices.

3.1.5.4 Monitoring of utilization of Margin Money

Non-obtaining of Utilization Certificates: The MM funds received from KVIC are released by the Board to nodal banks, which in turn release them to the financing banks for sanction and disbursement of loans to selected beneficiaries. After release of MM to nodal banks, the Board has been furnishing utilization certificates (UCs) to KVIC without waiting for actual sanction and disbursement of loan by financing banks. Board has been obtaining UCs from the financing banks and District Offices for the MM placed in TDRs after disbursement of loan.

Audit observed that out the total MM of ₹151.78 crore released to financing banks during 2008-14, UCs pertaining to a substantial MM of ₹46.71 crore (30.77 *per cent*) were still pending from financing banks/district offices as of March 2014, as shown below:

Table 3.6 – Status of receipt of utilization certificates for MM released during 2008-14

(₹ in crore)

Year	MM released		UCs received		Balance UCs	
	No. of Units	Margin Money	No. of Units	Margin Money	No. of Units	Margin Money
2008-09	482	14.11	467	13.56	15	0.55
2009-10	1422	42.55	1322	39.44	100	3.11
2010-11	1233	33.96	1112	29.87	121	4.09
2011-12	516	17.25	434	13.73	82	3.52
2012-13	931	25.37	393	8.47	538	16.90
2013-14	564	18.54	0	0	564	18.54
Total	**5148**	**151.78**	**3728**	**105.07**	**1420**	**46.71**

Non-furnishing of UCs by banks/district offices indicates lack of effective pursuance with the banks and lack of monitoring in ensuring that the MM released was actually kept in Term Deposits by banks against respective projects and utilized for intended purposes.

Board replied that shortage of staff was the main reason for non-furnishing of UCs and that instructions were issued to District Offices for furnishing UCs expeditiously.

Non-adjustment of Margin Money: As per the programme guidelines[10], the MM released and kept in term deposit by the financing bank was required to be credited to the borrower's loan account after three years from the date of release of first installment to the borrower.

Audit observed that MM of ₹20.36 crore (60.83 *per cent* of total MM) released during 2008-10 pertaining to 720 beneficiaries (63.25 *per cent* of total beneficiaries) remained unadjusted as of May 2014 (delays ranging up to three years), as shown below:

Table 3.7 – Status of adjustment of MM released during 2008-10

(MM amount ₹ in crore)

Year	Sanctioned		Adjusted		Balance		percentage of unadjusted MM	
	Units	MM sanctioned	Units	MM adjusted	Units	MM not adjusted	Units	MM adjusted
2008-09	482	14.11	390	11.37	92	2.74	19.09	19.42
2009-10	1422	42.55	784	24.93	628	17.62	44.16	41.41
Total	**1904**	**56.66**	**1174**	**36.30**	**720**	**20.36**	**63.25**	**60.83**

Board did not analyze the reasons for non-adjustment of such huge amount of MM. No reply was furnished on the above audit observation.

3.1.5.5 Physical verification of units

PMEGP guidelines stipulated that 100 *per cent* physical verification of sanctioned units would be done by KVIC, through the agencies of State Government and/or, if necessary by outsourcing. Banks, DICs and the KVIB were to coordinate and assist KVIC in ensuring this. KVIC appointed two third party agencies for the years 2008-10 and 2010-12 for conducting physical verification of units. The status of physical verification as of May 2014 and results thereof are as shown below:

Table 3.8 – Status of physical verification of units sanctioned during 2008-12

Year	Sanctioned units	Reports yet to be received	Reports received	Status of Units as per third party reports		
				Working units	Units for which negative reports were given*	Cancelled loans
2008-09	482	15	467	411	56	-
2009-10	1422	88	1334	1272	62	-
2010-11	1233	114	1119	1043	72	4
2011-12	516	100	416	397	16	3
Total	**3653**	**317**	**3336**	**3123**	**206**	**7**

* Negative reports include units not set up, not working, not traceable; etc. The Board did not furnish the category wise break-up of these units

[10] para 11 (ii) (m) of the guidelines

It can be seen that out of 3336 units for which reports were received, 206 units were given negative reports, i.e. units not set up, not working, not traceable, etc.

Audit observed that the Board simply forwarded these physical verification reports to the district offices and did not obtain reports from them to analyze reasons for the subsidized units not being set up or becoming defunct to enable them to take remedial action. Further, as per instructions issued (October 2008) by KVIC, in respect of the units not working, the Board has to advise the financing bank to remit back the subsidy amount. The details of the amounts are not ascertainable, as the Board could not furnish the information pertaining to adjustment of MM in respect of non-working and non-traceable units, though specifically called for by Audit. Thus, it was clear that the Board did not monitor this aspect.

Further, in case of non-traceable units, First Information Report (FIR) was to be lodged with Police in consultation with the local empanelled advocate. However, the Board did not have the details as to whether FIRs were lodged or not (March 2014).

Board replied that the physical verification reports were forwarded to District Offices and Board had called back the MM in 38 cases. The reply was silent on actual remittance of MM to the Board in the above cases and also on the action taken in respect of the remaining 168 negative reports.

3.1.6 Khadi Karyakarta course

On the instructions of KVIC, the Board proposed (December 2008) introduction of Khadi Karyakarta Course[11] to train artisans to improve their skills in Khadi spinning/weaving on improved Charkas and cradle looms. For this purpose, the Board purchased (February 2011) ten 'New Model Cotton Charkas (spindles)' and five 'Gramalaxmi' looms at a cost of ₹4.84 lakh and spent ₹11.64 lakh on repairs to buildings of KGMV (Khadi Gramodyog Maha Vidyalaya) for conducting Khadi Karyakarta Training.

Audit observed that KGMV conducted (February-December 2011) only one training programme so far. As against 25 trainees contemplated per batch, only 10 trainees were enrolled and six had completed training. No further programmes were conducted and the spindles and looms are lying in idle condition (December 2014), rendering the expenditure incurred thereon unfruitful. No reason was provided by the Board for such low demand for training, despite being called for in audit.

3.1.7 Financial Management

3.1.7.1 Poor recovery of loans given under old schemes

It was noticed that the Board's efforts for recovery of loans provided under two centrally sponsored schemes implemented earlier for promotion of village industries in the State were deficient:

[11] in its departmental training institute Khadi Gramodyog Maha Vidyalaya (KGMV), Rajendranagar

The Board had provided loan assistance of ₹81.04 crore to 1,38,864 individuals, 2,309 Co-operative Societies and 720 institutions for setting up village industries under the centrally sponsored 'Pattern Approach Programme' which was implemented up to the year 1994-95. At the beginning of 2009-10, an amount of ₹50.15 crore was unrecovered from beneficiaries by the Board. During last five years, Board had recovered only ₹0.68 crore[12] leaving a balance of ₹49.47 crore still unrecovered (March 2014).

The Board had implemented the centrally sponsored 'Consortium of Bank Credit' programme intended for creation of two million jobs in Khadi and village sector and disbursed loans of ₹24.17 crore and MM of ₹9.48 crore to 1157 beneficiaries during 1997-98. As of March 2014:

- An amount of ₹46.16 crore (principal loan: ₹11.06 crore, interest: ₹22.72 crore, penal interest: ₹12.38 crore) was due to be recovered from 743 beneficiaries. Out of these, 567 cases were referred to Revenue Department for effecting recoveries under AP Revenue Recovery Act.
- Besides, MM of ₹1.99 crore released to 359 beneficiaries but not utilized was also pending to be recovered.

Board did not have the details of defaulting units, whether they are physically available/functioning or not. The Board replied that higher recoveries could not be affected due to shortage of staff, which is a fact as highlighted in para 3.1.8. Thus, the recovery of outstanding loans is doubtful.

3.1.7.2 Non-refund of interest earned on scheme funds

Though the PMEGP guidelines prescribed that the interest earned on Scheme funds should be transferred to KVIC, the Board had earned an interest of ₹6.36 lakh on the Scheme funds, but not transferred the amount to KVIC.Board replied that the interest amount would be refunded to KVIC.

3.1.8 Manpower management

It was noticed that there is acute shortage of staff in the Board. As against the total sanctioned strength of 329, the men in position decreased from 160 in the year 2009 to 88 as of March 2014.

It was also noticed that the vacancy position is more severe in the posts of 'field staff', as shown below :

Table 3.9 – Details of men-in-position in the post of 'field staff' during 2010-14

Name of the Post (sanctioned strength)	Men-in-position as at the end of March				
	2010	2011	2012	2013	2014
Senior Inspectors (27)	7	8	8	2	1
Junior Inspectors (37)	3	1	0	0	0
Revenue Inspectors (7)	0	0	0	0	0

12 2009-10: ₹0.09 crore; 2010-11: ₹0.12 crore; 2011-12: ₹0.15 crore; 2012-13: ₹0.25 crore; and 2013-14: ₹0.07 crore

As can be seen from above table, the number of men-in-position in field level posts has been low during the last five years and the number decreased from 10 in March 2010 to only one as of March 2014, as against the total sanctioned strength of 71. Such shortage would affect implementation and monitoring of various schemes at ground level.

As against the total of 241 vacancies, Board submitted (May 2013) proposals to Government for filling up 83 posts[13] through AP Public Service Commission (APPSC). Government issued orders (September 2013) for filling up of vacancies of six Craft Teacher posts and three Lecture posts (in Khadi Gramodyog Maha Vidyalaya-KGMV) through the Departmental Selection Committee of the Board. As regards the remaining 74 posts, the Board is yet to amend its recruitment rules which stipulate filling up posts through its Departmental Selection Committee and Government is yet to give orders for recruitment through APPSC. Further, the Board did not take any action for filling up the seven posts of Revenue Inspectors, which were sanctioned specifically for strengthening recovery of outstanding loans.

Shortage of manpower has adverse impact on functioning of the Board, as the Board stated that staff shortage was the main reason for deficiencies like non-recovery of outstanding loans, non-obtaining of UCs from banks, etc.

3.1.9 Monitoring and control mechanisms in the Board

Existence of sound monitoring and control mechanisms and their effective functioning is essential to achieve the organizational goals. Audit observed the following deficiencies:

3.1.9.1 Constitution of the Board

APKVIB Act stipulates that the Board shall consist of four official members[14], five non-official persons who have shown active interest in the production and development of Khadi or in the development of Village Industries of whom one member shall be nominated as the Chairman and another member as the Vice-Chairman by Government.

Audit observed that the APKVIB did not have a full Board as of March 2014 as Government did not constitute full Board for five years during 2008-13; it was constituted in July 2013, but was set aside (December 2013) by Honourable High Court. Government is yet to constitute the full Board.

Thus, non-constitution of full Board for nearly five long years (2008-13) has deprived the Board of expertise of persons with active interest in Khadi and Village industries with consequent adverse impact on its effective functioning.

[13] Sr.Inspectors: 14, Jr.Inspectors: 37, Lecturers: 3, Crafts Teachers: 6, Stenographer: 1, UDCs: 17, LDCs: 5

[14] (i) The Additional Director of Industries; (ii) Joint/Deputy Secretary to Government in the Industries and Commerce Department; (iii) Joint/Deputy Secretary to Government in the Finance & Planning (FW) Department; and (iv) Chief Executive Officer of KVIB

3.1.9.2 Board Meetings

As per APKVIB Act, the Board shall meet at least once in two months, i.e. a minimum of six meetings every year. Further, as per Section 7(4) of the Act, a copy of agenda and proceedings of the meeting shall be forwarded to Government.

Audit observed that during the period covered in audit, the Board, which consisted of only official members, held only two to four meetings per year. However, the copies of agenda and proceedings of these meetings were not forwarded to Government.

3.1.9.3 Preparation of Annual Reports

As per Section 22 of the Act, Board shall prepare an Annual Report giving a true and full account of its activities during the previous year and forward to Government. The Government shall cause the same to be laid on the table of the Legislative Assembly of State.

Audit observed that though the Annual Reports for the years from 2008-09 to 2012-13 were prepared, these were not forwarded to Government for placing them before the Legislature.

It was replied that the Annual Reports would be placed before the Board for approval, as and when the Board is constituted and would be sent to Government for placing before Legislature.

3.1.9.4 Accounting and Audit issues

Audit observed the following deficiencies in preparation of accounts and audit of the Board:

Board has not taken any corrective measures on the following issues, despite being repeatedly pointed out in Separate Audit Reports every year:

- The Board was not maintaining any Register of Assets and did not conduct physical verification of Fixed Assets in the last five years to ensure their physical availability and ascertain their status.
- Though the Board has an Internal Audit Officer on its rolls, his role was limited to only pre-check of bills and there was no practice of conducting internal audit either at head office or at district offices.
- The Loan Ledgers were not being updated by drawing the principal and interest due from the beneficiaries in respect of earlier schemes[15].
- Confirmation of balances from Sundry Debtors and Sundry Creditors was not being obtained.

Annual accounts for the years for 2000-11 audited by Comptroller and Auditor General of India[16] and the Separate Audit Reports issued thereon were not placed before Legislature.

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[15] Pattern Approach Programme and Consortium Bank Credit scheme
[16] Under Section 19(3) of CAG's (DPC) Act - 1971

3.1.10 Conclusion

Though APKVIB Act-1958 stipulated several functions, Board’s operations were limited to implementation of the centrally sponsored ‘Prime Minister’s Employment Generation Programme (PMEGP)’ and conducting training programmes through Khadi Gramodyog Maha Vidyalaya. Attention was not paid to other functions stipulated in the Act for overall promotion of Khadi/village industries. Board had not prepared Annual Plans and comprehensive Budget Estimates as stipulated in the Act/Rules. Though substantial MM was spent under PMEGP, proportionate employment was not generated which was the main objective of the programme. There is an acute manpower shortage in the Board. Board is practically engaged in restricted activity of implementing the PMEGP as of now, and seems to be in no position to undertake any other activity as specified in its objectives.

Irrigation and Command Area Development Department and Revenue Department

3.2 Implementation of Resettlement and Rehabilitation in selected major irrigation projects

3.2.1 Introduction

Compulsory acquisition of land for public purposes including infrastructure projects displaces people, forcing them to give up their home, assets and means of livelihood. Displacement also has traumatic psychological and socio-cultural consequences. Government of Andhra Pradesh (GoAP) pronounced a 'Policy on Resettlement and Rehabilitation (R&R) for Project Affected Families[17] (PAFs) - 2005' (R&R Policy) to address the issue of displacement with care, human touch and forethought. Objectives of the policy are:

(i) to identify alternatives for displacement or to minimize displacement;

(ii) to plan R&R of PAFs and Project Displaced Families[18] (PDFs), including special needs of tribals and vulnerable sections;

(iii) to provide better standard of living to PAFs and PDFs; and

(iv) to facilitate harmonious relationship between acquiring body and PAFs through mutual co-operation.

Commissioner (R&R) is responsible for formulation and implementation of R&R plan and redressal of related grievances. He is assisted by Joint Collectors (JCs) / Project Officers of ITDAs[19], who act as Project Administrators (PA) in coordination with the requisitioning department.

3.2.2 Scope and Objectives of Audit

In the State, there are 37 ongoing major and medium irrigation projects taken up by Irrigation and Command Area Development (I&CAD) Department where R&R was required. Out of these, audit of implementation of R&R was

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[17] A project affected family means (a) a family whose source of livelihood is affected by process of acquisition of land for the project and who has been residing continuously for a period of not less than three years preceding date of declaration of affected zone or practicing any trade, occupation or vocation for a period of not less than three years in the affected zone regardless of the fact they owned land or not; (b) a family whose more than 50 *per cent* of land is acquired and left over land is below 5 acres dry or 2.5 acres wet or combination of both; (c) a project displaced family; and (d) any tenure holder, tenant, lessee or owner of other property in affected area or otherwise

[18] A project displaced family means any family who on account of acquisition of his dwelling house in the village has been displaced from such dwelling house

[19] Integrated Tribal Development Agency

conducted (September 2013-July 2014) in ten[20] selected[21] major irrigation projects to ascertain whether:

(i) implementation of R&R plans in these projects, including declaration of affected zones, declaration of resettlement zones, conduct of socio-economic survey, identification of PAFs / PDFs, publication of notifications, etc, was done as per the stated Policy with due care;

(ii) R&R activities were completed in a timely manner and all the intended benefits were extended to PAFs/PDFs; and

(iii) R&R was implemented efficiently and effectively so as to provide a better standard of living to the PAFs/PDFs.

Records at Commissioner (R&R)'s office, concerned project offices of I&CAD Department and PAs' offices were scrutinized in audit. Wherever necessary, information was obtained from other line departments/ implementing agencies[22] also.

The details of number of villages submerged, number of families affected, R&R centres and Housing Units contemplated in all the projects and in test checked projects are as detailed below;

Table 3.10 – Details of villages submerged, PAFs/PDFs, R&R centres and Housing units contemplated across the State and in test checked projects

	No. of projects	No. of villages submerged			No. of families affected*		No. of R&R centres contem-plated	No. of Housing units contem-plated*
		Fully	Partially	Total	PAFs	PDFs		
Total projects	37	361	193	554	142230	138789	512	65275
Test checked projects	10	274	173	447	121953	120121	439	49508

* Excluding Khammam district in respect of Polavaram project which were yet to be assessed fully

Source: *Information furnished by Commissioner, R&R*

Project-wise details of test checked projects are shown in ***Appendix -3.1***.

Audit findings

The process of Resettlement and Rehabilitation (R&R) of project affected/displaced families involves the following stages:

- **Identification and declaration of Affected Zone** under a project through notification of areas/villages/localities in the State Gazette;
- **Conducting Socio Economic Survey** of the affected persons and families;

[20] Galeru Nagari Sujala Sravanti Phase-I, Gundlakamma, Pulichintala, Polavaram, Thotapally, Vamsadhara, Veligonda projects Bheema, Flood Flow Canal of Sriramsagar Project and Yellampally projects

[21] The criteria used for selection was - (a) Project with more than 5000 PAF in the affected zone or (b) Projects having more than 10 villages submerged partially or fully or (c) Projects in which more than ₹50 crore was spent on R&R activities

[22] Municipalities, Gram Panchayats, Power Distribution Companies of the areas concerned

- **Publication of draft details of survey** in Gram Panchayat and after considering objections and suggestions, publication of final details of District Gazette;
- **Identification and declaration of resettlement zone** through notification of area acquired or proposed to be acquired for resettlement;
- **Preparation and publication of scheme/Plan** in consultation with representatives of PAF/PDFs, chairpersons of Panchayat Raj institutions including cost of R&R;
- **Acquisition of land required for resettlement**
- **Creation of basic amenities at Resettlement zone** in coordination with other line departments/agencies like Panchayat Raj, Roads &Buildings, Rural Water Supply, Municipality, Power Distribution Companies, etc;
- **Extension of other eligible R&R benefits to PAFs/PDFs** for readying the families for shifting to the new resettlement zone; and
- **Shifting of families to resettlement zone**

Audit observations on implementation of R&R in test checked projects are discussed below.

3.2.3 Minimizing the displacement

Audit observed that works under all the test checked projects were entrusted under Engineering, Procurement and Construction (EPC) turnkey system. In this contract system, the EPC agencies are required to conduct detailed survey and investigation, prepare designs and drawings of the project and after approval of the same by I&CAD Department, construct and deliver the project in full shape for a fixed price. The EPC agency also prepares the schedules of lands required for the project. It is the responsibility of I&CAD department to acquire and hand over the lands to EPC agencies for project construction.

As per para 4.5 of the R&R Policy, Administrator for R&R shall be responsible for minimizing the displacement of persons and identifying non-displacing or least displacing alternatives in consultation with the requiring body (i.e., I&CAD Department in case of irrigation projects).

However, there was no evidence in the records made available to audit that the respective Project Administrators (PA) had at any time consulted the irrigation authorities of test checked projects to explore the possibility of minimizing displacement. In I&CAD Department also, there was no evidence (except in Polavaram project) that options of alternative designs were considered to minimize displacement.

3.2.4 Declaration of affected zone

As per para 5.1 of the R&R Policy, if land acquisition for a project is likely to displace families from their lands and/or houses, it has to be notified in the Official Gazette with details of area of villages or localities as the 'affected zone' of the project.

In nine out of the ten test checked projects, Audit observed discrepancies between the Commissioner (R&R)'s report and Gazette Notifications:

Table 3.11 – Details of discrepancy between numbers of villages submerged

Sl. No	Project	No. of villages as per		Discrepancy w.r. to Commissioner (R&R)'s report
		Commissioner (R&R)	Gazette Notification	
1	Galeru Nagari (Phase I)	25	25	Nil
2	Gundlakamma	12	31	(+) 19
3	Polavaram	278	412	(+) 134
4	Pulichintala	28	21	(-) 7
5	Thotapally	20	66	(+) 46
6	Vamsadhara	20	66	(+) 46
7	Veligonda	11	30	(+) 19
8	Bheema	8	6	(-) 2
9	Flood flow Canal	23	21	(-) 2
10	Yellampally	22	20	(-) 2
	Total	**447**	**698**	**(+) 251**

Source: *Information furnished by Commissioner, R&R and Gazette notifications furnished by PA/SE of projects concerned*

The reason for discrepancy has not been explained by the department.

In the R&R Policy, the 'affected zone' is defined as (a) the 'area falling under Full Reservoir Level (FRL) contour, and (b) dwelling house(s) falling within 100 meters of surface distance from FRL water line. The families living within affected zones are to be rehabilitated as per the R&R policy.

In Polavaram Project, after conducting project survey, the I&CAD Department notified (July 2005) 412 villages[23] as affected villages. Later, the department on realizing that 136 out of the 412 notified villages were not in the submergence areas of the reservoir but were falling along the alignment of right and left main canals did not take up any R&R activity in these 136 villages. However, these villages were yet to be de-notified (May 2014). Reasons for incorrect declaration of these villages were not furnished by I&CAD Department, when called for by Audit.

Further, the I&CAD Department later conducted fresh FRL studies and identified 62 more habitations coming under project submergence in Khammam district (by August 2009) and further 25 habitations in Khammam district and 2 more habitations in East Godavari district (by May 2014). Thus, the total number of villages coming under submergence of Polavaram project now works out to 365, excluding the villages incorrectly declared as affected. These changes are yet to be notified (May 2014) and R&R activities are yet to be taken up in the newly identified villages, even after nine years from the initial survey, which was not based on proper identification and notification of affected zone by I&CAD Department in the first place.

[23] which included 205 villages in Khammam, 82 in East Godavari, 71 in West Godavari, 28 in Visakhapatnam and 26 in Krishna districts

3.2.5 Conducting of Socio Economic Survey (SES)

R&R Policy stipulated that once declaration of affected zone is made, Socio-Economic Survey (SES) has to be conducted by the Project Administrator for R&R in the affected zone for identification and categorization of members of PAFs/PDFs for extending R&R benefits. The survey was to be completed within a period of 90 days from the date of declaration of affected zone.

Audit observed that there were delays ranging from five to 48 months in conducting SES in seven out of 10 test checked projects, as shown below:

Table 3.12 – Delay in conducting SES in test checked projects

	Project	No. of villages coming under submergence	Status of SES
1	Galeru Nagari	25	SES in 17 villages was completed with a delay of 58 months. SES in 8 villages was still pending.
2	Polavaram	278	SES stated to be completed. The date of completion was not furnished.
3	Pulichintala	28	SES completed with a delay of 41 - 52 months
4	Veligonda	11	Completed with a delay of 45 months
5	Bheema	8	Completed with a delay of 27 months
6	Flood Flow Canal	23	SES in 11 villages was completed with a delay of 18 months. SES in 12 villages was still pending
7	Yellampally	22	SES in 21 villages was completed with a delay ranging from 21 to 32 months. SES in one village was still pending

Source: *Information furnished by Project Administrators of the projects concerned*

Audit further observed that :

- As per the Commissioner (R&R), SES was completed in 205 villages in Khammam district under Polavaram Project and survey details were published in respect of 92 villages. However, Audit noticed that in a review meeting (December 2012) of Commissioner (R&R) and I&CAD Department, it was stated that the SES in respect of 92 villages conducted five years back was not in the prescribed format and the Project Officer, ITDA, Bhadrachalam was directed to conduct a re-survey and refine the SES data. It was also directed in the meeting to take up SES in the remaining affected villages in the district. However, no action was taken on these decisions for reasons not on record. Further, SES was yet to be conducted in the 87 newly identified villages in the district. Thus, R&R activity in the villages of Khammam district falling under this project is yet to take off even after nearly nine years since the project works were awarded (2004).

- In Veligonda project, 30 villages were originally declared (July 2005) as affected zone. Out of these, SES was conducted and R&R was being implemented in only four villages (June 2014). Reasons for non-conducting of SES in remaining villages were not forthcoming from the records of Project Administrator. Audit also observed that SES was conducted in seven new villages[24] which were originally not declared as project affected. Project Administrator did not furnish the reasons for taking up SES in these villages.

3.2.6 Approval and publication of details of survey

Once the SES is completed, the Administrator for R&R shall publish a draft in the Gram Panchayat concerned of the details of the findings of the survey for inviting objections and suggestions from all persons likely to be affected thereby. On expiry of 30 days from the date of publication of the draft details of survey and after considering the objections and suggestions, final details of survey shall be submitted with recommendations to the District Collector for approval. District administration shall publish final details of survey in the district gazette within 45 days from the date of receipt of recommendations from Administrator.

Audit observed that in seven out of the ten test checked projects, publication of final details of SES in Official Gazette after conducting the survey was delayed ranging from 1 to 65 months, as shown below:

Table 3.13 – Delay in publication of details of final survey in sample projects

	Project	No. of villages for which SES completed	No. of villages for which publication of details of survey was completed	No. of villages for which publication of survey details was delayed	Delay range (in months) in publication of details of survey
1	Galeru Nagari (Phase-I)	17	*	*	*
2	Polavaram	278	*	*	*
3	Pulichintala	28	28	28	2 – 65
4	Thotapally	20	20	19	1-9
5	Vamsadhara	20	20	20	7 - 51
6	Veligonda	11	5	5	4 – 38
7	Bheema	8	5	5	49 – 50
8	Flood Flow Canal	11	11	11	12 – 18
9	Yellampally	21	21	21	1 – 17
10	Gundlakamma	9	*	*	*

* Information not furnished by the Project Administrators

Source: *Information furnished by Project Administrators of the projects concerned*

Audit noticed that the above delays occurred at every stage, i.e. publication of draft survey details in the Gram Panchayats after completion of SES,

[24] Gundamacherla, Chintalamudipi, Katamarajuthanda, Sairamnagar, Ramalingeswarapuram, Krishnanagar, Laxmipuram

forwarding of final survey details to the District Collectors by the Project Administrators.

3.2.7 Preparation of R&R scheme/plan

Para 5.14 of R&R Policy prescribed that after completion of baseline survey and census of PAFs/PDFs and after assessment of requirement of land for resettlement, a draft scheme/plan shall be prepared in consultation with the representatives of PAFs and PDFs. Para 5.18 of policy lists out various details/information[25] to be contained in the draft plan. As per the Policy, the draft R&R scheme/plan has to be published in the village/locality and in the District Gazette. It was also stipulated therein that the cost of R&R scheme should be an integral part of the cost of the respective projects.

Audit observed that project wise comprehensive R&R plans were not prepared in any of the test checked projects. Only village wise cost estimates were being prepared without vital details like list of PAFs/PDFs, list of Scheduled Tribe families for preparation of Tribal Development Plans. Even the village-wise estimates were not comprehensive as they covered only the estimated cost of the monetary benefits to be provided to PAFs/PDFs and did not include details of lands identified for construction of R&R centres/allotment to PDFs/PAFs and estimated cost of land acquisition and development of R&R centres, time schedules for implementation of R&R plan, etc.

Further, preparation of even the village-wise estimates was not complete. Village wise estimates were prepared for only 84 out of 169 submerged villages of nine test checked projects (Information in respect of 278 villages notified under Polavaram project was not furnished to Audit) (details in ***Appendix-3.2***).

Due to non-preparing a comprehensive R&R plans, the exact financial liability on account of R&R activities was not known in any of the test checked projects, even after nearly eight years since commencement of project works.

In reply, Commissioner stated that preparation of estimates for infrastructural works is a continuous process till all the PDFs are settled. But R&R Policy stipulates otherwise.

3.2.8 Development of R&R centres and resettlement of PDFs

As against the total of 439 R&R centres contemplated in test checked projects, land acquisition was completed only for 174 R&R centres and infrastructure facilities (like roads, drinking water and electricity facilities) were developed in only 97 centres, as of July 2014, as shown below:

[25] Which, inter alia, included the village wise list of PAFs, number of displaced persons, extent and nature of lands and immovable property in their possession before and after land acquisition for the project, list of agricultural labourers and persons losing livelihood, comprehensive list of R&R benefits to be provided to PAFs, details of Government and Patta lands available for acquisition and relocation of/allotment to PDFs/PAFs, details of basic amenities/infrastructure facilities to be provided for resettlement, time schedule for shifting/resettlement of PDFs, etc

Table 3.14 – Status of development of R&R centres in test checked projects

S. No	Project	Original Target date for completion of project	R&R centres contem-plated	Status of land acquisition for R&R centres		No. of centres for which infrastructure facilities were provided		
				Fully acquired	Balance	Roads	Drinking water	Electri-city
1	Galeru Nagari (Phase I)	October 2009	14	14	0	12	12	12
2	Gundlakamma	August 2007	24	22	2	18	17	15
3	Polavaram	July 2010	280	31	249	11	11	13
4	Pulichintala	March 2012	27	25	2	22	20	21
5	Thotapally	December 2012	21	19	2	15	15	12
6	Vamsadhara	March 2008	26	21	5	15	13	12
7	Veligonda	August 2013	8	5	3	0	0	0
8	Bheema	December 2009	10	8	2	6	3	1
9	Flood Flow Canal	August 2012	12	12	0	4	4	1
10	Yellampally	November 2011	17	17	0	10	10	10
	Total		**439**	**174**	**265**	**113**	**105**	**97**

Source: *Information furnished by Commissioner (R&R)*

Though the original target date for completion of these projects was long over, only 12091 out of the total of 74169 PDFs (excluding Polavaram project) have been resettled so far and 83.70 *per cent* PDFs were still to be rehabilitated, as shown below:

Table 3.15 – Status of resettlement of PDFs in test checked projects

S. No	Project	Original Target date for completion of project	Total No. of PDFs under the project	No. of PDFs resettled	Balance No. of PDFs to be resettled	Percentage of PDFs still to be resettled
1	Galeru Nagari (Phase I)	October 2009	7251	771	6480	89.37
2	Gundlakamma	August 2007	6559	2441	4118	62.78
3	Polavaram	July 2010	*	*	*	*
4	Pulichintala	March 2012	13231	2156	11075	83.70
5	Thotapally	December 2012	5915	1792	4123	69.70
6	Vamsadhara	March 2008	7104	1322	5782	81.39
7	Veligonda	August 2013	3863	0	3863	100
8	Bheema	December 2009	6156	0	6156	100
9	Flood Flow Canal	August 2012	11123	96	11027	99.14
10	Yellampally	November 2011	12967	3513	9454	72.91
	Total		**74169**	**12091**	**62078**	**83.70**

* Information in respect of Polavaram project was not furnished by the Project Administrators

Source: *Information furnished by Commissioner (R&R) and Project Administrators of the projects concerned*

The delay in progress of R&R implementation mentioned above was due to the deficiencies in declaration of affected zone, delays in conducting SES and approval/publication of SES results, and non-preparation of comprehensive plans, as discussed in earlier paragraphs.

3.2.9 Extension of R&R benefits

The R&R Policy prescribed various R&R benefits to be given to the affected families/persons (details in ***Appendix - 3.3***) which included allotment of alternate house sites/agricultural lands, payment of house construction grant, cattle shed grant, transportation grant, income generating scheme grant, subsistence grant, agricultural wages for loss of livelihood, etc. Audit observed the following:

The purpose of paying one time housing grant to PDFs was to facilitate construction of house in the house sites allotted to them in R&R centres. Similarly, transportation grant was intended for transporting building materials, belongings, cattle, etc. to resettlement zone. Thus, these grants would be necessitated only after allotment of house sites to PDFs in R&R centres. However, audit observed that housing[26] and transporting grants amounting to ₹21.04 crore and ₹1.82 crore respectively were paid to some of the PDFs of Thotapally and Yellampally projects even before/without allotment of house sites (***Appendix - 3.4***).

Audit observed that the trend of disbursement of housing/transportation grants without allotment of house sites continued even after specific instructions issued (March 2011) by R&R Commissioner not to do so.

In reply, Commissioner stated that audit observations were forwarded to Joint Collectors/Project Administrators for compliance.

3.2.10 Financial control issues

In March 2008, Government issued orders permitting the PAs to operate bank accounts with scheduled/nationalized banks and make payments towards R&R benefits (financial assistance/grants/wages) to project-affected persons. It was stipulated therein that the funds deposited in bank should not be utilized for (i) Works, (ii) Land acquisition under R&R head, and (iii) administrative charges. However, audit observed that an amount of ₹43.53 crore was utilized towards land acquisition, infrastructure facilities in seven projects, contrary to Government orders, as shown below:

[26] including sanitary grant in some cases

Table 3.16 – Amounts intended for disbursement of R&R benefits but utilized for other purposes

(₹ in crore)

Sl. No	Project	Land Acquisition	Infra-structure facilities	Admini-strative expenses	Others	Total
1	Galeru Nagari (Phase I)	2.25	0	0	1.78	4.03
2	Gundlakamma	0	2.07	0	0.44	2.51
3	Polavaram (EG)	0.15	2.44	0.004	0	2.60
4	Pulichintala (Guntur)	1.37	0	0	3.00	4.37
	Pulichintala (Nalgonda)	0	7.60	0.05	0	7.66
5	Vamshadhara	0.23	8.56	0.22	0.17	9.18
6	Bheema	0.06	0	0.006	0	0.07
7	Yellampally (Adilabad)	12.25	0.85	0	0	13.11
	TOTAL	**16.31**	**21.52**	**0.28**	**5.39**	**43.53**

Source: *Records of the Project Administrators of the projects concerned*

Government orders also stipulated that interest earned on bank deposits shall not be utilized for any other purposes and should be remitted to interest head of account. However, it was observed that interest of ₹2.88 crore[27] earned on R&R deposits in respect of six projects kept in bank accounts was not remitted to the interest head account.

In Gundlakamma project, audit noticed that the R&R Project Administrator (PA) was not maintaining the cash book properly. It was noticed that the PA was not recording all the financial transactions in the cash book. For example,

- Four cheques amounting to ₹1.85 crore which were issued (November/ December 2007 and January 2008) to Executive Engineers (EEs) of line departments duly showing them on the payments side of cash book. The EEs did not spend these amounts and returned (July/August 2008) the unspent amount of ₹1.85 crore to the PA, who did not record these refunds in the cash book.
- It was noticed that, the cash book showed a closing balance of ₹24.93 lakh on 6 April 2010. However, this amount was not carried forward as opening balance of the subsequent period.
- Further, interest amounting to ₹0.20 crore received on R&R funds and credited to bank account was not taken into cashbook as a receipt.

Audit also observed that the PA was not reconciling the cash book figures with the bank figures. Thus, there was no assurance that all receipts of public money and expenditure there from are properly accounted for in the cash book. Improper maintenance of cash book is fraught with the risk of misappropriation of public money.

[27] Bheema: ₹0.26 crore; Flood Flow Canal and Yellampally: ₹1.82 crore; Gundlakamma: ₹0.20 crore; Vamsadhara: ₹0.40 crore; and Galeru Nagari (Phase-1): ₹0.20 crore

3.2.11 Monitoring and Grievance Redressal mechanisms

Audit observed the following shortcomings in Monitoring and Dispute/ Grievance redressal mechanism:

- As per Para 8.1 of R&R Policy, there shall be a State Level Monitoring Committee chaired by Principal Secretary/Secretary of Revenue Department with Secretaries of various departments as members. This committee shall meet at least once in three months to review/monitor progress of R&R implementation in all projects. However, the Committee met only five times during the period 2006-14 (twice in 2011-12 and 2012-13 and once in 2013-14) as against the target of 32 meetings.

- As per para 8.3 of the Policy, a Project Level Monitoring Committee (PLMC) with Joint Collector as a convener was required to meet at least once in two months to review and monitor the R&R implementation. It was noticed that the stipulated number of PLMC meetings were not conducted during the period 2006-14 in any of the test checked projects as detailed below:

Table 3.17 – Shortfall in meetings of Project Level Monitoring Committees

	Name of the Project	No. of meetings to be held	No. of meetings held
1	Galeru Nagari (Phase I)	48	*
2	Gundlakamma	48	1
3	Polavaram	48	*
4	Pulichintala	48	5
5	Thotapally	48	3
6	Vamsadhara	48	2
7	Veligonda	48	Nil
8	Bheema	48	25
9	Flood Flow Canal	48	4
10	Yellampally, Adilabad	48	8
	Yellampally, Karimnagar	48	4

* Information not furnished by the Project Administrators

Source: *Information furnished by Project Administrators concerned*

- Para 8.2 of the Policy stipulated that a mechanism should be put in place for third party concurrent audit of implementation of R&R plan in each project. It was noticed that such mechanism was not put in place in respect of three projects viz., Bheema, Yellampally and Flood Flow Canal Projects. Third party audit was conducted only once in respect of Polavaram, Pulichintala, Thotapally, Gundlakamma and Vamsadhara projects.

- Audit noticed that no Ombudsman was appointed for time bound disposal of the grievances arising out of implementation of the Policy as required under Para 7.5 of the Policy.

3.2.12 Conclusion

Implementation of Resettlement and Rehabilitation (R&R) in all the test checked projects suffered from delays and deficiencies at every stage of the process. Deficiencies were noticed in identification and notification of affected areas, disbursement of R&R benefits to PAFs/PDFs, etc. Comprehensive R&R plans were not prepared in any of test checked projects. Development of R&R centres was not completed in any of the test checked projects and majority of PDFs were still to be rehabilitated even after more than eight years from commencement of the project works. Deficiencies were also noticed in management of finances, maintenance of cashbooks and monitoring on R&R implementation.

Transport, Roads and Buildings Department

3.3 Construction and maintenance of State Highways and Major District Roads

3.3.1 Introduction

State Highways (SH) constitute the secondary system of road transportation, after the primary system of National Highways. SHs provide linkages with the National Highways, District Headquarters of the State and important towns, tourist centers and minor ports. **Major District Roads** (MDRs) run within a district connecting areas of production with markets, rural areas to district headquarters and to State Highways and National Highways. SHs and MDRs carry medium to heavy traffic and are major carriers of road traffic in the State. The total length of SHs in the State was 8674 KM and that of MDRs was 32262 KM[28].

Transport, Roads and Buildings (TR&B) Department (Department) is responsible for construction and maintenance of SHs and MDRs. Engineer-in-Chief (State Roads) and Chief Engineer (Core Road Network) oversee the management and maintenance of SHs and MDRs. In addition, Engineer-in-Chief (Rural Roads), Chief Engineer (Buildings) and Chief Engineer (PPP) were also involved in execution of road works. 22 Superintending Engineers (SEs) at Circle level, 62 Executive Engineers (EEs) at Division level and Deputy/Assistant EEs at field level assist in execution of works.

3.3.2 Audit objectives, scope and methodology

Audit of construction and maintenance of SH and MDRs was conducted covering the five year period 2009-14 with a view to ascertain whether (i) overall planning of activities was sound and based on traffic census and inspection reports by field officers; (ii) contemplation of works was systematic and all necessary permissions/clearances were obtained from the authorities concerned prior to commencing the works; (iii) tendering process was fair, transparent and as per rules; and (iv) monitoring mechanism was regular and effective.

Audit was conducted (during July 2013 to June 2014) through a test check of records in the offices of the Engineer-in-Chief (State Roads), Chief Engineer (Core Road Network), and eight[29] out of 22 Circles (Superintending Engineers) and 16[30] out of 62 Divisions (Executive Engineers), selected through judgmental sampling (based on expenditure incurred and number of works taken up and covering all the three regions of the State).

[28] Source: Outcome budget of R&B Department for the year 2013-2014

[29] *Andhra and Rayalaseema regions* - (1) Chittoor, (2) Guntur, (3) SPS Nellore, (4) Srikakulam and (5) YSR Kadapa; *Telangana region* - (6) Khammam, (7) Nalgonda and (8) Nizamabad districts

[30] *Andhra and Rayalaseema region* - (1) Gudur, (2) Kadapa, (3) Madanapalle, (4) Narasaraopet, (5) Nellore, (6) Proddatur, (7) Tekkali, (8) Tenali, (9) Tirupati and (10) Srikakulam divisions; *Telangana region* - (11) Bhadrachalam, (12) Bodhan, (13) Khammam, (14) Miryalguda, (15) Nalgonda and (16) Nizamabad divisions

Audit Findings

3.3.3 Planning of activities

As per AP Budget Manual (para 13.1.1), the budget is to be based on the departmental estimates submitted by the heads of departments which in turn are based on the estimates submitted by the district offices. Further, as the divisions are responsible for construction and upkeep of roads, planning of activities was to be initiated from division level based on the field requirements/demand for road works assessed through conducting traffic census and periodical inspections.

3.3.3.1 Preparation of Annual Action Plans and Budget Estimates

Audit observed that at division/circle level there was no system of preparation of Annual Action Plans in respect of SHs and MDRs.

There was no system of sending budget proposals from district officers to higher authorities as stipulated in the budget manual. Instead, the budget proposals to Government as well as the quantum of releases to divisions from approved budgets were being decided by the Engineers-in-Chief/Chief Engineers without seeking proposals from field units under their charge.

GoAP replied (January 2015) that the Engineer-in-Chief prepares Annual Action Plans/budget estimates based on the requirements submitted by Circles/Divisions, spillover commitments, physical targets, etc. However, no documentation was found in the units audited and the replies furnished by audited units also confirm the audit observation that no budget proposals were being submitted by them and no action plans were prepared.

3.3.3.2 Identification and prioritization of works

As per Indian Road Congress (IRC) Code: 82-1982, early detection and repair of defects at initial stages can prevent rapid deterioration of pavements. The Code stipulated that it is desirable to assess the physical condition, structural capacity, riding quality of bituminous roads by conducting visual surveys every year (before and after monsoon season), to maintain kilometer-wise data of the results and use the data for planning, prioritizing and budget preparation for road maintenance works.

Further, the design of a road (width of carriage way, thickness and composition of crust, width of shoulders, etc.) depends on the volume of traffic[31]. IRC Code 9-1972 stipulates that periodic traffic census is a valuable source of basic data for highway planning and that traffic should be counted on SHs and MDRs at least twice every year, i.e. once during peak season of harvesting and marketing and once during lean season.

Audit observed that there were no departmental instructions to the field offices on conducting of physical inspections and taking traffic census periodically.

When the procedure followed for periodical physical inspections of roads was called for, the test checked Divisions gave a general reply that physical

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[31] IRC Code: 64-1990 prescribes the corresponding traffic capacities for upgradation of roads and IRC Code: 37-2001 contains the guidelines for designing pavements

inspections are conducted during routine visits by the Engineers. However, no information/records relating to periodical inspections and results thereof was furnished to Audit.

As regards traffic census on road, the details of total number of SHs and MDRs under the control of 12 of the 16 test checked divisions and year wise details of number of roads where traffic data was collected are given in the table below:

Table 3.18 - Details of Total number of SHs & MDRs and number of roads where traffic data collected

Sl. No.	Name of the Division	Total number of SHs/MDRs	Number of SH & MDRs on which Traffic Data collected during the years				
			2009-10	2010-11	2011-12	2012-13	2013-14
1	Narasaraopet	68	--	48	--	35	--
2	Tenali	60	33	--	48	--	--
3	Srikakulam	25	--	17	--	17	--
4	Tekkali	42	--	31	--	31	--
5	Nizamabad	41	--	--	17	1	--
6	Bodhan	50	37	37	37	37	37
7	Khammam	66	66	66	66	66	--
8	Tirupati	66	20	--	20	--	28
9	Madanapalle	82	18	--	12	--	12
10	Kadapa	32	--	6	--	32	--
11	Nellore	67	--	34	--	45	--
12	Gudur	43	40	--	40	--	29
	Total	**642**	**214**	**239**	**240**	**264**	**106**

* Information not furnished by Proddatur, Bhadrachalam, Nalgonda and Miryalaguda divisions.

As can be seen from the above table, no uniform procedure was followed across the Divisions. Out of the 12 divisions which had furnished the information, nine divisions were taking traffic counts once in two years, two divisions were taking traffic counts once in a year while in one division traffic counts were taken twice during five years. Further, in 11 divisions, traffic census did not cover all the roads under their jurisdiction and there was shortfall. As against a total of 642 SHs and MDRs available under the jurisdiction of these 12 divisions, the number of roads on which traffic census was conducted ranged from 106 to 264 in the last five years.

Thus, in the absence of any documentation relating to conducting of periodical physical inspections of roads and the results thereof in the departmental records and due to non-conducting of traffic census on all roads as prescribed in IRC codes, there is no assurance that requirement of works on all the roads are identified, prioritized and taken up.

IRC Code: 82-1982 also mentions that periodical renewal works are to be carried out on bituminous roads normally at three-six year intervals (depending on the type of road, traffic volume, rainfall, etc.). Audit observed that the department did not take up periodical renewal (PR) works for more than 6 to 22 years as shown below in some road stretches in test checked districts:

Table 3.19 – Road stretches where renewal works not taken up

Sl. No.	District (Divisions)	Road stretches due for renewals but not taken up		Renewal works last taken up during	No of years for which renewals are pending
		Number of stretches	Length (in KM)		
1	Chittoor (Tirupati, Madanapalle)	47	328.07	2000-2007	6-13
2	Guntur (Tenali, Narsaraopeta)	27	303.98	1991-2007	6-22
3	Kadapa (Kadapa, Proddatur)	19	195.25	1998-2007	6-15
4	Nellore (Nellore, Gudur)	20	142.85	1993-2007	6-20
5	Srikakulam (Srikakulam, Tekkali)	*	*	*	*
6	Khammam (Khammam, Bhadrachalam)	29	343.30	1991-2007	6-22
7	Nalgonda (Miryalaguda)	63	408.80	1998-2007	6-15
8	Nizamabad (Nizamabad)	04	10.70	1995-2007	6-18

Source: *All the information/data mentioned in this report is as per records of the department, unless mentioned otherwise*

* Out of the two divisions in Srikakulam district, the above information was not being maintained by EE, Tekkali division, while Srikakulam division has taken up renewal works periodically as per schedule.

Note: The above information pertains to only test checked divisions in the respective districts

Government replied that traffic census was being conducted once in two years on all roads and works were being sanctioned after prioritization based on availability of funds, condition of roads and year of last renewal. The reply is not convincing, since traffic counts were not taken on all roads as shown in Table-3.18 and there was no documentation in the departmental records on prioritization of works. Reply was silent on lack of documentation on physical inspections and their results.

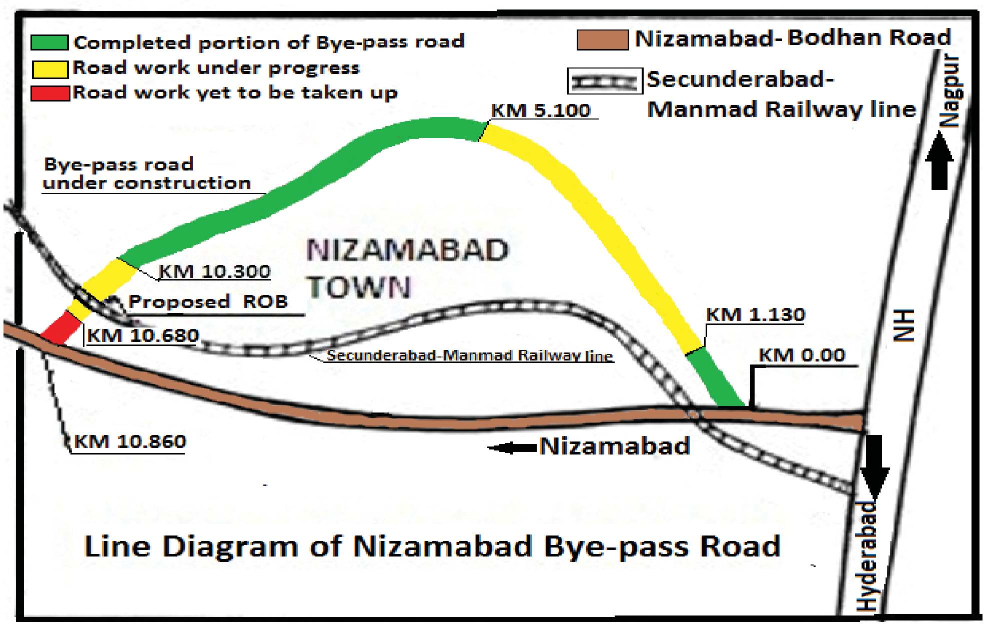
3.3.4 Deficient planning in taking up works

Instances of improper planning leading to non/delayed completion of works, as noticed in audit are discussed below.

3.3.4.1 Taking up bypass road without Road over Bridge

In Nizamabad district, the work of ‘formation of bypass road to Nizamabad town from Km 0 to Km 10.86 was entrusted for ₹21.94 crore to an agency in February 2009 with due date for completion by August 2011. Formation of road from Km 0.0 to Km 1.130 and Km 5.100 to Km 10.300 has been completed and work from Km 1.130 to Km 5.100 is under execution. Audit observed that the road work from Km 10.68 to Km 10.86 was yet to be taken up as the Revenue Department was yet to acquire the required land though R&B Department deposited land compensation amount in March 2009.

Besides, the proposed bypass road has to cross a Railway line at Km 10.4- Km 10.6. As per existing policy the Railways do not permit new level crossings on highways and their bypass roads and permit either road over bridge (ROB) or road under bridge (RUB) only. Audit noticed that while preparing estimate for bypass road, the department was aware of the need for crossing the Railway line, but awarded the road work without initiating any proposal for ROB/RUB. The proposal for construction of an ROB at a cost of ₹9.7 crore was submitted to Government only in October 2012, i.e. after 45 months from the date of entrustment of bypass road work. The proposal is yet to be approved by Government (September 2014).



Source: *Prepared by audit on the basis of records examined*

Thus, unless construction of the ROB is completed, the intended objective of bypass road will not be achieved. Even after approval of the proposal for construction of ROB by Government, the actual construction of ROB, which has to be taken up in coordination with the Indian Railways, will take time. Thus, the expenditure of ₹16.85 crore incurred so far (August 2014) on the incomplete road work has been unfruitful.

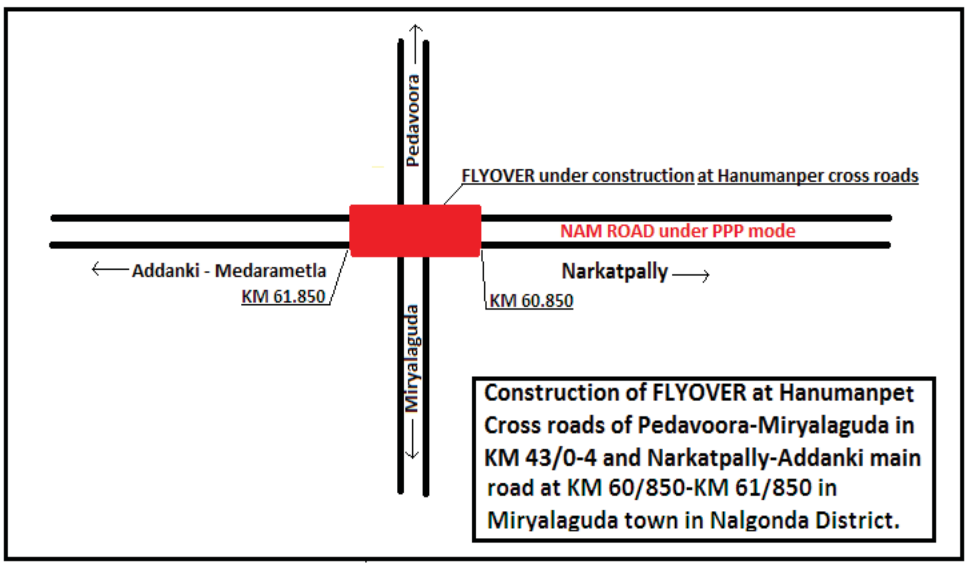
3.3.4.2 Taking up flyover work which is part of a PPP agreement

The work relating to Widening (to four lanes) of Narketpally-Addanki-Medarmetla (NAM) road (State Highway No 2) was entrusted under Public Private Partnership (PPP) mode to a concessionaire in July 2010 and was under construction. The PPP project was entrusted to a private agency on Design-Build-Finance-Operate-Transfer (DBFOT), that is on Toll collection basis, after tendering. The agency incorporated a Special Purpose Vehicle (SPV)[32] and a concession agreement was concluded with a total concession period of 24 years including a construction period of 30 months. As per the

[32] Government/Department is not a partner in the SPV

PPP agreement, the responsibility of improving all the intersections on the NAM road, either by developing at-grade junctions[33] or by constructing underpasses/flyovers as per the IRC Codes/MOSRTH[34] specifications, rests with the PPP agency. 'Hanumanpet cross road[35] in Miryalaguda town limits in Nalgonda district' was one of the major junctions on the NAM Road. Audit observed that even before entrustment of the PPP project, there was a proposal for construction of a flyover at this junction in the CRF[36] and Buildings wing of the R&B Department and MoRTH had already accorded (July 2009) Financial Approval and Technical Sanction for ₹24.74 crore (GoI's share: ₹6.5 crore and GoAP's share: ₹18.24 crore) under Economic Importance Scheme.

Audit observed that there was lack of coordination between the PPP wing and CRF and Buildings wing of the R&B Department. Despite having knowledge of entrustment of NAM road project under PPP mode, the CRF and Buildings wing obtained separate administrative approval (September 2011) from GoAP for construction of flyover at this junction. Accordingly, the work of 'Construction of flyover at Hanumanpet cross road in Miryalaguda town limits in Nalgonda district' entrusted (March 2012) to a contractor for ₹18 crore for completion by March 2014, forced the Government to delete (June 2012) this stretch of road from the scope of PPP contract.



Source: *Prepared by audit on the basis of records examined*

As of July 2014, the flyover work was still in progress (43 *per cent* progress) whereas the widening work of NAM road (excluding the one Km stretch deleted from the contract) was completed and put into commercial operation in January 2014. Thus, lack of coordination between two wings of the department resulted in non-completion of flyover work despite completion of

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[33] 'At grade Junction' means a junction where two (or more) roads intersect at the same level/grade

[34] Union Ministry of Shipping, Road Transport and Highways (now Ministry of Road Transport and Highways – MoRTH)

[35] of Peddavoora-Miryalaguda Road in Km 43/0-4 and Narkatpally-Addanki Road from Km 61/2-4

[36] Central Road Fund

the NAM road, thereby causing inconvenience to road users in this stretch. Besides, construction of the flyover, falling within the scope of an already ongoing PPP project, separately by the department resulted in unnecessary financial burden of ₹18 crore on Government. Government did not furnish reply on this issue.

3.3.5 Taking up of works without Pre-requisites

As per Government orders[37] (July 2003) administrative approval for works shall be given in two stages. First stage approval would be for preparation of project reports, obtaining forest clearance, preparation of designs and drawings, acquisition of minimum lands required, etc. Second stage of approval would be given after completion of the first stage activities. Technical sanction and entrustment of works after calling tenders would follow subsequently.

Audit however observed that the department awarded works without obtaining forest clearance, acquiring necessary lands and without finalizing designs in the following cases, leading to non-completion/stoppage of works mid-way resulting in unfruitful/avoidable expenditure.

3.3.5.1 Taking up of works without forest clearance

Audit noticed that in Tirupati division of Chittoor district, two road improvement works[38] were entrusted (February 2012 and June 2012) at a cost of ₹1.63 crore and ₹3.34 crore respectively without forest clearance. After incurring an expenditure of ₹1.07 crore and ₹1.75 crore respectively, both the works were stopped midway due to objections from the Forest Department, as some portions of the roads were running through Reserve Forest areas requiring permission from Forest Department which were not obtained. Audit noticed that the Department addressed Forest authorities for permission only in May 2012/ September 2012, i.e. 3 months after award of the road works in both cases. Road stretches for a length of 1.34 KM and 4.3 KM respectively were not taken up (May 2014) pending clearance of Forest Department.

Government replied that efforts were being made to get forest permission before taking up works. But the fact remained the department addressed forest authorities only after award of works.

3.3.5.2 Taking up of works before Land Acquisition

The department entrusted works discussed below to contractors before acquisition of lands:

- In Srikakulam district, the work 'Construction of HLB across Nagavali River at KM 2.00 (1/8) of Etcherla-Ponnada road' was entrusted in March

[37] GO.Ms.No.94 of Irrigation & Command Area Development (PW-COD) Department, dated 01 July 2003

[38] (i) Improvements to DN road to Pakala –Ganugapenta road (via) Bhavirangannacheruvu road from KM 0/0 to 4/6 and (ii) Improvements to Anupalli to Panabakam (via) Gokulapuram – RK Palli road from KM 0/0 to 9/400

2012 for ₹20.36 crore for completion by March 2014. However, designs were approved only in October 2012 (i.e. more than six months after entrustment) and land acquisition proposals were sent to Revenue authorities in December 2012 (i.e. eight months after entrustment).The lands required for approaches on both sides of the bridge could not be acquired and both the bridge portion and approaches remained incomplete (July 2014) resulting in non-achieving of intended objective even after incurring an expenditure ₹15.69 crore, till four months from the scheduled date.

- The work of 'Construction of Bridge across Nagavali river between Rushingi and Kimmi village of Veeraghattam Mandal in Srikakulam district' taken up (August 2012) at a cost of ₹25.55 crore was scheduled for completion by July 2014. Audit observed that the progress of work was only 30 *per cent* (work executed: ₹7.69 crore) as the land required for approaches was not acquired (July 2014). It was noticed that the work was awarded without acquiring necessary lands. Land acquisition process was initiated in July 2012 and an amount of ₹20 lakh was released to Revenue Department for this purpose. The amount lapsed due to non-utilization of funds during 2012-13. Thereafter the department has not released funds to Revenue Department so far and the lands were not acquired even now (July 2014), resulting in non-completion of work despite completion of agreement period. Further, there are electrical poles in the working area of approach road on Rushingi side which are required to be shifted to another place so as to construct the approach road. However, they are yet to be shifted and the work was resultantly hampered. The department has not even obtained estimate for shifting of electric poles from electrical authorities so far (July 2014).

- Widening work of Nagavali Bridge approaches from NH-5 to Dattatreya Temple from KM 0/0 to 1/615 in Srikakulam district was entrusted in March 2013 (agreement value: ₹4.28 crore). The work which was scheduled for completion by December 2013 was not completed as of July 2014 (work executed: ₹2.5 crore) due to non acqusition of land, non-shifting of electrical poles and time lost to convince some authorities (religious worship) objecting to the work. Land acquisition proposals were initiated only in July 2013 i.e. four months after award of work and the land compensation amount of ₹12 lakh sought (April 2014) by Revenue Department was not released so far (July 2014).

Award of works without initiating land acquition process resulted in non completion of above works within stipulated period and non-achievement of intended objectives.

Government replied that it would be beneficial to take up land acquisition and work simultaneously and that there would not be any pressure on revenue authorities if land acquisition was taken up first which would lead to increase in project cost. But the sequence is contrary to Government orders mentioned above.

3.3.5.3 Non / delayed finalization of work designs

Audit scrutiny also revealed that the department was calling for tenders and entrusting works even before finalization of designs and drawings which is a violation of Government orders (July 2003) and had resulted in delay/non-completion of works in time, as shown below:

Table 3.20 – Works taken up without finalizing designs and drawings

Sl. No.	Division (District)	Work	Cost (₹ in crore)	Date of award of work	Stipulated date of completion	Designs approved in	Status of work
1	Kadapa (Kadapa)	Construction of HLB across river Penna at KM 1/600 to 2/400 of GNR college road to Kondapeta (via) Chennur	13.76	May 2009	May 2011	November 2010	Work completed (December 2012)
2	Tirupati (Chittoor)	Improvements to Vadamalapeta to NNP road (via) Tirumanyam dip in KM 1/800	0.68	February 2013	August 2013	December 2013	Work not commenced (June 2014)
3	Madana-palle (Chittoor)	Construction of HLB in KM 23/400 of Vayalpadu – Gundlur Road (via) Addavaripalli	4.74	April 2012	October 2013	August 2012 – June 2013	Work in progress. Expenditure: ₹3.61 crore (May 2014)
4	Bhadra-chalam (Khammam)	Construction of HLB across Sileru river and Improvements to Chinturu-Motu Road from KM 0/0 to 10/0	35.13	February 2012	February 2014	April 2014	Bridge work yet to start. ₹22.72 crore spent on road work. (September 2014)
5	Kavali (Nellore)	Work of approaches to ROB in lieu of L.C.No. 158 (Kavali yard) @ Railway KM 225/14-16 of Gudur - Vijayawada section at KM 0/0-6 of Kavali -Pedapavani	13.48	December 2012	December 2014	February / August 2014	₹1.03 crore spent on supplemental works. Main work yet to start (September 2014)

Non-finalization of designs and drawings before award of works resulted in non-completion/slow progress of the above works and consequent delay in achievement of intended objectives.

While accepting the delays in finalization of designs in above works, Government stated that construction work did not affect progress of works.

3.3.6 Road safety measures

Road safety interventions[39] are an integral part of designing/maintenance of roads which are aimed at preventing accidents and saving precious human lives. Audit noticed the following deficiencies:

3.3.6.1 Non-execution of road safety works

Government, while expressing concern over road accidents, ordered (April 2005[40]) that estimates of road works should invariably include road safety interventions.

It was observed that road safety interventions were not included in the following major works:

Table 3.21 – Details of estimates sanctioned without road safety interventions

Sl. No.	District	Division	Work	Month/year of sanction
1	Nalgonda	Miryalaguda	Widening & Strengthening of Nereducherla – Janpahad Road KM 1/8 to 5/0	February 2009
2	Kadapa	Proddatur	Periodical Maintenance to Renigunta – Rayalacheruvu Road From KM 153/6 to KM 164/0	-NA-
3	Nellore	Gudur	Construction of HLB across Chennaimadugu at KM 16/4-6 of Gudur – Varagali Road	April 2009

NA : Information not furnished by department

Audit further observed that in the following works, though road safety interventions were provided in the estimates, they were not executed:

[39] Hazard markers and delineators, centre line marking, warning/caution boards etc.
[40] GO Ms.No.80 of TR&B (R.I) Department dated 25 April 2005

Table 3.22 – Works where road safety interventions were not taken up despite provision in the estimates

Sl. No.	District (Division)	Name of the Work	Amount provided for road safety works (₹ in lakh)
1	Khammam	Periodical maintenance to Khammam-Devarapally road from KM 107/2 to 110/3	1.00
2		Periodical maintenance to Khammam - Devarapally road from KM 12/0 to 23/8	4.82
3		Periodical maintenance to Khammam - Devarapally road from KM 95/110 to 97/400	3.00
4		Periodical maintenance to Khammam - Devarapally road from KM 81/560 to 89/152	3.00
5		Periodical maintenance to Khammam - Devarapally road from KM 89/216 to 94/795	3.00
6		Periodical maintenance to Khammam - Devarapally road from KM 40/300 to 43/00)	3.00
7		Periodical maintenance to Khammam - Devarapally road from KM 43/150 to 50/4	3.00
8		Periodical maintenance to Khammam - Devarapally road from KM 114/0 to 121/0	3.00
9	Nalgonda (Miryalaguda)	Widening &Strengthening of Nereducharla - Janpahad Road KM 5/0 to 10/2	2.00

Non-execution of road safety works defeated the objective of preventing accidents and poses risk to road users.

Government/Department replied that action was initiated and road safety works would be taken up.

3.3.6.2 Identification of black spots

Identification of accident prone locations (Black Spots) and taking up rectification/improvement measures in such locations plays a major role in preventing repetitive road accidents.

No information was available with the SEs of Guntur, Nellore, Kadapa, Nizamabad and Khammam Circles regarding black spots under their jurisdiction, history of accidents/fatalities and the remedial measures taken thereon.

In Srikakulam and Chittoor districts, though 31 black spots were identified[41] between 2009 and 2014, road safety works were not taken up at 14 locations[42]

[41] Srikakulam (7), Tekkali (17) and Tirupati (7) divisions

[42] Srikakulam division: one black spot identified in 2011-12 and two in 2013-14; Tekkali Division of Srikakulam district: five black spots identified in 2012-13; and Tirupati division of Chittoor district: six black spots identified in 2013-14

due to reasons like non-submission/approval of estimates, lack of response to tenders, etc.

Government replied that black spots were being identified, estimates submitted/ being prepared and works would be taken up on approval of estimates.

3.3.7 Monitoring

3.3.7.1 Encroachments

According to Para 27 of AP Public Works Department Code (APPWD code), Executive Engineers (EEs) are responsible for preventing encroachment of Government lands in their charge.

Audit observed that no uniform mechanism was put in place for identification of encroachments in the Right of Way (ROW) of the roads by conducting periodical inspections by EEs and reporting the results to SEs, as discussed below:

- While the EEs of Bodhan, Kadapa, Nellore, Nizamabad and Proddatur divisions replied that there was no specific system of identification of encroachments, EEs of Bhadrachalam, Khammam, Gudur, Narsaraopet and Tenali replied that encroachments were monitored during routine inspections. EE, Tekkali replied that information on encroachments was obtained from Revenue Department. EEs of Gudur and Nellore divisions replied that no records of encroachments were compiled/maintained.

- SEs of Kadapa, Khammam, Nellore and Nizamabad did not have the details of encroachments under their jurisdiction.

- In Khammam Division, last statistics on encroachments were taken during 2010-11 and identified encroachments were reported to have been evicted.

In Srikakulam Circle, 522 encroachments were identified alongside six roads, as per the information obtained by the department from Revenue authorities in December 2013. Out of these, 474 were stated to have been removed leaving a balance of 48 encroachments which are yet to be evicted (April 2014).

Government replied that encroachments were being monitored during routine inspections by field officers and action was being taken to evict encroachments as and when identified/complaints are received.

In absence of a proper system of periodical inspections and reporting, there is no assurance that all the encroachments are being identified in a timely manner and prompt action is being taken thereon by all the circles/divisions.

3.3.7.2 Inspections by senior officers

According to Para 16 of APPWD Code, every SE has to inspect the divisions under his control annually. However, Audit noticed that SEs were not conducting annual inspections, as shown below:

Table 3.23 – Details of pendency of inspection of divisions by SEs

SE	Divisions to be covered under inspection	Last inspection conducted in
SE, Nalgonda	Nalgonda	2010-11
	Miryalaguda	2008-09
SE, Khammam	Khammam, Kothagudem and Bhadrachalam	2012-13
SE, Kadapa	Kadapa, Proddatur, Rajampet and Pulivendula	2008-09
SE, Chittoor	Chittoor, Tirupati and Madanapalle	2011-12
SE, Srikakulam	Srikakulam and Tekkali	2007-08

Non-conducting of inspections by for such long periods indicates deficient monitoring over the divisions.

Government replied that inspections of some of the divisions had been completed and inspection of remaining divisions would be taken up.

3.3.8 Conclusion

Department did not have a standard system of conducting physical inspections/ traffic census at fixed intervals on all roads and using the results for planning the works as prescribed in IRC codes. There is no assurance that all the necessary works are identified, prioritized and taken up. There were cases of improper planning of works, taking up works without acquiring lands/obtaining forest clearance/finalizing designs, etc. Execution of road safety works was not fully ensured in all major works. There was no systematic approach for timely identification and eviction of roadside encroachments. Monitoring on the performance of field offices was deficient.

Transport, Roads and Buildings Department

3.4 Maintenance of National Highways

3.4.1 Introduction

National Highways (NHs) constitute primary system of transportation connecting major cities across the country. The total length of NHs in the country (31 March 2014) is 92851.05 Km, out of which 7068.15 Km (30 NHs) is in the erstwhile combined State of AP. Ministry of Road Transport and Highways (MoRTH) under Government of India (GoI) is responsible for development and maintenance of NH. Out of the 7068.15 Km long NHs in AP, maintenance of a road length of 4543.15 Km[43] was being done by the Transport, Roads and Buildings (TR&B) Department of GoAP. While MoRTH provides funds for development and maintenance of NHs, the NH Wing of the State TR&B Department executes the NH works (both Plan and Non-plan) and claims agency charges at nine *per cent* of value of works from GoI. The NH Wing is headed by Chief Engineer (NH) who monitors NH works at State level, assisted by three Superintending Engineers (SEs)[44] at circle level and nine Executive Engineers (EEs)[45] at field level.

3.4.2 Scope and Objectives of Audit

The audit of maintenance of NHs was conducted (December 2013 - February 2014) with a view to ascertain whether the works were properly identified, estimations done as per MoRTH norms and transparently entrusted, and whether adequate controls are in place. Records relating to 56 plan works and 33 non-plan works, at the offices of the Chief Engineer (NH), all the three Superintending Engineers and five[46] out of the nine EEs were scrutinized in audit covering the period from 2009-10 to 2013-14.

Audit Findings

Audit noticed deficiencies like lack of adequate mechanism for identifying the maintenance needs of existing roads, non-adherence to MoRTH guidelines etc. as discussed in the following paragraphs:

3.4.3 Non-conducting of periodical inspection of roads

Indian Road Congress (IRC) Code: 82-1982 stipulates that it is desirable to assess the physical condition, structural capacity and riding quality of roads by conducting visual surveys before and after monsoon season every year, maintain kilometer wise data of the results and use the data for planning/prioritizing road maintenance works.

The NH wing is taking up strengthening/improvement, periodical renewal, repair and maintenance works every year. These works are stated to be

[43] a length of 2525 Km was under the control of National Highways Authority of India (NHAI)

[44] Anantapur, Hyderabad and Vijayawada

[45] Anantapur, Chittor, Eturunagaram, Hyderabad, Kadapa, Kakinada, Perkit, Vijawada and Warangal

[46] Kadapa, Kakinada, Perkit, Vijayawada and Warangal

proposed and taken up after inspection of roads by field level officers. When reports of such inspections were called for by Audit, it was replied that engineers visit the roads frequently and note down the items to be attended and works are proposed after confirming their necessity. The test checked divisions did not produce any inspection reports/list of items thus noted down and the system followed for identifying the works to be taken up.

GoAP replied (January 2015) that Flood Damage Repair(FDR) and Ordinary Repair (OR) works were of urgent nature involving only patch works and were to be taken up immediately and that Annual Maintenance works were attended as and when need arises and not in a planned manner. No reply was furnished on non-availability of documentation on inspections and results thereof. In the absence of any record of inspections done, there is no assurance that physical inspections were carried out on all the road stretches periodically and all the necessary works are identified and taken up.

3.4.4 Non-adherence to MoRTH guidelines

In September 2002, MoRTH issued revised guidelines in respect of Improvements to Riding Quality Programme (IRQP) works and Periodical Renewal (PR) works. Audit observed deviations from these guidelines while executing works as discussed below:

3.4.4.1 Providing Bituminous Macadam in IRQP works

As per MoRTH guidelines on IRQP works, 50 mm of BM and 25 mm of Semi Dense Bituminous Concrete (SDBC) shall be provided for existing pavement with thickness of 300 mm or more, if the undulations[47] are less than 10 *per cent* of the surface area. If the undulations are between 10 to 20 *per cent*, 75 mm of BM and 25 mm of SDBC shall be provided.

However, audit observed that the Department had provided 50 mm BM in 21 cases without ascertaining the level of undulations. Thus, there was no assurance that BM is being laid with the required thickness specified in the MoRTH guidelines in all cases. Providing BM with less than the required thickness has a risk of early deterioration of the road. Government did not furnish specific reply on this issue.

3.4.4.2 Non-measurement of roughness values periodically

MoRTH issued instructions (April 1984 and May 2000) to immediately put in place a mechanism for periodical measurements of the roughness of all the National Highways with 'rougho-meter (Bump Integrator)'. Roughness measurement would be an important indicator of the quality of the works executed and also an input for prioritizing, renewal/strengthening programmes to be taken up in future. The Ministry stipulated therein the recommended roughness values for various types of road surfaces and instructed that roughness should be measured within one month immediately after completion of any improvement/periodical renewal work and twice a year (June and December) in respect of entire road network and submit reports thereof to the Ministry regularly.

[47] Ups and downs/uneven patches on road surface due to wear and tear or sunken portions of road

However, Audit observed that the department was not measuring roughness of roads either in renewal/improvement works or of the NH network under its jurisdiction. The Chief Engineer did not have any information about the availability and status of rougho-meters in the divisions.

Thus, there was no assurance that the quality of works executed and riding surface of NHs conformed to the stipulated standards. Government replied that works were periodically inspected by QC Wing of the Department to ensure quality and final bills were paid only after QC inspection. The reply is silent on non-adherence to MoRTH guidelines on measurement of roughness of road surface and furnishing of reports to the Ministry.

3.4.4.3 Short recovery of interest on machinery advance

MoRTH issued (April 2011) instructions to levy interest at the rate of ten *per cent* to be compounded quarterly on mobilization advance payable for all projects to be taken up after April 2011, for which bidding will be held by issuing amendment to clause 51.1 of standard bid document.

Accordingly, an addendum was issued (May 2011) to the tender notice for the work of "Construction of major bridge across river Godavari at Eturunagaram"[48] to the effect that mobilization advance would be deemed as interest bearing advance at an interest rate of ten *per cent* compounded quarterly.

The work was entrusted (February 2012) to a firm at a value of ₹206.69 crore and a total advance of ₹20.66 crore (₹10.33 crore each for mobilization of labour and equipment) was paid (March 2013) to the agency.

Audit scrutiny revealed that the department was recovering interest at ten *per cent* on mobilization advance of ₹10.33 crore only instead of ₹20.66 crore, and interest amounting to ₹1.07 crore (up to March 2014) was not recovered. On enquiry, Superintending Engineer, NH Circle, Hyderabad replied that the amendment to tender/agreement condition suggested by MoRTH mentioned interest on mobilization advance only and in the absence of specific mention of recovery of interest on equipment advance, the same was not recovered.

The reply is not acceptable since the amendment suggested by MoRTH was in respect of Advance paid under clause 51.1 of standard bid document which deals with mobilization advance in its entirety i.e., advance for mobilization of labour/ equipment.

3.4.5 Acceptance of single tenders at premium in the first call and awarding works without limit of tender premium

As per MoRTH instructions (April 2008) single tenders should not be acceptable in the first instance and NH wing of the State was requested to cancel the single tender received in the first call without opening the bid and re-invite tenders. Further, Government of Andhra Pradesh stipulated (November 2004) maximum ceiling of tender premium of five *per cent* up to which works can be awarded. As per the tender procedure followed in the State, bids quoting in excess of five *per cent* premium (i.e. plus five *per cent*

48 Tenders called for in April 2011

over the estimated value of work) are rejected. This ceiling of tender premium is being followed in respect of works executed by all the departments in the State including the TR&B Department.

Audit observed that in four cases, the Department has accepted single tenders in the first call itself. Out of these, two were premium (plus) tenders while two were discount (minus) tenders. Reasons for accepting single tenders with premium in the first call itself were not on record.

In another case, though the Department had rejected single tender received in the first call as stipulated, the price bid was opened in contravention of MoRTH instructions before cancelling and re-inviting tenders.

Further, the Department had accepted five tenders with premium of more than five *per cent* in contravention of Government orders on tender conditions. The excess tender percentage resulted in extra burden of ₹9.69 crore on Government.

GoAP replied that for works costing below ₹5 crore, State Government procedure with five *per cent* tender ceiling was being followed and works costing more than ₹5 crore were being tendered as per MoRTH procedure without any tender ceiling. No justification was furnished for following different procedures for works executed with uniform specifications.

3.4.6 Non-reconciliation of DDs received towards agency charges

Since the NH wing of State TR&B Department executes NH maintenance works on behalf of GoI, it collects Agency Charges at the rate of nine *per cent* of cost of works executed by it. As per the existing procedure, the Department presents work bills for the various maintenance works to the Regional Pay and Accounts Officer (MoRTH), Bangalore/Hyderabad (RPAO) for arranging payment to contracting agencies. While passing each bill, the RPAO releases Agency Charges in the form a Demand Draft[49] to the Division concerned, which in turn forwards the same to the Principal Accountant General (A&E), Andhra Pradesh, Hyderabad, for crediting into the State Government Account.

Article 8 of AP Financial Code stipulates that it shall be the duty of every Drawing & Disbursing Officer (DDO) to ensure that all the amounts due to be received on behalf of Government are properly realized and credited into the Government Account. Para 16 of AP Budget Manual stipulates that the DDO/Chief Controlling Officer has to reconcile the receivables with that of the amounts credited into the Government Accounts by PAO/Accountant General.

Audit scrutiny revealed that Executive Engineers (R&B) NH, Vijayawada and Kakinada executed works valuing ₹275.57 crore during 2009-14. Thus, Agency Charges of ₹24.8 crore was to be received from the RPAO. However, as per the departmental records, Demand Drafts for a total amount of ₹23.31 crore[50] only was received from RPAO during 2009-14. Thus, there was a short realization of revenue of ₹1.49 crore. The Divisions were not aware of the

[49] Drawn in favour of the Principal Accountant General (A&E), Andhra Pradesh, Hyderabad

[50] 2009-10 - ₹8.78 crore; 2010-11 - ₹3.93 crore; 2011-12 - ₹2.49 crore; 2012-13 - ₹4.64 crore and 2013-14 - ₹3.47 crore

short receipt as they were not reconciling the receipts with RPAO and Accountant General.

Executive Engineers of Perkit, Warangal and Kadapa divisions did not furnish the details of cost of works executed and Agency Charges received by them.

Government did not furnish specific reply on short realization of agency charges and non-reconciliation of receipts with RPAO/Accountant General.

3.4.7 Conclusion

There was no documentation in the department to ensure that inspections of roads are conducted at regular intervals and all necessary works are identified and taken up. There were deviations from the guidelines issued by the Ministry of Roads, Transport and Highways (MoRTH) in some works. The Department was not reconciling the receipts towards Agency Charges with PAO/Accountant General.

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