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# **Chapter – V**

## **Compliance Audit Paragraphs**

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## 5.1 Sewerage and Underground Drainage in Urban Areas

### 5.1.1 Introduction

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was one of the flagship programmes launched<sup>1</sup> by the Government of India (GoI) to support various infrastructural development projects including sanitation and sewerage in selected cities/towns<sup>2</sup>. GoI had sanctioned nine<sup>3</sup> underground drainage projects for State, during the period 2005-06 to 2010-11. These projects were sanctioned under the components of Urban Infrastructure and Governance (UIG), Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and Urban Infrastructure Development in Satellite Towns (UIDST). JNNURM guidelines stipulate that funds under UIG component were to be shared in the ratio of 35:15:50, while under UIDSSMT/UIDST, the sharing pattern was 80:10:10 by GoI, State Governments and ULBs/other implementing agencies, respectively.

### 5.1.2 Responsibility centres

#### 5.1.2.1 State Level

Andhra Pradesh Urban Finance Infrastructure Development Corporation (APUFIDC) was designated (February 2006) by the State Government as State Level Nodal Agency (SLNA). It was responsible for appraising proposals submitted by implementing agencies to GoI and also for the implementation of Under Ground Drainage (UGD) projects sanctioned under UIG and UIDSSMT components of JNNURM.

#### 5.1.2.2 Implementing agencies

Public Health Engineering Divisions/Urban Local Bodies were the implementing agencies of JNNURM/State sponsored projects in the State. These units were responsible for submission of detailed project reports to SLNA for appraisal, accounting of funds received from SLNA, tendering, award of contracts, ensuring adherence to the time schedule as well as quality of works executed by the contractors, furnishing of periodical reports on physical and financial progress, submission of utilisation certificates, maintaining inventory of assets created, operate assets and facilities created etc.

<sup>1</sup> December 2005 with a mission period of seven years 2005-12 extended up to 2014

<sup>2</sup> 65 cities/Urban Agglomerations (UAs) across the country were termed as ‘mission cities’ and other cities as ‘non-mission cities’

<sup>3</sup> Four UIG projects to Hyderabad at a cost of ₹914.70 crore; one project each of UIDSSMT to Nizamabad, Nalgonda, Miryalaguda, Karimnagar ULBs at ₹225.24 crore and one UIDST project to Vikarabad at ₹64.74 crore

### **5.1.3 Audit Approach**

Out of the nine projects sanctioned under JNNURM, audit of implementation of four<sup>4</sup> Under Ground Drainage (UGD) projects (three projects under UIG component and one project under UIDST), completed/in-progress during the period 2011-16, was conducted between January 2016 and May 2016 to assess whether planning was robust enough to establish UGD projects; fund management was effective; implementation of projects was effectively carried out as per the guidelines of JNNURM, and monitoring mechanism including quality controls was adequate and effective.

Audit methodology involved examination of records of Telangana Urban Finance Infrastructure Development Corporation (TUFIDC), the State Level Nodal Agency and the implementing units of selected projects including Hyderabad Metro Water Supply and Sewerage Board and Vikarabad Municipality. Audit findings were benchmarked against criteria sourced from Government of India (GoI) guidelines on JNNURM; Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual; guidelines/ orders/circulars issued by GoI/State Government/Nodal Agency; Detailed Project Reports of the selected projects, Andhra Pradesh Financial Code etc.

### ***Audit findings***

#### **5.1.4 Planning**

##### ***5.1.4.1 Unjustified selection of project***

With the objective of reducing burden on already overstrained Mega/Million plus cities, JNNURM guidelines provided for urban infrastructure in Satellite Towns/Counter Magnets of Million plus cities under UIDST. Satellite towns had to be developed in the future development areas of the million plus urban agglomerations covered under JNNURM. The towns were to be planned for a population of 3 lakh - 5 lakh in case of million plus cities and 5 lakh - 10 lakh in case of mega cities.

The population of Vikarabad town was 53,185 as per 2011 census and the projected population was two lakh up to the horizon year 2041. The town was situated at a distance of 68 km from the Mega city, Hyderabad. Hence, based on the criteria of population and urban agglomeration the proposal to take up the water supply and sanitation project in Vikarabad town under JNNURM was not justified.

Government stated (September 2016) that in anticipation of future growth, Vikarabad town was selected after thorough examination of existing infrastructure and proximity

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<sup>4</sup> **UIG-** (i) Rehabilitation and Strengthening of Sewerage System in Old City Area- South of Musi Zone-I, Hyderabad (ii) Rehabilitation and Strengthening of Sewerage System in Old City Area-South of Musi Zone-II, Hyderabad (iii) Underground Drainage project to Rajendranagar, Hyderabad (***part of combined project of Water Supply and Sanitation***) and **UIDST** - (iv) Underground Drainage project to Vikarabad (***part of combined project of Water Supply and Sanitation***)

to the Mega City, Hyderabad. However, the town had not met the criteria for selection under UIDST.

#### **5.1.4.2 Improper planning in prioritisation of projects**

Hyderabad Metro Water Supply and Sewerage Board (HMWSSB) had prepared Detailed Project Report (DPR) for comprehensive water supply scheme for Rajendranagar in February 2008 and for Sewerage system in June 2008. GoI sanctioned the sewerage project in January 2009. Later, based on the request of public representatives to prioritise water supply in the well developed areas of Rajendranagar, a combined DPR on Water Supply and Sewerage components, in lieu of the original individual projects, was prepared (November 2009) and submitted to GoI. The combined project of ₹ 314.26 crore was sanctioned by GoI in January 2010.

Audit observed that in the combined DPR, State Government had reduced the scope for coverage of both water supply and sewerage facilities indicated in their respective original DPRs (February 2008/June 2008). Against three sewerage zones proposed to be covered in original DPR of sewerage system, only one zone was included in the combined project. As a result, cost of the combined project at ₹314.26 crore was far less than the sum of the costs (₹ 640.74 crore) of individual projects of water supply (₹ 305.67 crore) and sanitation (₹ 335.07 crore). As of May 2016, no proposals were initiated under any GoI/State Government programmes/schemes for coverage of water supply and sanitation in the left out areas.

Government stated (September 2016) that proposals for left out areas were submitted to different financial institutions, such as, Green Climate Fund, JICA<sup>5</sup> etc., which were under process. However, the fact remained that the areas were left unserved by UGD facilities.

#### **5.1.4.3 Detailed Project Reports**

As per the guidelines of JNNURM, implementing agencies were required to submit Detailed Project Reports (DPRs) to SLNA for appraisal and to forward the same to GoI for consideration of assistance under the Programme. DPRs of UGD projects were to be prepared as per the guidelines given in the Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual of Sewerage and Sewage Treatment. DPRs of all the test-checked projects submitted by State Government during January 2007 and September 2010<sup>6</sup> were approved by GoI. On scrutiny of DPRs of test-checked projects, the following shortcomings were observed in audit.

- i. Unrealistic projection of population:** As per CPHEEO manual, the design population was to be estimated by paying attention to all factors - industrial,

<sup>5</sup> Japan International Cooperation Agency

<sup>6</sup> (i) Rehabilitation and Strengthening of Sewerage System in Old City Area- South of Musi Zone-I, Hyderabad - January 2007 (ii) Rehabilitation and Strengthening of Sewerage System in Old City Area- South of Musi Zone-II, Hyderabad – July 2007 (iii) Underground Drainage project to Rajendranagar, Hyderabad (part of combined project of Water Supply and Sanitation) – November 2009 and (iv) Underground Drainage project to Vikarabad (part of combined project of Water Supply and Sanitation) – September 2010

commercial, educational, social and administration - governing the future growth and development of the project area. Special factors causing sudden immigration or influx of population, floating population including persons visiting as tourists, pilgrims or for work were also to be factored in as far as possible.

It was observed from the DPRs of sewerage systems in the old city area in the South of Musi Zones I and II that the projected populations of the areas, proposed to be covered under the projects up to the horizon years 2036 and 2041 respectively, were taken as 40,40,700<sup>7</sup> based on the data obtained from Hyderabad Urban Development Authority. Audit, however, observed that the projected population lacked details such as ward-wise break-up, or the calculations showing growth in population etc. Further this did not match the details of population (20,60,419<sup>8</sup>) maintained by the then Municipal Corporation of Hyderabad (now Greater Hyderabad Municipal Corporation). The floating population was also not factored in DPRs.

Since the works to be executed were based on DPR, non-inclusion of floating population data had led to inaccurate assessment for works to be taken up for creation of infrastructural facilities.

Government stated (September 2016) that the zonal jurisdiction was different in respect of HMDA and GHMC. HMDA population projections were reported to be for planning zones.

Notwithstanding reply of the Government that the projected population based on HMDA was for planning zones, the fact remained that the DPR had not depicted the method adopted for growth in population and floating population as well.

- ii. ***Proposals without Sewerage Treatment Plants (STPs)***: The DPRs of sewerage systems in the old city area on South of Musi Zone I and II, sewage of 482.49 MLD<sup>9</sup> was projected without proposing the STPs, as required by the guidelines, while only 94.01 MLD<sup>10</sup> of sewage was proposed to be diverted to the existing STP at Nagole. Thus, there were inadequate arrangements for treatment of sewage and due to improper planning and defective DPR, untreated sewage was flowing into river Musi, causing environmental hazards. The issue has also been discussed subsequently (Para 5.1.7.i.)

Government stated (September 2016) that in order to curtail the sewage pollution to the river Musi, proposals for construction of STPs were under submission to the various funding agencies.

- iii. ***Inadequate design of STPs***: As per CPHEEO Manual, the design period for long term plan should be 30 years and five years for short term plan. In the UGD

<sup>7</sup> Zone I- 12,15,700, Zone II-28,25,000

<sup>8</sup> Zone I- 5,03,498, Zone II- 15,56,921

<sup>9</sup> Zone I- 143.49 MLD, Zone II- 339 MLD

<sup>10</sup> Zone I- 46.93 MLD, Zone II- 47.08 MLD

project of Rajendranagar, 46.42 MLD of sewage was projected up to the horizon year 2041. However, STPs were designed (November 2009) to handle only 28 MLD of sewage up to the year 2011 (two years), which was less than the short term plan stipulated in CPHEEO Manual.

Government stated (September 2016) that presently sewage proposals with STPs were taken up only for one zone, and hence, 28 MLD STPs were taken up. However, the projection of 46.42 MLD indicated in DPR also pertained to only one zone for the design period.

### **5.1.5 Fund management**

Under the JNNURM, GoI and the State Government had released funds to State Level Nodal Agency (SLNA) for onward disbursement to the ULBs/other implementing agencies. First installment of 25 *per cent* of GoI grant was to be released on signing the Memorandum of Understanding (MoU) by the State Government/ULB/other implementing agencies for implementation of the JNNURM projects. The balance assistance was to be released in installments on submission of Utilisation Certificates (UC) and fulfilment of other conditions, as agreed upon in the MoU.

Funds released / expenditure incurred towards implementation of test-checked projects as of March 2016 are given in *Appendix-5.1*

#### **5.1.5.1 Shortfall in releases**

Audit observed shortfall of ₹122.96 crore in the release of grants by both GoI and State Government in all the test-checked projects, as shown in the *Appendix-5.1*. Short release of funds by GoI was attributed to non-submission of utilisation certificates and delay in completion of the projects.

Specific reasons for not releasing funds by State Government were not on record. As a result, ULB/implementing agencies had to spend in excess of their share, despite their poor financial position. In three test-checked UGD projects, they had to incur expenditure 19 *per cent* in excess of their own share.

Government accepted the observation and stated (September 2016) that timely submission of UCs would be ensured in future.

#### **5.1.5.2 Creation of Revolving fund**

JNNURM guidelines stipulated that 25 *per cent* of GoI and State Government releases should be recovered from the implementing agencies and ploughed into a revolving fund for financing further investments in infrastructure projects. At the end of the mission period, the revolving fund had to be graduated to a State Urban Infrastructure Fund. Audit observed that the State Government had not created any such revolving fund. The revolving fund was not created despite completion of extended JNNURM Mission period in 2014.

Government accepted the observation and stated (September 2016) that on receipt of fund, it would be utilised through Telangana State Urban Infrastructure Financial Services Limited (TSUIFSL).

#### **5.1.5.3 Imprudent disbursement of releases as loan**

As per the guidelines of JNNURM, the Nodal Agency was to disburse central assistance to implementing agencies as soft loan/grant-cum-loan/grant. State Government issued (July 2006) instructions to SLNA for disbursement of Central and State assistance as grant-cum-loan. Accordingly, SLNA concluded loan agreements (January 2011 – November 2013) with Hyderabad Metro Water Supply and Sewerage Board (HMWSSB), an implementing agency responsible for execution of three test-checked UGD projects for an amount of ₹ 81.13 crore<sup>11</sup> with recovery of principal and interest (₹ 54.98 crore<sup>12</sup> at the rate of 7.5 per cent per annum) amortised over a period of 15 years.

Audit observed from the financial statements that HMWSSB had poor financial position<sup>13</sup>; as such a grant should have been sanctioned instead of a loan. As of March 2016, ₹ 33.06 crore (Principal ₹ 10.83 crore and Interest ₹ 22.23 crore) was due to be paid to SLNA, but the Board was not able to repay the loan installments due to their poor financial position.

Government accepted (September 2016) the poor financial position of HMWSSB and stated that funds were released as loan-cum-grant with the intention of creating a revolving fund. The reply did not address the concern raised by Audit.

#### **5.1.5.4 Non-accountal of Interest earned by implementing agencies**

GoI had issued (March 2013) directions to the States to credit the interest earnings on the grants received for ongoing projects to the relevant accounting head meant for interest receipt of GoI. Funds released towards implementation of UIG projects were deposited in Syndicate Bank, Khairatabad by HMWSSB. However, the details of interest accruals on deposits and their treatment in accounts were not indicated in any of the UCs submitted to SLNA.

Government accepted (September 2016) the audit observation and also stated that an amount of ₹ 63.49 lakh was earned towards interest to end of June 2016. However, the amount was not credited to Government account.

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<sup>11</sup> Musi-I (Principal: ₹ 28.57 crore), Musi-II (Principal: ₹ 25.13 crore), Rajendranagar (Principal: ₹ 27.43 crore)

<sup>12</sup> Musi-I (Interest: ₹ 19.30 crore), Musi-II (Interest: ₹ 16.98 crore), Rajendranagar (Interest: ₹ 18.70 crore)

<sup>13</sup> Excess income over expenditure: 2007-08 ₹ (-) 14.52 crore; 2008-09 ₹ (-) 58.06 crore; 2009-10 ₹ (-) 84.10 crore; 2010-11 ₹ (-) 111.34 crore; 2011-12 ₹ (-) 61.80 crore; 2012-13 ₹ (-) 62.83 crore; 2013-14 ₹ (-) 101.70 crore; 2014-15 ₹ (-) 136.48 crore; information for the year 2015-16 is awaited



### 5.1.6 Execution of projects

Audit reviewed execution of four projects. The objectives and backgrounds of the projects are given in *Appendix-5.2*. Status of execution of the projects as of May 2016 is summarised below:

Details	Sewerage System in Old City area on South of Musi (Zone – I)	Sewerage System in Old City area on South of Musi (Zone –II)	UGD in Rajendrangar <sup>14</sup>	UGD in Vikarabad
Date of sanction of project by GoI and the project cost	March 2007; ₹ 148.81 crore	August 2007, ₹ 251.25 crore	January 2010; ₹ 314.26 crore	September 2010; ₹ 64.74 crore
Date of according administrative sanction by State Government	May 2007; ₹ 148.81 crore	December 2007; ₹ 251.25 crore	March 2010; ₹ 314.26 crore	June 2011; ₹ 87.13 crore <sup>15</sup>
Date of technical sanction	July 2008; ₹ 162 crore	February 2008; ₹ 247.85 crore	May 2010; ₹ 314.26 crore	June 2011; ₹ 72.47 crore <sup>16</sup>
Contract value	₹ 150.97 crore	₹ 238.46 crore	₹ 176.16 crore	₹ 78.61 crore
Date of entrustment	December 2008 – February 2010 in 3 packages	November-December 2008 in 3 packages	August 2010 in single package	January 2012 in single package
Stipulated date for Completion	24 months	24 months	24 months	24 months
Expenditure as of May 2016	₹ 161.92 crore	₹ 179.90 crore	₹ 223.66 crore	₹ 46.95 crore
Status	Stated to have been completed. Work completion/Taking over reports not on record.	Two packages completed, third package nearing completion	97 per cent of project work is completed.	Stated to have been completed. Work completion/Taking over reports not on record.
Delay completion in	More than five years	More than five years	More than four years	More than two years

It could be seen from above that all the test-checked projects were delayed for periods ranging from two to more than five years. Of the four test-checked projects, Rajendranagar project was nearing completion and the percentage of physical progress was 97 per cent. Although Musi I and Vikarabad projects were stated to have

<sup>14</sup> Details are combined figures of water supply and sanitation

<sup>15</sup> With the increased rates as per new SSR

<sup>16</sup> excluding the cost of O&M for ₹ 14.66 crore included in administrative sanction

been completed, completion reports followed by handing/taking over reports were not on record. As regards Musi II project, execution of works relating to two out of three packages was completed and the third package was nearing completion (May 2016).

Implementing agencies attributed (April-May 2016) the delay in execution to change in alignment of pipelines, additional coverage of areas, delay in shifting of utilities and delay in land acquisition/permission from other agencies. In respect of Musi Zone I project, expenditure had exceeded the project cost by ₹ 13.11 crore as of May 2016. Delay had resulted in letting untreated water into Musi river in respect of Musi Zone I and II projects. As regards the projects of Rajendranagar, the underground drainage lines and safe disposal system had not been provided to the intended areas.

Government accepted (September 2016) the observation with regard to excess expenditure incurred in respect of Zone I.

#### ***5.1.6.1 Award of works***

As per Government orders (July 2003), the tender accepting authority was to verify the correctness of certificates submitted to meet the eligible criteria. For experience, the authenticated agreements of previous works executed by the lowest tenderer were to be verified. However, these instructions in respect of the following test-checked projects were not followed.

The conditions of tenders invited (August 2007 - June 2011) by HMWSSB for execution of Sewerage system in South of Musi Zone-I & II and by Public Health department for UGD Vikarabad had provided for uploading of essential documents on the e-procurement platform by tenderers, based on which technical bids were to be evaluated. However, all these works were awarded to the contractors despite gaps in certain key parameters in the technical bids such as overall responsiveness, execution of minimum quantities of work and critical equipment such as cranes for laying pipes, excavators etc.

Government stated (September 2016) that the evaluation was carried out by the competent authority on the credentials uploaded by the bidders and the bidders were found responsive and that the genuineness of the credentials uploaded by the successful bidder was verified at the time of concluding agreement.

The reply did not address the specific concerns raised by Audit and no evidence or record could be shown to Audit to the contrary.

#### ***5.1.6.2 Consent from Pollution Control Board***

As per the provisions of Air and Water Prevention and Control Acts, 1931 and 1988, respectively, the consent of State Pollution Control Board was required to be obtained before establishment of sewerage treatment and disposal system. Of the four test-checked projects, STPs were proposed in Rajendranagar and Vikarabad projects. In respect of STP for Vikarabad project, the implementing agency had applied for permission (December 2014) after commencement of the construction work (January 2012) and the same was awaited as of August 2016. Permission for STPs of

Rajendranagar project had not been sought as of May 2016. Thus, the construction of STPs<sup>17</sup> was taken up without obtaining the permission from the State Pollution Control Board.

Government accepted the observation and stated (September 2016) that the audit findings would be noted for future guidance.

### 5.1.6.3 Avoidable payments to contractors

On scrutiny of records of the test-checked projects, the following avoidable payments to the contractors were observed.

- i. **Labour cess:** As per Government orders (2008), a provision was to be made in the estimates towards labour cess at one *per cent* of the cost of work for subsequent deductions from the contractors' bills and remittance to labour department. Accordingly, a provision for ₹66.41 lakh was made in the estimates of UGD project of Vikarabad. Instead of recovering the same directly from the bills, the department irregularly added ₹46.25 lakh in the bills and recovered the same amount towards labour cess. This had led to undue benefit of ₹46.25 lakh to the contractor.
- ii. **Value added tax:** Value Added Tax (VAT) at four *per cent* was included in the estimates prepared for manufacture, supply and delivery of RCC S/S NP3 class pipes of various diameters of UGD Project of Vikarabad. In the 15<sup>th</sup> running account bill VAT was added and finally recovered from the contractor. Inclusion of VAT in the estimates as well as agreements resulted in undue benefit of ₹7.58 lakh to the contractor. The Department replied (May 2016) that VAT component at raw material stage was different from the stage of finished product. The reply was irrelevant since VAT was separately added in the running account bill despite having already been provided for in the estimates.
- iii. **Arithmetical inaccuracy:** The unit rate for jointing with rubber ring and testing of RCC NP3 pipes 1000 mm dia as per contract was ₹181.96 per RMT<sup>18</sup> with a provision for excise duty of ₹14.99 (at 8.24 *per cent*) per RMT in UGD project of Rajendranagar. Against this, the excise duty of ₹151.64 per RMT was incorrectly applied. This resulted in excess payment of ₹7.53 lakh to the contractor.  
Government accepted the observation and stated (September 2016) that excess payment made, if any, to the agency would be recovered, duly examining the calculations.
- iv. **Dewatering pipeline trenches and fencing / watching / lighting charges:** The agreement conditions of UGD Rajendranagar and the list of items as per Bill of Quantities enclosed to agreement differed in respect of dewatering of trenches, fencing, watching and lighting. As per the agreement conditions, the contractor should provide and work for dewatering of trenches, fencing, watching and lighting at his own cost, whereas in bill of quantities, these items of work were to be paid to contractor. This was a case of defective agreement. An amount of

<sup>17</sup> STPs in UGD (i) Vikarabad -13 MLD (ii) Rajendranagar - 23 MLD at Attapur and 5 MLD STP at Miralam

<sup>18</sup> Running meters

₹76.63 lakh was paid (June 2015) to the contractor for such works during execution of the project.

Government stated (September 2016) that no provision was made in the agreement that the contractor should provide and work at his own cost for dewatering of trenches. In respect of other items, it was stated that, the contractor had to bear the costs.

The reply was not acceptable as dewatering of trenches was included in the agreement under the clause 'other aspects of work covered under excavation'.

### **5.1.7 Recycle and reuse of treated water**

As per the provisions of CPHEEO manual, adequate plans should be made for safe disposal and treatment of sewage water. Audit observed that,

- i. Of the four test-checked projects<sup>19</sup>, sewage water was treated (as of June 2016) only in respect of two projects (Sewerage system in South of Musi - Zone I and II). Sewage generated from these two projects was treated in STP, Nagole. However, only 94.01 MLD<sup>20</sup> out of 187.45 MLD<sup>21</sup> sewage water generated from Musi Zone I and II projects was planned to be treated at STP Nagole. Thus, there was inadequacy against 100 *per cent* benchmark prescribed by GoI. The State Pollution Control Board issued notice in July 2016 stating that a lot of flow was received from upstream and that STP, Nagole was taking only 170 MLD of waste water and the remaining sewage water was passing into the river Musi.

Government stated (September 2016) that the sewage generation projection was for ultimate horizon year (30 years), whereas the STPs taken up were for intermediate horizon years (15 years) as per the standard norms/guidelines. However, the capacity of existing STP at Nagole had already reached its peak capacity and the remaining sewage was being diverted to river Musi.

- ii. Household connectivity was made in Rajendranagar project and the STP at Attapur was under trial run and at Miralam it was under construction. Construction of STP in Vikarabad project was not completed. Execution of projects was delayed for two to five years resulting in non-completion of STPs in time.

Government accepted (September 2016) that the STPs were not commissioned except at Vikarabad.

- iii. As of March 2016, there was no arrangement for recycling and reusing of treated water, even though GoI prescribed benchmark of 20 *per cent* in this regard. Both the treated as well as untreated sewage water relating to Musi Zone I and Zone II projects were being let out into the Musi river. The Department stated (May 2016) that considerable capital investment would be required to make

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<sup>19</sup> (i) Rehabilitation and Strengthening of Sewerage System in Old City Area- South of Musi Zone-I, Hyderabad (ii) Rehabilitation and Strengthening of Sewerage System in Old City Area- South of Musi Zone-II, Hyderabad (iii) Underground Drainage project to Rajendranagar, Hyderabad (iv) Underground Drainage project to Vikarabad

<sup>20</sup> Zone 1- 46.93 MLD , Zone II - 47.08 MLD

<sup>21</sup> Zone 1- 73.33 MLD , Zone II - 114.12 MLD

arrangements for utilising treated sewage water. In such cases cost benefit analysis would require to be made.

Government stated (September 2016) that HMWSSB was planning to introduce additional modules for tertiary treatment on pilot basis for recycling and reuse of treated sewage water.

Letting out untreated water into the river was bound to be environmentally hazardous to aquatic life and public health in general.

### **5.1.8 Monitoring**

Audit observed that the monitoring mechanism to ensure timely completion of the projects and quality checks was not adequate as seen from the following.

- i. HMWSSB was engaging third party quality control agencies for conducting quality control checks on works. Even though HMWSSB had eight project divisions and 20 operation and maintenance divisions, it had not established its own laboratory. Government stated (September 2016) that the matter of strengthening quality control and vigilance divisions/circles and also establishment of laboratories with suitable equipment for testing various materials were under consideration.
- ii. In respect of UGD project of Vikarabad, agreement with third party quality control agency had expired in March 2015. However, it had not been extended even though the work was still in progress. Government stated (September 2016) that the agreements with agencies were closed due to their inability to continue their services. As such quality tests were conducted by departmental quality control wing. However, no departmental test reports were furnished to audit.
- iii. Quality Control wing had pointed (March – June 2010) out various omissions such as non-provision of grooves on the frames, IS certification on pre-cast manhole covers and variation in thickness of covers etc., on the execution of Musi I and II projects, as detailed in *Appendix-5.3*. Audit observed that there was no action taken reports on the deficiencies reported by quality control wing and ATRs were not furnished by the executive agency. In the absence of ATRs, the quality of the works executed could not be ascertained in audit. Government stated (September 2016) that detailed circular would be issued for compliance with regard to corrective action to be taken on deficiency reports.

### **5.1.9 Conclusion**

Audit observed various shortcomings in the planning and implementation of the project. Arrangement for treatment of sewage was inadequate. There was shortfall in release of funds by GoI and State Government. GoI grant was sanctioned as loan to implementing agencies. Works were awarded, even though important qualifying parameters were not satisfied by the contractors. Consent of State Pollution Control Board was not obtained for installation of sewerage treatment plants. Projects were not completed within the stipulated period. Deficiencies were noticed in monitoring mechanism. Environmental hazards and public health concerns were not fully addressed.

## 5.2 Delayed remittances of EPF contributions resulted in avoidable expenditure

**Failure of Greater Warangal Municipal Corporation (GWMC) in timely remittance of provident fund contributions resulted in avoidable expenditure of ₹2.80 crore towards damage charges and interest**

As per the provisions of Employees' Provident Funds (EPF) and Miscellaneous Provisions Act 1952, the employer shall remit the recoveries effected from the wages of employees on account of Provident Fund (PF) to the Fund Commissioner within 15 days after the end of the month. Failure to remit such recoveries within the prescribed time attracts damage charges<sup>22</sup> not exceeding the amount of arrears along with interest at the rate of 12 *per cent* per annum.

During the audit (January 2015) of records of Commissioner, Greater Warangal Municipal Corporation (GWMC), it was observed that the Corporation had recovered ₹10.01 crore towards PF contributions from employees for the period from January 2011 to November 2013, which was to be remitted to the Regional Provident Fund Commissioner. However, delay was noticed in remitting the recoveries, ranging from one month to thirty three months. The Regional Provident Fund Commissioner had issued (March 2014) the notice for damage charges and interest amounting to ₹2.80 crore<sup>23</sup> for delayed remittances of contribution by the Corporation. GWMC had paid ₹2.55 crore in March 2015 and ₹0.25 crore in October 2015 from the Municipal General Fund as damage charges and interest, which was a loss to Corporation; the fund meant for other developmental works was also utilised as interest and damages.

State Government accepted (June 2016) the audit observation and stated that the delay in remittances was due to the lack of sufficient staff and expertise in payment through online system<sup>24</sup> introduced by EPF authorities (effective from April 2012 *i.e.*, March paid in April).

## 5.3 Unfruitful expenditure on construction of office building

**Failure to ensure adequate funds for construction of office building for Nizamabad Municipal Corporation resulted in unfruitful expenditure of ₹1.87 crore**

The State Government had accorded (March 2008) sanction for the construction of a new office building for Nizamabad Municipal Corporation from the funds available under a State sponsored scheme, '*Rajiv Nagar Bata*<sup>25</sup>', at an estimated cost of ₹3.28 crore. Items of works as per estimates included civil works, internal electrification, water supply and sanitary arrangements, etc. Government initially

<sup>22</sup> Five *per cent* (for delays less than two months), 10 *per cent* (for delays above two months and less than four months), 15 *per cent* (for delays above four months and less than six months) and 25 *per cent* (for delays six months and above)

<sup>23</sup> Damage charges ₹1.86 crore and interest ₹0.94 crore

<sup>24</sup> Payment of contributions through Electronic Challan cum Return (ECR)

<sup>25</sup> Introduced by State Government in 2005 for infrastructure development in urban areas

released (July 2008) ₹ 1.50 crore to the Nizamabad Municipal Corporation (NMC) for taking up the construction work. As per the availability of funds, NMC had invited (February 2009) tenders for construction of office building (civil works only) and entrusted (February 2010) the work to the contractor at a contract value of ₹ 1.87 crore. The work was completed in August 2011 after incurring an expenditure of ₹ 1.87 crore. The expenditure in excess of Government released was made by NMC from its own funds<sup>26</sup>.

On scrutiny (April 2015) of the records of NMC audit observed that the building was not occupied by Corporation, as certain civil works such as flooring, painting and other essential works relating to electrification, water supply, sanitary items, furniture etc., were not initiated. State Government had not released the balance amount of ₹ 1.78 crore (₹ 3.28 crore minus ₹ 1.50 crore) to NMC for taking up the other essential works quoting (February 2016) other committed expenditure. Corporation had also not initiated any action to complete the other essential works with their own resources, despite having funds available with them, leaving the works unattended as of July 2016.

The building remained incomplete since August 2011 rendering the expenditure of ₹ 1.87 crore incurred completely infructuous.

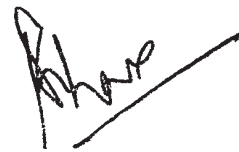
The matter was reported to Government in September 2016; reply has not been received (December 2016).



(L.TOCHHAWNG)  
Principal Accountant General (G&SSA)  
Andhra Pradesh and Telangana

Hyderabad  
The  
01 FEB 2017

Countersigned



(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India

New Delhi  
The  
02 FEB 2017

<sup>26</sup> Building Penalisation Scheme/Land Regularisation Scheme funds

