

Audit Framework

2.1 Background

During the period 2004-10, several aspects of selected Jalayagnam projects were scrutinized in successive audits. The results of these audits were reported to the State Legislature as follows.

- ◆ Performance audit of Godavari Water Utilisation Authority (GWUA), covering 7 projects, in the 2006-07 Audit Report.
- ◆ Audit paragraph on Third Party Quality Control (TPQC) and Performance Audit of Government of India (GoI) funded Accelerated Irrigation Benefit Programme (AIBP), which included 8 Jalayagnam projects, in the 2008-09 Audit Report.
- ◆ Performance Audit of Kalwakurthy lift irrigation scheme and audit paragraphs on Mobilisation Advances and selected aspects of 4 other projects, in the 2009-10 Audit Report.

Significant audit findings from these reports are listed in *Appendix-2.1* along with the recommendations made to the Government. All these reports/paragraphs are currently under discussion by the Public Accounts Committee of the State Legislature.

The key issues flagged in these reports/paragraphs relate to delays in completion of projects, non-synchronization of activities involved in execution of projects like acquisition of land, obtaining clearances from CWC/MoTA/MoEF, construction of canals before head works, lack of variation clauses in the contracts with regard to changes to the scope, specifications and estimates etc. Government took the stand that variation clauses are not applicable to fixed price EPC¹ contracts, and that, the project timelines would have to be extended if it were to synchronize all the activities and obtain approvals/clearances before commencing the projects.

The current Performance Audit provides a holistic perspective of all significant aspects in respect of 26 projects of Jalayagnam, including macro level planning, availability of water and power to operationalise the projects, detailed project level planning, tendering and contract management in respect of multiple packages of these projects, and project execution.

2.2 Audit objectives

Performance Audit of the Jalayagnam Programme was carried out with the objective of assessing whether,

- ◆ Planning for the programme was comprehensive, and individual projects were formulated properly,

¹ Engineering, Procurement and Construction

- ◆ Tendering and contract management, at all stages of project implementation, followed the canons of financial propriety and transparency; and
- ◆ Projects were executed within the time and cost budgeted and the envisaged target of creation of irrigation potential was achieved.

2.3 Audit Criteria

Audit findings were benchmarked against the criteria sourced from the following:

- ◆ AP Financial Code and AP Public Works Department Code;
- ◆ State Government guidelines relating to EPC contracts and Government orders/circulars issued from time to time in this regard;
- ◆ Conditions of contract for EPC turnkey projects by 'Federation Internationale des Ingenieurs Conseils' (FIDIC)
- ◆ Guidelines of Central Water Commission (CWC), Planning Commission, Union Ministry of Environment and Forests (MoEF) and Ministry of Tribal Affairs (MoTA).
- ◆ Detailed project reports (DPRs), feasibility studies and Internal Bench Mark (IBM) estimates;
- ◆ Annual Action Plans and Outcome budgets;
- ◆ Rehabilitation & Resettlement (R&R) Policy of the State Government; and
- ◆ Awards of Krishna and Godavari Water Disputes Tribunals and Inter State Agreements.

2.4 Audit Scope

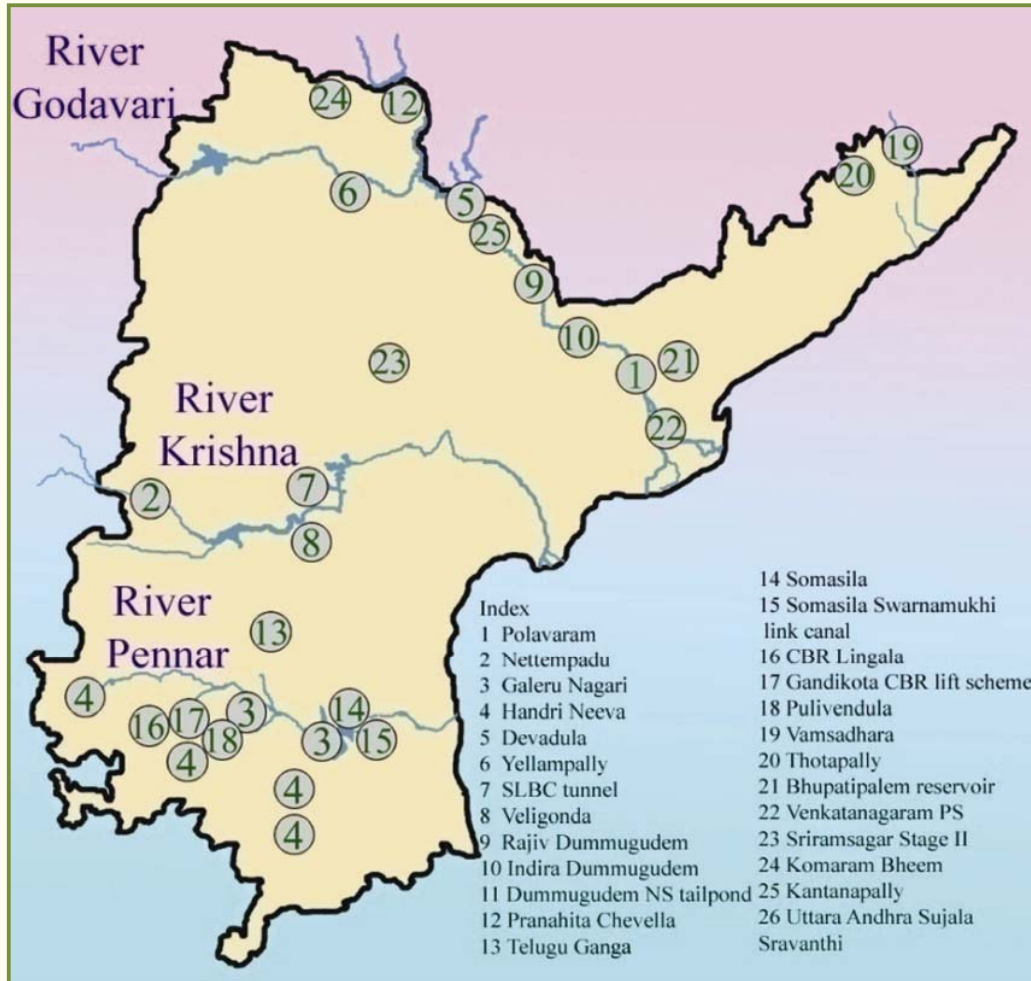
Audit was carried out during June-December 2011 and covered the implementation of the programme since its inception in 2004-05 to 2011-12 (up to December 2011). Figures have been updated based on the discussions with the departmental authorities in the Exit Conference and their written replies as well as further information/progress reports furnished by them. Although Jalayagnam envisaged creation of new ayacut, stabilization of existing ayacut, provision of drinking water and generation of power, the focus of this Performance Audit is only on irrigation projects.

2.5 Audit Methodology

Audit methodology involved scrutiny of documents relating to Government decisions/pronouncements, policy, circulars, budgetary allocations etc., at the Department level, and estimates, tendering, payments, quality control etc., at the Circles/Divisions/sites of selected projects. Discussions were held with the departmental authorities at various levels, questionnaires were issued and photographic evidence was obtained wherever necessary. Audit objectives, scope, methodology, criteria etc., were discussed with the Principal Secretaries to the Government of Andhra Pradesh, I&CAD Department in an Entry Conference in May 2011 and their inputs were obtained. Audit findings were discussed with Principal

Secretaries (Coastal Andhra, Telangana and Rayalaseema regions) and the project authorities in an Exit Conference in July 2012 and the responses of the Government, including their written replies, have been incorporated in the Report at appropriate places.

2.5.1 Audit Sample



Out of the 74 irrigation projects, detailed scrutiny was carried out in respect of 26 projects (35 per cent) involving a capital outlay of ₹1.43 lakh crore (85 per cent of the total outlay on Jalayagnam excluding Modernization and Flood bank packages) based on financial materiality and overall prioritization accorded by the State Government². Further, out of 278 packages of contracts awarded with regard to these 26 projects, Audit selected 180 packages (65 per cent) for detailed scrutiny. Details of the projects and packages selected for detailed audit scrutiny are given in *Appendix-2.2*. Details of the test checked projects are also marked out (except Uttara Andhra Sujala Sravanthi and Dummugudem NS Tail Pond) in the State map given above.

²This did not include the 13 completed projects, some of which were covered in earlier audits