

**Report of the
Comptroller and Auditor General of India
on
Economic Sector
for the year ended March 2012**

Government of Andhra Pradesh
Report No. 3 of 2013

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Preface

- 1. This Audit Report on the Government of Andhra Pradesh, covering the activities of the Economic Sector (excluding State Government Companies and Statutory Corporations), has been prepared for submission to the Governor under Article 151 of the Constitution of India. Audit findings on State Government Companies and Statutory Corporations have been covered separately in the Audit Report (Public Sector Undertakings).*
- 2. This Report contains the results of a Performance Audit on Public-Private Partnership (PPP) projects in Ports Sector (Chapter-2); Chief Controlling Officer (CCO) based Audit of Forest Department (Chapter-3); and Thematic Audit of Road Over Bridges (ROBs) and Road Under Bridges (RUBs) at Rail Crossings and Compliance Audit of Commissioner of Sugar & Cane Commissioner (Chapter-4).*
- 3. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2011-12, as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 31 March 2012 have also been included, wherever necessary. The report has been finalized, after considering the responses of the Government/Departments, wherever received.*
- 4. Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.*

Overview

Overview

This Audit Report covers the results of audit of the Government Departments in the Economic Sector, including autonomous bodies, as appropriate, but excluding findings in respect of State Public Sector Undertakings, which are reported separately through the Audit Report (Public Sector Undertakings).

1. Overview of Economic Sector

The Economic Sector of the Government of Andhra Pradesh (GoAP) accounted for ₹ 30,045.16 crore of expenditure in 2011-12. Of this, the maximum expenditure was by the Irrigation & Command Area Development Department (₹17,787.39 crore) followed by the Energy Department (₹4367.68 crore), and the Agriculture & Co-operation Department (₹ 3334.54 crore).

As of December 2012, five Explanatory Notes in respect of audit paragraphs pertaining to Economic Sector Departments were yet to be received, and Action Taken Notes on 96 recommendations of the Public Accounts Committee presented to the State Legislature had not been received. Further, as of 31 December 2012, 3752 audit Inspection Reports (IRs) containing 11297 paragraphs issued upto September 2012 were pending settlement.

(Chapter – 1)

2. Performance Audit on Public-Private Partnership (PPP) Projects in Ports Sector

The State of Andhra Pradesh has a 975 km long coast line, which is the second longest in the country, and has 14 notified non-major/minor Ports. GoAP undertook extensive development of non-major /minor Ports in PPP (Public Private Partnership) mode along its coastline since the late 1990's.

A performance audit of the development in PPP mode of Kakinada Deep Water Port, Krishnapatnam Port, Gangavaram Port, Machilipatnam Port, and VANPIC Port (Nizampatnam - Vadarevu Port Corridor), as well as efforts toward development of Bhavanapadu, Meghavaram and Nakkapalli minor ports was undertaken with the objective to assess whether (a) the process for selection of the PPP developer and award of concessionaire was fair, transparent and competitive and risks/rewards were optimally shared between GoAP and the developer; (b) the PPP projects and the associated Concession Agreements were effectively and properly implemented within stipulated timelines; (c) GoAP received its due share of revenue from the PPP Projects and other dues in full and in timely manner; and (d) monitoring of project implementation and operation over the concession period by GoAP and Director of Ports (DoP) was adequate and effective.

The major audit findings are summarized below:

- There were deficiencies in the competitive bidding process for selection of developers in Gangavaram and Kakinada Deep Water Port, reflecting adversely on fairness and transparency in selection. In respect of the Machilipatnam Port and VANPIC Port Project, similar issues were reported earlier through paragraph 2.2.3 of the CAG's Audit Report for 2008-09 and paragraph 4.10 of the CAG's Audit Report on Land Allotment for 2011-12 respectively.
- There were post-bid/post-award changes to the terms and conditions of the project, though none of the Concession Agreements had provisions for such amendments/revisions. This resulted in undue favour to the private developers and against the financial interests of GoAP. Changes were made to the Concession Agreement to alter its basic structure, thereby vitiating the sanctity of the bidding and contracting process.
- Notwithstanding the provisions of the Concession Agreements, GoAP irregularly permitted or allowed change in the shareholding pattern of the development consortium and/or port operator in three ports (Krishnapatnam Port, Gangavaram Port and Machilipatnam Port).
- There were deficiencies/deviations in revenue sharing and financial arrangements, as well as in the monitoring mechanism adopted by the Department of Ports/GoAP over the implementation of the PPP Projects and the Concession Agreements.
- A key aspect of the development of ports on PPP mode has been the allotment of large amounts of land to these ports, also facilitating mortgaging of such lands by the private developers to banks and other lending institutions for obtaining huge loans for project development, leaving little risk or exposure on the part of the private parties.
- Multiplicity of non-major Ports along the coastline, along with liberal grant of exclusive rights over large lengths of the coastline (well beyond Port Limits) has virtually rendered the majority of the State's coastline privatised.

(Chapter – 2)

3. Chief Controlling Officer (CCO) based Audit of Forest Department

Andhra Pradesh has a total recorded forest area of 63,814 sq.km (comprising 23.2 per cent of its geographical area), of which 15,200 sq.km is under Community Forest Management with a participatory approach involving communities in forest management. The State also has 21 wildlife sanctuaries, six national parks and one tiger reserve. These resources are managed by the Forest Department, whose Executive Head is the Principal Chief Conservator of Forests. A CCO-based audit of the Forest Department was undertaken during March and between July and September 2012, covering the three year period 2009-12 and involving the examination of records at the Headquarters Office, 12 circles and 25 divisions. The main findings of the CCO-based audit are summarized below.

- The recorded forest area of the State was being shown at 63,814 sq.km since 1991, despite diversion of forest land for non-forest purposes under the Forest Conservation Act, 1980 and alienation of land under the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 (ROFR Act, 2006). Further, unclassified forest area of 970 sq.km had also not been notified.
- There was a substantial spurt in encroachment after enactment of ROFR Act, 2006. Also, the frequency of beat inspections prescribed was not adequate enough to protect the forest.
- Non-forest land handed over for compensatory afforestation in lieu of diversion of forest land was already afforested, violating the spirit of the Forest Conservation Act, 1980. In another case, compensatory afforestation could not take place due to non-availability of identified non-forest land, which was caused by improper identification of non-forest land in a far away Division.
- Lack of a timeframe for completing implementation of the ROFR Act and recognition of rights, in effect, keeps the process open indefinitely, with scope for possible exploitation and incorrect claims and increasing vulnerability of forest area. Various instances were noticed where ROFR rights were granted to ineligible persons and individuals in Vana Samrakshana Samithi areas. Further, community rights extended to tribal VSSs were not in line with the provisions under ROFR Act, 2006.
- Audit scrutiny also revealed deficiencies in funds utilization and implementation of various Central and State schemes/activities, including the Intensification of Forest Management Scheme (IFMS), Accelerated Programme of Restoration and Regeneration of Forest Cover, Bio-Diesel Plantation in Forest Areas, 13th Finance Commission grant-in-aid for forests, Project Elephant, River Valley Project, and CAMPA (Compensatory Afforestation Management and Planning Authority).
- Non-achievement of targets under various schemes was partly on account of non-release/late release of funds by the Government/PCCF, as well as delay in authorization by the Director of Works Accounts/PAO under the PAO system of works and forests payments.

(Chapter – 3)

4. Compliance Audit Observations

Thematic Audit of Road Over Bridges (ROBs) and Road Under Bridges (RUBs) at Rail Crossings

Road Over Bridges (ROBs) and Road Under Bridges (RUBs) at rail crossings represent important safety measures, besides reducing traffic congestion. At Level Crossings (LCs) where the traffic density is one lakh Train Vehicle Units per day (TVU) or more, the Railways share the cost of construction of ROBs and RUBs, in lieu of the LC, with the State Government on a 50:50 basis. The State Government can also propose construction of ROBs/RUBs on 100 *per cent* funding basis. The construction of the bridge proper over or under the railway track is undertaken by the Railways, while the approaches are constructed by the Roads & Buildings (R&B)

Department of the State Government. The process for planning and execution of ROBs/RUBs is elaborate and effective and efficient co-ordination between the Railways and the R&B Department is essential for smooth and timely completion of ROBs and RUBs.

An audit was conducted covering 43 out of 123 ROBs/RUBs (as per outcome budget 2011 of AP) and one ROB fully Railway funded; of these, 14 had been completed, 20 were in progress and 10 were in their initial stages. The main findings and recommendations arising from audit are summarized below:

- There were instances where even though the 'bridge proper' was completed by the Railways, the approaches (to be completed by the R&B Department) were incomplete and vice-versa; thus, the objectives of free flow of traffic and elimination of LC (with concomitant railway safety issues) were not achieved. In two test-checked cases, the ROBs were stalled/not usable due to non-shifting of HT Transmission Lines obstructing the ROB. In two other cases, although the ROBs were completed, the LCs were not closed. Other instances of lack of effective co-ordination between the R&B Department and Railways were non-matching of the levels of the approaches and the bridge proper, change from ROB to RUB and back to ROB, addition of an extra pier and non-pursuance of widened four-lane ROB.
- Delayed/non-acquisition of land and non-shifting of utilities, differences/deficiencies in alignment, change in degree of skew, alignment/location not along the current LC and other design issues with an adverse impact on traffic congestion were noticed, resulting in delayed completion/non-completion/non-utilisation of ROBs/RUBs.
- Award on single bids and limited competition at the bidding stage were noticed. In most of these cases, the winning bid was at a premium close to the ceiling of 5 *per cent* over Estimated Contract Value (ECV). This not only affected the transparency of the bidding process but also adversely affected Government's financial interests.
- There were instances of undue favours to contractors by revision of rates, allotment of substantial additional works on nomination basis, reduction of interest rate on mobilisation advance etc.
- Audit also noticed several instances of deficient quality control, mainly relating to non-compliance with the Departmental/MORTH (Union Ministry of Road Transport and Highways, Government of India)'s instructions on procurement of steel from original manufacturers etc.

(Paragraph 4.1)

Chapter-1

Overview of Economic Sector

1.1 About this Report

With an aim to integrate audit efforts and present a sector based perspective, restructuring of the Comptroller and Auditor General of India (CAG)'s audit arrangements in respect of the Government of Andhra Pradesh (GoAP) took place with effect from April 2012. Accordingly, audit of government offices, special purpose agencies, local bodies, parallel bodies, Public Sector Undertakings, etc., are integrated into suitable sectoral audits, such as 'Social', 'Economic', 'General' and 'Revenue'.

Accordingly, this year onwards, Audit Reports covering sector-wise State Government departments are being prepared separately by the CAG for submission to the Governor as per the provisions of the Constitution of India.

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG conducts audit of expenditure of the economic sector departments of the GoAP under Section 13¹ of the DPC Act. CAG is the sole auditor in respect of autonomous bodies which are audited under sections 19(2)² and 20(1)³ of the DPC Act. In addition, CAG also conducts audit, under Section 14⁴ of DPC Act, of other autonomous bodies which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

This Report covers the results of audit of the Government Departments in the Economic Sector including autonomous bodies, as appropriate. Audit findings in respect of State Public Sector Undertakings are reported separately through the Audit Report (Public Sector Undertakings) of the State.

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts kept in any department of a State

² Audit of accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations

³ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government

⁴ Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore

1.2 Profile of Economic Sector

A summary of the expenditure incurred during the last five years by the Departments of GoAP falling within the Economic Sector is given below:

Table-1.1 – Summary of Expenditure of Economic Sector

(₹ in crore)

Sl. No.	Name of the Department	2007-08	2008-09	2009-10	2010-11	2011-12
1	Agriculture & Co-operation	1413.98	2994.73	1803.82	2270.40	3334.54
2	Animal Husbandry & Fisheries	483.41	536.56	503.31	567.70	729.58
3	Energy	4529.61	3659.38	3259.28	3696.98	4367.68
4	Environment, Forests, Science and Technology	314.38	305.40	266.47	277.56	343.01
5	Industries and Commerce	576.21	350.03	297.62	448.45	380.74
6	Information Technology and Communications	102.75	331.68	18.92	24.53	57.72
7	Irrigation & Command Area Development	15839.90	12635.25	16712.71	15710.87	17787.39
8	Public Enterprises	0.72	0.90	1.04	1.28	1.46
9	Transport, Roads & Buildings/ Infrastructure & Investment	2264.98	2698.66	2634.37	2272.95	3043.04
Total		25525.94	23512.59	25497.54	25270.72	30045.16

Source: Appropriation Accounts of Government of Andhra Pradesh for the relevant years

A list of the departments in the Economic Sector, along with the State Public Sector Undertakings (PSUs) under these departments and the Autonomous Bodies for which the CAG is the sole auditor, is indicated in **Annexure – 1.1**.

1.3 Finalisation of Separate Audit Reports (SARs) of autonomous bodies

The Separate Audit Report (SAR) on the accounts of one autonomous body, Andhra Pradesh Khadi and Village Industries Board (APKVIB)⁵, is required to be placed in the State Legislature. The SARs on the accounts of APKVIB for 2003-04 to 2008-09 (which were issued in May 2011 for the years from 2003-04 to 2006-07, in March 2012 for the year 2007-08, and in January 2013 for the year 2008-09) are yet to be placed in the Legislature.

1.4 Response of the Departments to Audit Findings

1.4.1 Submission of Explanatory Notes

Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of Government. It is, therefore, essential that the Executive takes necessary rectificatory measures and furnishes appropriate and timely response on the audit findings included in the Audit Report.

⁵ Audited under Section 19(3) of the DPC Act

As per the instructions issued (November 1993) by the Finance and Planning Department, the administrative departments are required to submit Explanatory Notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Public Accounts Committee (PAC).

Though the Audit Reports for the year 2002-03 to 2010-11 were presented to the State Legislature between March 2004 and March 2012, five explanatory notes in respect of audit paragraphs pertaining to the following departments under the Economic Sector as detailed below were yet to be received, as on December 2012.

Table-1.2 – Position of Pending Explanatory Notes

Department	Pending Explanatory Notes in respect of Audit Reports for the year			Total pending Explanatory Notes
	2002-03	2009-10	2010-11	
Agriculture and Cooperation	02	01	01	04
Industries and Commerce	--	--	01	01
Total	02	01	02	05

1.4.2 Pending Action Taken Notes

Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) are required to be furnished within six months from the date of presentation of the PAC Report to the State Legislature. ATNs on 96 recommendations of the PAC presented to the State Legislature had not been received as of December 2012, as summarized below:

Table 1.3 – Position of pending Action Taken Notes (ATNs)

Department	No. of pending ATNs
Agriculture and Co-operation	8
Animal Husbandry, Dairy Development and Fisheries	1
Environment, Forests, Science and Technology	1
Irrigation and Command Area Development	86
Total	96

1.4.3 Outstanding Replies to Inspection Reports

Audit observations noticed during audit and not settled on the spot are communicated to the Heads of offices and next higher authorities of the departments concerned through Inspection Reports (IRs). The Heads of offices and the next higher authorities are required to respond to the observations contained in the Inspection Reports (IRs) and take appropriate corrective action. The audit observations communicated in the IRs are also discussed in the meetings at district level by the officers of the departments with the officers of the Principal Accountant General's office.

As of 31 December 2012, 3752 IRs containing 11297 paragraphs issued upto September 2012 were pending settlement. The department wise details are given below:

Table-1.4 - Department-wise break-up of outstanding Inspection Reports and Paragraphs

Department	Number of IRs/Paragraphs pending as of 31 December 2012	
	IRs	Paragraphs
Agriculture and Cooperation	607	2118
Animal Husbandry, Dairy Development and Fisheries	287	1051
Environment, Forests, Science and Technology	542	1284
Industries and Commerce	265	846
Information Technology and Communication	8	57
Infrastructure and Investment	2	10
Irrigation & Command Area Development	1564	4533
Roads and Buildings	477	1398
Total	3752	11297

Audit recommends that:

- *the Government should ensure that a procedure exists for action against officials who failed to send replies to Inspection Reports/Draft Paragraphs/ Reviews and ATNs on recommendations of PAC as per the prescribed time schedule; and*
- *the system of responding to audit observations should be revamped, to ensure strict compliance with the specified timelines for responses.*

Chapter-2

Performance Audit on
Public-Private Partnership (PPP)
Projects in Ports Sector

Executive Summary

The State of Andhra Pradesh has a 975 km long coast line, which is the second longest in the country, and has 14 notified non-major/minor Ports. Government of Andhra Pradesh (GoAP) undertook extensive development of non-major/minor Ports in PPP (Public Private Partnership) mode along its coastline since the late 1990's.

A performance audit of the development in PPP mode of Kakinada Deep Water Port, Krishnapatnam Port, Gangavaram Port, Machilipatnam Port, and VANPIC Port (Nizampatnam - Vadarevu Port Corridor), as well as efforts towards development of Bhavanapadu, Meghavaram and Nakkapalli minor ports was undertaken with the objective to assess whether (a) the process for selection of the PPP developer and award of concessionaire was fair, transparent and competitive and risks/rewards were optimally shared between GoAP and the developer; (b) the PPP projects and the associated Concession Agreements were effectively and properly implemented within stipulated timelines; (c) GoAP received its due share of revenue from the PPP Projects and other dues in full and in timely manner; and (d) monitoring of project implementation and operation over the concession period by GoAP and Director of Ports (DoP) was adequate and effective.

The major audit findings are summarized below:

- There were deficiencies in the competitive bidding process for selection of developers in Gangavaram and Kakinada Deep Water Port, reflecting adversely on fairness and transparency in selection. In respect of the Machilipatnam Port and VANPIC Port Project, similar issues were reported earlier through paragraph 2.2.3 of the CAG's Audit Report for 2008-09 and paragraph 4.10 of the CAG's Audit Report on Land Allotment for 2011-12 respectively.*
- There were post-bid/post-award changes to the terms and conditions of the project, though none of the Concession Agreements had provisions for such amendments/revisions. This resulted in undue favour to the private developers and against the financial interests of GoAP. Changes were made to the Concession Agreement to alter its basic structure, thereby vitiating the sanctity of the bidding and contracting process.*

- *Notwithstanding the provisions of the Concession Agreements, GoAP irregularly permitted or allowed change in the shareholding pattern of the development consortium and/ or port operator in three ports (Krishnapatnam Port, Gangavaram Port and Machilapatnam Port).*
- *There were deficiencies/deviations in revenue sharing and financial arrangements, as well as in the monitoring mechanism adopted by the Department of Ports/GoAP over the implementation of the PPP Projects and the Concession Agreements.*
- *A key aspect of the development of ports on PPP mode has been the allotment of large amounts of land to these ports, also facilitating mortgaging of such lands by the private developers to banks and other lending institutions for obtaining huge loans for project development, leaving little risk or exposure on the part of the private parties.*
- *Multiplicity of non-major Ports along the coastline, along with liberal grant of exclusive rights over large lengths of the coastline (well beyond Port Limits) has virtually rendered the majority of the State's coastline privatised.*

2.1 Introduction

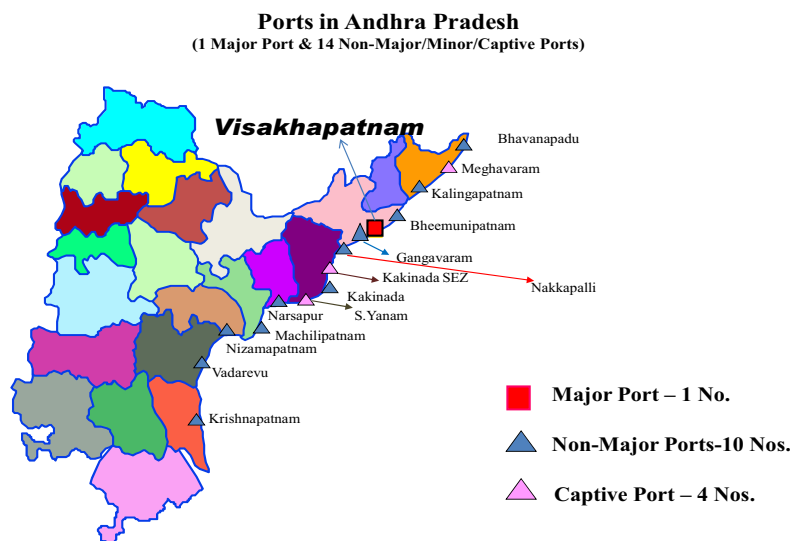
2.1.1 Background

The State of Andhra Pradesh has a 975 km long coast line, which is the second longest in the country. Indian ports fall into two categories viz.:

- **Major ports** – These fall under the jurisdiction of the Government of India (GoI)¹; there are 13 major ports (including one corporatized port) in India. One major port (Visakhapatnam) under the control of GoI falls within the territory of Andhra Pradesh.
- **Non-major/minor ports** – These include ports managed by the Director of Ports, Government of Andhra Pradesh (GoAP), private ports and ports developed/transferred under Public Private Partnership (PPP).

GoAP has 14 notified non-major/minor ports (Bhavanapadu, Meghavaram, Kalingapatnam, Bheemunipatnam, Gangavaram, Nakkapalli, Kakinada SEZ, Kakinada, S.Yanam/ Rawa, Narsapur, Machilipatnam, Nizampatnam and Vadarevu and Krishnapatnam). A map of the ports along the State's coastline is depicted below.

¹ Vide Item 27 of the Central List in the VII Schedule to the Constitution of India



Source: Director of Ports, Government of Andhra Pradesh

GoAP undertook extensive development of non-major/minor ports in PPP mode along its coastline since the late 1990s. Of these, Kakinada Deep Water Port (KDWP)² in East Godavari District, Krishnapatnam Port in SPS Nellore District and Gangavaram Port in Visakhapatnam District are commercially operational. A brief profile of the non-major/ minor ports developed in PPP mode is given below:

Table 2.1 – Status of PPP Port Projects in Andhra Pradesh

Name of the Port (District)	Name of the SPV	Date(s) of Concession Agreement and Supplementary/ Revised Agreement	Estimated cost (₹ in crore)	Concession period (in years)	Status
Kakinada Deep Water Port (East Godavari)	Kakinada Seaports Limited (KSPL)	19-03-1999 SA-1: 25-08-2003 SA-2: 28-01-2009	395.60	30 years + extension of 2 spells of 10 years each	Operational
Krishnapatnam (SPS Nellore)	Krishnapatnam Port Company Limited (KPCL)	04-01-1997 RA: 17-09-2004	1495.00 (Ph-I) 6000.00 (Ph-II)	30 years + extension of 2 spells of 10 years each	Operational
Gangavaram (Visakhapatnam)	Gangavaram Port Limited (GPL)	07-08-2003	1677.00	30 years + extension of 2 spells of 10 years each	Operational
Vadarevu and Nizamapatnam Ports (Guntur & Prakasam)	VANPIC Ports Pvt. Ltd.	11-07-2008	16,000.00	33 years + extension of 2 spells of 11 years each	Yet to take off
Machilipatnam (Krishna)	Vajra Seaport Private Limited/ Machilipatnam Port Limited	21-04-2008 RA: 07-06-2010	1255.00 5074.03	30 years + extension of 2 spells of 10 years each	Yet to take off

Note: SA – Supplementary Agreement; RA: Revised Concession Agreement

Source: Department of Ports

² As distinct from the Kakinada Anchorage Port, which continues to be with GoAP

The position in respect of other minor ports is as follows:

Table 2.2 – Status of other Minor Ports in Andhra Pradesh

Port	Brief Details
Bhavanapadu Port	Proposal by East Coast Energy Pvt. Ltd. (ECEPL) for developing captive berths is under consideration of GoAP.
Meghavaram Port	This was notified in March 2008. GoAP accorded permission (January 2009) to ECEPL for constructing a dedicated captive jetty for its thermal power project. However, the project is yet to take off.
Kalingapatnam	Proposed to be developed as minor (lighterage ³) ports
Bheemunipatnam	
Nakkapalli Port	This was notified in August 2010 by GoAP, which also accorded in-principle approval to Anrak Aluminium Ltd. for constructing a captive jetty. However, the project is yet to take off.
Kakinada SEZ	Although notified in December 2007 at the request of Kakinada SEZ Pvt. Ltd., no activity has taken place.
Kakinada Anchorage Port	This is an old minor port, with a century old history, and continues to be managed by GoAP
Rawa/ S.Yanam Port	This port, which was declared as a Minor Port in January 1996, is an off-shore Single Buoy Mooring (SBM) system for transporting oil from the Rawa Oil Field.
Narsapur	The current port does not handle cargo. This port is proposed to be developed as a greenfield minor port.

Source: Department of Ports

2.1.2 Organisational set up

The Director of Ports (DoP), under the control of the Principal Secretary, Infrastructure and Investment Department, GoAP, is the Head of the Port Department and the Marine Adviser to the GoAP. He is assisted by two Port Officers at Kakinada and Machilipatnam and a Superintending Engineer (Marine), who heads the Engineering Wing of the Department, and is, in turn, assisted by three Executive Engineers.

2.1.3 Governing Framework

GoAP does not have a separate formal policy for development of non-major/minor ports on PPP basis. However, a Task Force, headed by the Chief Secretary, was constituted in June 2000 to provide a cross-sectoral perspective to infrastructure development and co-ordination among the stakeholders. Subsequently, the Andhra Pradesh Infrastructure Policy, which was notified in December 2000, provides for guidelines for attracting and facilitating private investments in the infrastructure sector; minor ports and harbours are among the 21 infrastructure sectors covered by the Policy. The Policy also spelt out the executive functions of the Task Force.

³ Lighterage is the process of transferring cargo from larger vessels (too big to enter the port) into smaller vessels for offloading

Further, the Andhra Pradesh Infrastructure Development Enabling Act, 2001 (APIDE Act) was enacted to provide rapid development of physical and social infrastructure in the State and attract private sector participation in design, finance, construction, operation and maintenance of infrastructure projects in the State. The AP Infrastructure Authority (APIA) was constituted in accordance with this Act.

In order to tap the advisory technical assistance of the Asian Development Bank (ADB) in mainstreaming PPP projects through capacity enhancement and utilizing public and potential private resources for infrastructure development, GoAP entered into an Memorandum of Understanding (MoU) (April 2007) with GoI and ADB, and a PPP Cell in the Finance (PMU) Department was created.

2.2 Audit approach

2.2.1 Audit Objectives

The objectives of the performance audit were to assess whether:

- The process for selection of the PPP developer and award of the concession was fair, transparent, and competitive, and risks/rewards were optimally shared between GoAP and the PPP developer;
- The PPP projects and the associated Concession Agreements were effectively and properly implemented within stipulated timelines;
- GoAP received its due share of revenue from the PPP Projects and other dues (on account of land cost, lease rentals etc) in full and in timely manner; and
- Monitoring of project implementation and operation over the concession period by GoAP and DoP was adequate and effective.

2.2.2 Audit Scope

The Performance Audit covered the privatization/development in PPP mode of (i) Kakinada Deep Water Port, (ii) Krishnapatnam Port, (iii) Gangavaram Port, (iv) Machilipatnam Port, and (v) Vadarevu and Nizampatnam Ports (Vadarevu, Nizampatnam Port & Industrial Corridor - VANPIC), as well as efforts towards development of Bhavanapadu, Meghavaram and Nakkapalli minor ports in captive mode.

2.2.3 Sources of Audit Criteria

The main sources of audit criteria adopted for the performance audit were:

- State Government's Policy on Infrastructure, 2000;
- Andhra Pradesh Infrastructure Development Enabling Act, 2001;
- Terms of Concession Agreements, State Support Agreements and other contractual documents; and
- Technical and financial estimates as per the Detailed Project Reports (DPRs) and other project documents.

2.3 Audit Methodology

An entry conference was held with the Principal Secretary, Infrastructure & Investment Department and the Director of Ports (DoP) in March 2012, wherein the audit approach was outlined and discussed.

Audit scrutiny of records at various offices, as well as joint site visits to the test-checked ports, was conducted between December 2011 and March 2012; these covered the Infrastructure and Investment Department; PPP Cell of Finance Department; APIA and AP Industrial Infrastructure Corporation (APIIC); DoP, and Port Officers at Kakinada and Machilipatnam; Offices of District Collectors of Krishna, SPS Nellore and Visakhapatnam; Customs Department offices at Kakinada, Nellore and Visakhapatnam; and Registrar of Companies – Hyderabad.

The draft audit findings were issued to GoAP in November 2012, requesting their response and also requesting the conduct of an Exit Conference. Despite the issue of a reminder (December 2012), the response of GoAP has not been received, nor could an Exit Conference be held (December 2012).

Audit Findings

2.4 Non-constitution of AP Maritime Board

GoI had advised GoAP to establish a Maritime Board⁴ to provide one-stop solution to entrepreneurs and also act as a regulator for the minor ports in the State for the rapid development of port sector. GoAP stated in the Outcome Budget for 2007-08 that it had issued orders (October 2005) for establishment of AP Maritime Board, and that the AP Maritime Board Act was under preparation. Subsequently, in response to an audit enquiry, GoAP stated (December 2011) that after detailed examination with GoI and also after obtaining legal advice, the AP Maritime Board Bill, 2010 was introduced in the AP Legislative Assembly in December 2010 and added that necessary further action would be taken after the approval of Legislature.

The fact remains that the Act for the establishment of the AP Maritime Board had not been enacted even as of December 2012, leaving the development and regulation of 14 non-major/ captive ports without a full-fledged regulator.

2.5 Port Specific Findings - Kakinada Deep Water Port (KDWP)⁵

2.5.1 Introduction

Kakinada Deep Water Port (KDWP), located in East Godavari District and comprising three berths and other related infrastructure, was developed by GoAP

⁴ Maritime Boards had already been constituted in the states of Gujarat, Maharashtra and Tamil Nadu; these Boards have been functioning exclusively for overseeing the development of minor ports, which includes regulating their functioning and fixing tariff for privatised ports.

⁵ Kakinada Port comprises of Kakinada Anchorage Port and Kakinada Fishing Harbour (managed departmentally by the Director of Ports), and Kakinada Deep Water Port (developed by GoAP and handed over in PPP mode to a private developer).

between 1993 and 1996 at a cost of ₹321 crore (including a loan of ₹246 crore from the ADB).

In view of the additional investment required for optimum utilisation of the facilities created so far, the huge potentiality that exists for Kakinada Port and the paucity of funds for making further investment, GoAP decided to develop Kakinada Port through the private sector. The advertisement issued in July 1994 for privatisation of Kakinada and other minor ports was not successful. Tender notices were again issued (October to December 1996) for only Kakinada Deep Water Port in three packages – (a) Package I – container terminal; Package II – operation & maintenance of three berths and construction of fourth berth; and Package III – construction and operation of six new offshore berths. While Packages I and III were not successful⁶, Package-II culminated in the award of 3 + 1 berths at KDWP to the International Seaports Pte Limited, Singapore (ISPL) consortium, led by Larsen & Toubro (India) Ltd., on Operate, Maintain, Share and Transfer (OMST –for three berths)/Build Operate, Share and Transfer (BOST- for fourth berth) basis. The successful consortium floated (December 1998) a special purpose vehicle called Cocanada Port Company Limited (KSPL-SPV)⁷ to operate KDWP. In March 1999, GoAP signed the Concession Agreement (CA) with the SPV and handed over the project facilities.

Port operations were started by the KSPL-SPV in April 1999. The fourth berth was commissioned in March 2008. Further, two additional berths (fifth and sixth berths) were commissioned in 2011-12.

2.5.2 Selection of developer for 3+1 berth at KDWP

As per the “White Paper on Privatisation of 3+1 Berths at KDWP” of September 1998 of the erstwhile Transport, Roads & Buildings (Ports) Department of GoAP, the package for 3 + 1 berths at KDWP was advertised in December 1996 and 14 parties were shortlisted by the consultant (RITES) engaged by GoAP. Detailed bids were received from four parties in September 1997; technical bids were opened in September 1997 and financial bids⁸ were opened in October 1997.

RITES evaluated the proposals of three parties in two stages – (a) **Stage 1** – based on clearing specified hurdle criteria; and (b) **Stage 2** – evaluating project pre-tax IRR⁹ for viability, and giving weightage to three factors – minimum guaranteed share of income (50 marks), percentage share of income quoted to be paid to GoAP (30 marks) and investment planned in Phase-I development (20 marks). RITES proposed rejection of the offer of one party, and evaluated the offers of the remaining two consortia - KPB and ISPL, awarding 99 marks to the KPB consortium and 96 marks to the ISPL consortium. According to the white paper, RITES stated that KPB and ISPL had scored nearly equal marks and recommended that both parties were equally

⁶ 10 and 8 proposals were shortlisted for the packages for the container terminal at Kakinada and construction and operation of six new off-shore berths, but no party submitted detailed proposals.

⁷ Later renamed as Kakinada Seaports Limited (KSPL)

⁸ One consortium withdrew from the process two days before the opening of financial bids

⁹ Internal Rate of Return

suitable for award of the project and GoAP could choose any one of them, but opined that certain finer points¹⁰ tilted the balance in favour of ISPL.

However, the Task Force¹¹ “wanted to have the benefit of a second expert advice” and sought a second opinion, which did not indicate any clear choice between the remaining two bids. *Thereafter, the Task Force re-evaluated the marks for the bidders, and awarded 99 marks to ISPL and 69 marks to KPB, on the following grounds:*

- The Task Force felt that “on deeper consideration”, although KPB had indicated higher percentage of earnings to be shared with GoAP, the amount in absolute terms was much lower compared to ISPL (₹366.8 crore for KPB and ₹1636 crore for ISPL). According to the Task Force, “percentage of gross revenue is just a number, and what is more important is the quantum of gross revenue accruing to the Government. A higher percentage on a lower base will give less revenue than a small percentage on a higher base”.
- Further, the Task Force felt that it was not desirable to reduce or moderate the investment offered by the parties (as done by RITES), since higher investment would result in better facilities to the Port users, more revenue to the operator and higher share of revenue to GoAP.

A comparison of the marks originally awarded by RITES and the modified marks awarded by the Task Force is summarised below:

Table 2.3 – Marks awarded by RITES and Task Force for KDWP Developer Selection

Consortium	Investment in Phase-1		Minimum guaranteed share of income		Percentage share of income to GoAP	Gross revenue and share of revenue to GoAP
	RITES	Task Force	RITES	Task Force	RITES	Task Force
KPB	19	12	50	50	30	7
ISPL	20	20	49	49	27	30

Source: White paper published by GoAP

As KPB was evaluated as the H-1 bidder by RITES, revaluation by the Task Force resulted in the original H-2 bagging the contract. The justification for the amendment of the ranking precedent to the award of the contract to ISPL proved to be fallacious:

- The anticipated investment by ISPL did not materialize for the first five years; the investment of ISPL during 1999-2004 was just ₹77.24 crore. It was only after signing the first Supplementary Agreement (SA) in 2003 (granting post-bid concessions to ISPL) that investments by ISPL saw a jump, which amounted to ₹824 crore.

¹⁰ viz. higher cargo projections, use of higher capacity equipment, proper railway linkage, integrated services to port users, higher investment, etc.

¹¹ Constituted by GoAP in 1995 under the Chief Secretary for infrastructure projects

- The Task Force's justification that ISPL had projected much higher gross revenue (and revenue share to GoAP) also did not turn out to be the case. Till the conclusion of the first SA in August 2003, the actual traffic was far less than the traffic projected; the difference was as high as 59 *per cent* (2002-03). Clearly, these optimistic traffic projections weighed in favour of the successful bidder in winning the project.

The representations made by the Developer before the Government for effecting subsequent changes in the CA, on the basis of non-viability of the project due to non-reaching the targeted traffic, confirmed that the projections made by the developer at the time of bidding to win the project were unreliable.

- Further, ISPL subsequently allotted 26 *per cent* stake to the unsuccessful party, KPB, after the conclusion of the CA, evidently to compensate it for the loss of the contract. This clearly vitiated the spirit of effective competitive bidding, and the possibility of pre-award collusion between the only two qualified bidders cannot be ruled out.

2.5.3 Post-bid revisions to Concession Agreement

Consequent to the representations made by the SPV from time to time and approval of suggested modifications by the Council of Ministers, a SA to the CA was made in August 2003. The main changes introduced by the first SA were to mutually review/discuss the situation, if even after making the investment as per DPR, the traffic still did not improve.

This introduced clause gave an opportunity to the KSPL-SPV to make requests for amending the CA and the KSPL-SPV requested (September 2008) to amend certain 'restrictive aspects' of the CA so as to bring them on par with those entered with developer for 'greenfield ports'¹² at Krishnapatnam and Gangavaram, although KDWP was a 'brownfield port'¹³. Further, the KSPL-SPV also requested GoAP to extend facilities to them broadly in line with the other port projects taken up under PPP mode. Upon request from the SPV, the second SA to the CA was approved by the Council of Ministers (December 2008) and signed (January 2009); this was based on the recommendations of a Group of Ministers (GoM)¹⁴ constituted by GoAP in October 2008 to examine the requests of the SPV.

The GoM felt that there was strength in the argument of the KSPL-SPV for amending 'restrictive clauses', since the subsequent port policy¹⁵ put the SPV at a disadvantage *vis-à-vis* subsequent greenfield ports, although they were on a different model. The Council of Ministers approved the decision of GoM.

¹² Development of entirely new port

¹³ Already built port

¹⁴ Interestingly, Principal Secretary, Infrastructure & Investment Department was not associated with the exercise and the then Special Secretary in the Infrastructure & Investment Department was nominated as the convenor.

¹⁵ No such 'policy' was formally issued by GoAP in the form of a G.O. etc.

However, the SPV's argument for removal of 'restrictive aspects' is not tenable. Bids were invited and the concession awarded on the basis of conditions then prevalent, binding both parties to their respective rights and duties. The terms of subsequent agreements cannot be applied to projects already awarded under earlier terms and conditions. Such comparison is misleading and incorrect, and the changes made on the basis of such claims amount to undue favours to the private party.

Audit scrutiny revealed that the second SA granted several undue concessions to the KSPL-SPV and completely altered the structure of the original agreement in favour of the KSPL-SPV. A summary of the major concessions granted to the KSPL-SPV through the second SA is given below:

- **Grant of land leased to other parties to KSPL** – “GoAP would offer land, if any available and also in future as and when any lease agreements entered with GoAP by the port users expire (both annual and long term), first right of refusal (ROFR) may be offered to KSPL in deep water port, except the areas earmarked for ship-building units, fishing harbour and land being used for Government purpose”. In fact, even the condition for ship-building units was not subsequently adhered to.
- **Extension of Concession Period** – Instead of the original period of 20 years, the concession period was extended to 30 years (from the in-operation date), which was extendable by 20 years in two spells of 10 years each under the same CA. The revenue sharing arrangement was extended to years 21 to 50.

The consultant felt that there was no merit in the KSPL-SPV's request for extension and the Law Department of GoAP did not consider it necessary to review the clause. However, these concerns were not accepted.

- **Development of new berths/facilities**—While the CA was for a four berth terminal¹⁶, the second revision stipulated that the concessionaire shall have the freedom to develop new berths/facilities within the Deep Water Port¹⁷. In all other cases, the concessionaire has ROFR. Pursuant to the above, the KSPL-SPV completed the fifth and sixth berths during 2011-12 and had also drawn up plans for the seventh berth.

The consultant indicated that the request of the KSPL-SPV for future developments was not in accordance with the CA and the Law Department of GoAP did not consider it necessary to review the clause. However, these concerns were not accepted.

Along with the clause for extension of concession period, the clause permitting the concessionaire to develop new berths/ facilities changed the very nature of the KDWP Project. At the time of bidding, the project was clearly specified as 3+1 berths (i.e. 3 existing and one new berth). In fact, no detailed proposals were submitted for a

¹⁶ 3 + 1 berths – 3 existing and 1 new berth

¹⁷ GoAP could construct and operate its own berth(s). However, this had no practical value, since GoAP's policy was to develop ports only through the PPP mode

separate package for construction of six new offshore berths. This clause amounts to a backdoor expansion of the project scope, which was never envisaged originally.

- **Harbour Maintenance and Capital Dredging Costs** – The original CA stipulated creation of a Port Dues Account (Fund), which would receive port dues from vessels entering the port¹⁸, and was to be used for maintenance dredging etc. At the end of the Concession Period, the balance of the fund was to be transferred to GoAP. The original CA stipulated that GoAP would fix the total expenditure on harbour maintenance on the KSPL-SPV's recommendation, to be incurred out of the Fund. However, the second SA amended this provision, whereby this expenditure could be incurred now by the KSPL-SPV out of the Fund, after merely intimating GoAP¹⁹.

Such substantial changes in the CA were not justified as the only cause for changes would be 'force majeure', which is already stipulated in the CA, or significant events, which could not reasonably have been foreseen at the time of bidding and signing of the CA. Changes to the CA, at the request of the successful bidders, on grounds of long term viability and bankability, vitiate the sanctity of the bidding process.

2.5.4 Construction of additional berths, despite non-approval of drawings and designs

The second SA (2009) was silent about submission of revised detailed project report (DPR), milestones, etc. The KSPL-SPV proposed (November 2009) for construction of three additional berths and submitted (February 2011) designs and drawings of the fifth and sixth berths to GoAP for approval.

Audit scrutiny revealed that GoAP did not accord approval for the drawings and designs as of December 2011 even though these additional berths were commissioned during 2011-12. Thus, KSPL-SPV constructed additional berths without the approval of the GoAP to the drawings and designs.

2.5.5 Change in shareholding pattern

As per the CA, prior approval of GoAP was to be obtained for change in the shareholding pattern of the promoter of the KSPL-SPV. In June 2008, GoAP approved a proposal for transfer of entire stake of 39.12 *per cent* of L&T in favour of Kakinada Infrastructure Holding Pvt. Ltd. (KIHPL). GoAP stated (December 2011) that permission was accorded by it to the change in shareholding pattern. This decision of GoAP paved way for the exit of the promoter of the successful bidder from the Consortium and back-door entry of a new company, which was not part of the original consortium, and control (directly and indirectly) 71.52 *per cent* stake in the KSPL-SPV.

¹⁸ Collected for each entry at the port and assessed on the vessel's total Gross Registered Tonnage

¹⁹ Likewise, the requirement for a proposal for capital dredging by the concessionaire and approval by GoAP was done away with and replaced by mere intimation to GoAP.

2.5.6 Utilisation of Port Dues Account receipts for term loan principal and interest repayment

The CA stipulated that maintenance dredging²⁰ required prior approval of GoAP, and only then could expenditure thereon be charged to the Port Dues Account (Fund). The KSPL-SPV irregularly utilized ₹29.99 crore in the Fund for payment of interest and repayment of principal of a term loan to Union Bank of India from April 1999 to March 2007; this was discontinued only after repeated warnings of GoAP.

Instead of adjusting the irregular payment of loan from the Fund, for reimbursement of the already spent ₹31.21 crore towards maintenance dredging, the KSPL-SPV sought approval of GoAP in October 2004 to utilize the accruals to the Fund and to borrow from the lenders to meet the shortfall, if any, in the Fund; this was rejected (March 2006) as prior approval for incurring the expenditure was not obtained from GoAP. KSPL-SPV again represented (May 2007) to GoAP for reimbursement of the expenditure incurred. GoAP approved (March 2009) reimbursement of the maintenance dredging expenditure of ₹31.21 crore. The change in GoAP's stand, without any change in circumstances, lacked transparency and justification since this amount could have easily been adjusted by GoAP from the irregularly utilised fund.

2.5.7 Other concessions

Other concessions granted to the KSPL-SPV are discussed below.

- GoAP appointed (July 1999) RITES as the proof consultants on the basis of an offer by RITES without any indication of periodic review/renewal, and without following a process of competitive tender. Further, violating the CA which provided for payment of the cost by the KSPL-SPV, GoAP paid ₹4.10 crore up to December 2011 to RITES.
- DoP allotted (August 2000) the second floor of the Port administrative building to the KSPL-SPV against a consideration of maintenance of entire building. However, prior approval of GoAP was not taken, nor any agreement was entered. Audit scrutiny of the administrative building revealed that the SPV failed to honour its promise for maintenance of the entire building.
- The CA stipulated that the KSPL-SPV should furnish a Bank Guarantee (BG) of ₹ seven crore by April 1999 for securing the payment of revenue share and the guarantee, thereafter, shall be assessed every year in advance for safeguarding the financial interests of GoAP. Audit scrutiny, however, revealed that the KSPL-SPV submitted the BGs with delays ranging from 15 to 341 days.
- The concession granted to the KSPL-SPV through the second SA of Government offering land to the KSPL-SPV as well as ROFR over land leases expiring in the KDWP area has already been discussed in paragraph 2.5.2. DoP refused to renew the expired leases of four firms for land in Kakinada Port (outside the KDWP

²⁰ Required to maintain the stipulated depth of the common channel

area) and issued standing instructions (May 2011) to the Port Officer, Kakinada to issue resumption notices to other lands on expiry of annual lease periods.

In response to an audit enquiry, DoP stated (February 2012) that lands were resumed owing to technical reasons, and also that a stand had been taken to allot lands on the western-side of the ADB road on annual/long lease, and ROFR would be given to the KSPL-SPV in respect of land on the eastern side of the road, except areas earmarked for ship-building units, and fishing units. The response confirms the intention to allow KDWP to gain control over land even beyond the concessions already granted through the second SA.

- Notwithstanding the CA, as well as the second SA, excluding areas for ship-building units from the purview of the KSPL-SPV, GoAP, at the SPV's request, accorded permission (October 2010) to the KSPL-SPV to establish this facility in collaboration with Sembmarine Kakinada Limited (SKL), which, itself, was a joint venture between Sembawang Shipyard, Singapore and the KSPL-SPV. Further, 70 acres of land earmarked for ship building units, fishing harbour etc., were also subsequently allotted by GoAP to SKL. Such grant of permission and allotment of land was irregular.

2.5.8 Deficiencies/deviations in revenue sharing and financial arrangements

A test check of records revealed the following deficiencies in revenue sharing and financial arrangements by the KSPL-SPV:

- For the period from 1999-00 to 2011-12, GoAP received revenue share (ranging from 20 to 22 *per cent* of gross income) of ₹341.06 crore. Up to 2006-07, the revenue share actually received was less than the Minimum Guarantee Amount (MGA) as per the original agreement, but thereafter the actual revenue share exceeded both the originally prescribed MGA as well as the revised MGA as per the first SA.
- As per the CA, the KSPL-SPV was not entitled to any tax concessions. Audit reviewed the compliance of the KSPL-SPV to various tax laws with the concerned authorities. Cases of evasion/short payment of revenue are discussed below.
 - Cross verification of the gross revenue of the KSPL-SPV, as reported by the consultant, with details indicated in the service tax returns filed by the KSPL-SPV for 22 months (June 2009 to March 2011) revealed understatement of gross income by ₹36 crore, leading to short remittance of revenue share to GoAP of ₹7.88 crore.
 - The KSPL-SPV had been deducting expenditure incurred (amounting to ₹3.29 crore during the period 2009-10 to 2011-12 (3rd quarter) on supply of essentials, electricity charges, payments made to APPCB²¹ etc. from the gross revenue without establishing the material content. Such deductions are

²¹ Andhra Pradesh Pollution Control Board

permissible only in respect of services where the material content would be 80 *per cent* or more of the tariff; this was neither ensured by the KSPL-SPV nor validated by the Consultant.

- Between April 2001 and December 2010, GoAP leased out 302.09 acres of land to the KSPL-SPV for periods which would be co-terminus with the CA and the SA thereto. None of the lease agreements were registered with the Stamps and Registration Department, resulting in evasion of stamp duty and registration charges of ₹60.21 crore. Also, the lease agreements (except for one agreement for 47.76 acres) did not even have the survey numbers of the lands.
- Further, 19 sub-leases by the KSPL-SPV were also not registered with GoAP. Of these, three sub-leases involved land to the extent of 51010 sq. metres and revenue loss of ₹2.49 crore (stamp duty: ₹0.23 crore and registration charges: ₹2.26 crore).
- KSPL-SPV had not paid seigniorage²² charges amounting to ₹43.80 crore on 124.58 lakh cum of dredged sand. Further, the KSPL-SPV did not comply with the notices issued by the Mines & Geology Department of GoAP for payment of seigniorage charges of ₹11.86 crore.
- KSPL-SPV had executed works valuing ₹634 crore. Against the payable²³ VAT of ₹17.76 crore, it had paid only ₹0.30 crore during 2006-12 (as of December 2011), leaving ₹17.46 crore unpaid.
- KSPL-SPV failed to remit cess amounting to ₹6.63 crore at one (1) *per cent* under the Building and Other Construction Workers' Welfare Cess Act, 1996 on executed works of ₹663 crore since April 2004.

DoP stated (February 2012) that the SPV had received a notice from the Joint Commissioner of Labour, but had sought to pass on the responsibility for payment to the contractors. The reply is not convincing since it is the SPV's responsibility to recover the cess at source and remit it to the AP Building and Other Construction Workers' Welfare Board.

2.6 Krishnapatnam Port

2.6.1 Introduction

Krishnapatnam Port is situated in the south-east part of the State in SPS Nellore District. It has a vast hinterland covering the areas of Southern Andhra Pradesh, Districts of Rayalaseema, North Tamil Nadu and Eastern Karnataka.

GoAP conceived (1992) and approved (September 1993) the development of Krishnapatnam Port in phases through the private sector for import of coal and other cargo linked to the requirement of coal for the nearby proposed power plants.

²² Cess on natural resources

²³ At 4 *per cent* of the cost of works, after allowing 30 *per cent* deduction towards labour component

RITES²⁴ was engaged (May 1994) as the consultant for the process for selection of the bidder for port development. Although APSEB²⁵ awarded (July 1994) Letters of Intent (LoIs) for setting up two 500 MW power plants, together with jetty facilities for coal handling, GoAP continued with the selection process for development of Krishnapatnam Port through the private sector. Detailed proposals were received from three parties (NATCO Group²⁶, Hyderabad; Balaji Industrial Corporation Ltd, Madras; and Duncan Macneil Infrastructure Ltd, New Delhi), and GoAP found NATCO's proposal to be comprehensive and consistent with the requirements of the bid notice and selected its offer. GoAP entered into a CA for Krishnapatnam Port with Krishnapatnam Port Company Ltd²⁷ (KPCL-SPV) in January 1997. However, the project did not take off, due to delays in implementation of the private power plants.

Thus, awarding the CA for Krishnapatnam Port to NATCO consortium when the LoIs for the private power plants already awarded by APSEB involved captive jetty facilities for coal handling i.e. without linkage with the proposed Krishnapatnam Port, was not judicious.

2.6.2 Signing of Revised Concession Agreement (September 2004)

Although there was no clause in the original agreement for any change/amendment to the CA, the CA was revised at the request of the KPCL-SPV, on the grounds that the development of the Port was delayed due to delays in implementation of private power plants at Krishnapatnam. The main benefits/concessions granted to the KPCL-SPV through the Revised CA are summarised below:

- **Lease period** – This was changed from 35+20 years (extension) from the date of handing over physical possession of land (January 1997) and structures to 30+10+10 years (extension) from Commercial Operations (March 2009).
- **Land allotment** - GoAP agreed to make available more land belonging to GoAP, if found necessary, at the appropriate time (as may be required by KPCL-SPV) to the KPCL-SPV. Further, additional land needed for port development should be acquired and owned by GoAP; the cost would be initially borne by KPCL-SPV and adjusted over 15 years from the commencement date out of the revenue share available to GoAP. Also, specific permission for KPCL-SPV to sub-lease the land (with GoAP approval) was included. Further, the concessionaire was permitted, with prior approval of GoAP, to reclaim and use further land on the waterfront.

²⁴ RITES Ltd was awarded (May 1994) a consultancy assignment for Phase-I privatization of four ports, including Krishnapatnam Port.

²⁵ Erstwhile Andhra Pradesh State Electricity Board has now been divided into six power sector companies.

²⁶ Consortium of NATCO Pharma Ltd, Itochu Corporation, Fluor Daniel Inc., HAM Dredging and Marine Contractors, and India Investments Inc.

²⁷ An SPV formed for this purpose

- **Equity contribution** – GoAP would make equity contribution of upto 13 per cent on the railway line towards the cost of land in the KRCL (Krishnapatnam Rail Company Ltd.) for construction of rail project from Krishnapatnam Port to Obulavaripalli.
- **Fiscal incentives** (not included in the original CA) would be given by GoAP through foregoing revenue streams in the form of exemption from (i) Sales Tax on all inputs, (ii) Stamp Duty and Registration Fee on the first transfer of land and project agreements/financing agreements and (iii) payment of seigniorage charges during construction period”.
- **Reduction in minimum shareholding of promoter** (NATCO Group) from 55 per cent (indicated in bid proposal/RITES report) to 26 per cent.
- **Huge reduction in GoAP revenue share** from 5 per cent for the first five years, 8 per cent for next five years, 10 per cent for next five years, and 12 per cent thereafter to 2.6 per cent of gross income for the first 30 years, 5.2 per cent for 31-40 years, and 10.4 per cent for 41-50 years. Further, in deviation from the original CA, zero revenue share was payable under the revised agreement in respect of any year where the KPCL-SPV did not have a gross profit.
- **Mortgaging the land held on lease for obtaining loan** – The KPCL-SPV was entitled to grant in favour of lenders a first ranking security interest over all rights and assets held or enjoyed by the Concessionaire in connection with the Project, even without obtaining the approval of GoAP, though such approval of GoAP was required as per the original CA.

Changes to the CA as indicated above completely altered its basic structure. There was, thus a need for a new set of project terms and conditions and a fresh bidding process, which was circumvented and resulted in undue favour to the developer.

2.6.3 Subsequent Concessions

2.6.3.1 Allotment of additional land and non-fixation of market value for determination of lease charges

The Revised CA had an open-ended, but discretionary clause (3.13) on GoAP making available ‘more land’, as required by the SPV for future development plans. In June/ August 2007, the KPCL-SPV projected additional land requirement of 5800 acres plus 1000 acres of water bodies and sand dunes. This was approved by GoAP in October 2007. As of November 2011, 2978 acres of land was handed over to the KPCL-SPV. Further, GoAP handed over 1000 acres of land (water bodies) to the DoP and eventual handing over of this land to the KPCL-SPV did not materialise, as approval from GoAP was not received, though the land has been in possession of the KPCL-SPV. Handing over of the remaining 2822 acres (5800 acres – 2978 acres) was reportedly under process.

Out of the total allotment of additional land, audit noticed that while advance possession of 2486.05 acres of Government land²⁸ was handed over to the KPCL-SPV, fixation of market value and alienation proposals were not finalised on this land. This resulted in non-raising of the demand for the lease charges. Further, full particulars of lands handed over, yet to be handed over, and status of alienation proposals were sought by audit from the Revenue Department, but were still awaited.

2.6.3.2 Non-consideration of impact on the National Waterway

GoI had declared the canal stretch of 1095 km connecting Kakinada to Puducherry as National Waterway No. 4 and this was passing through the land allotted to the Port; there was no evidence of consideration of the impact of allotment of the 1000 acres of land on the future development of this National Waterway. Further, there were representations from the public against closure of water bodies, and consequential problems of flood waters finding their way into the habitations, there were no records with DoP regarding redressal of such environmental issues.

2.6.3.3 Belated conclusion of lease deeds

Out of 2978 acres of land allotted, lease deeds stood executed only in respect of 612.95 acres of land as of July 2010. One of the prime ‘concessions’ to the KPCL-SPV in the revised CA was the right to assign, by way of security, its rights and interests to lenders. This facilitated the mortgaging of 269.95 acre Government land for obtaining loans of ₹887.50 crore. The scope for more mortgages by the KPCL-SPV is enormous, since 2978 acres of land had been handed over to KPCL-SPV and handing over of another 3822 acres (out of the total of 6800 acres) is stated to be ‘under process’. Under Phase II development of the project, a loan of ₹2990 crore was sanctioned by a consortium of banks led by State Bank of India against the mortgage of 1840 acres.

2.6.4 Other concessions

Other concessions granted to the KPCL-SPV are discussed below.

- Clause 13.2 of revised CA made the KPCL-SPV responsible for complying with all applicable laws. However, the KPCL-SPV did not obtain permission and pay the fee of ₹1.78 crore for conversion of agricultural land of 2006.38 acres under its occupation for port development.
- There was short levy of lease charges of ₹0.14 crore from September 2004 to August 2011 on 269.925 acre land, due to continued adoption of the base rate at ₹6,000/acre (as of January 1997) instead of adopting the fair market value of ₹40,877/acre of 2004.
- The KPCL-SPV was to pay lease charges on 676 acres of water front land reclaimed by GoAP at the cost of ₹25.48 crore in October 2008. District

²⁸ Comprising of DKT (Darkhastudar patta) lands, CJFS (Co-operative Joint Farming Society) lands, assigned, unassigned and other lands

Authorities have yet to survey the reclaimed land and fix the market value. This resulted in non-raising the demand for the lease charges even after three years of reclamation.

- The Revised CA provided for GoAP's contribution at 13 *per cent* as equity towards land cost for the railway line from Krishnapatnam to Obulavaripalli. GoAP contributed ₹35 crore as equity to the cash calls of the Special Purpose Company, Krishnapatnam Rail Road Corporation Ltd, instead of remitting this amount to the Revenue Authorities for land acquisition (since GoAP's agreement for equity contribution was towards land cost). Utilisation of this amount towards land acquisition (or otherwise) is to be confirmed.
- As per the agreed terms of revised CA, the KPCL-SPV approached (March 2006) GoAP for fiscal incentives like exemption of stamp duty and registration fee, refund of VAT paid, seigniorage charges for procurement/ excavation of minor minerals and entry tax on notified goods/motor vehicles (total estimate ₹124 crore), and GoAP issued orders conferring these incentives till April 2010 or Phase-I completion, whichever was earlier. However, these fiscal incentives were not stopped on completion of Phase-I (2008), and were irregularly continued and extended till completion of Phase-II construction or till 2015, whichever was earlier.
- The Revised CA stipulated that the NATCO Group would hold 26 *per cent* shareholding in the SPV for at least five years from the date of commercial operations (up to March 2014). This was not adhered to by the KPCL-SPV, and substantial control was passed on to Navayuga Engineering Company Limited (NECL).

2.6.5 Traffic projections

Traffic projections vis-à-vis actual traffic at Krishnapatnam Port during 2008-12 is given below.

Table 2.4 – Traffic projections and actual traffic at Krishnapatnam Port

(In Million Tonnes)

Year	Traffic projected by SPV	Actual traffic
2008-09	14.40	8.20
2009-10	20.50	16.13
2010-11	30.50	15.91
2011-12	45.30	15.42

Source: Records of Department of Ports

Commercial operations began during 2008-09. The KPCL-SPV did not achieve the projected traffic in any year; during 2010-11, it was about 50 *per cent* of the projected traffic and the gap between projections and actual traffic has widened further in 2011-12, as it was about *one-third* of the estimate.

2.6.6 Revenue Share

During the period March 2009 to March 2011, the concessionaire indicated revenue of ₹1195.44 crore. Of this, GoAP's revenue share was ₹31.07 crore; after the KPCL-SPV adjusted ₹15.10 crore against land acquisition and remitted ₹15.97 crore to GoAP.

Further, there were delays in remittance of revenue share, on which interest of ₹0.18 crore was to be levied for the period March 2009 to March 2011, which had not been levied or collected.

2.6.7 Extension of exclusive rights over coastline

While the Revised CA conferred exclusive rights on the KPCL-SPV over 30 kms on either side of the port (a total of 73 km²⁹), the KPCL-SPV requested (June 2008) extension of concessionary rights up to 30 km south of Vadarevu Port (which represented the boundary of exclusive rights for VANPIC) for enabling development of cargo handling facilities with suitable jetties, promotion of Special Economic Zones (SEZs), power plants, multifarious industries and social infrastructure.

GoAP approved (September 2008) the request of KPCL-SPV on the justification that the effective hinterland of Krishnapatnam Port gets reduced to a greater extent due to development of ports in every district of the State and location of major ports like Chennai, which may also result in reduced cargo handling and affect its viability and the amendment to the CA made in February 2009. Although the GO did not mention the exact length of the coastline for which the KPCL-SPV would have exclusive rights, this amounted to 153 km *i.e.* an additional 80 km over the terms of the Revised CA.

The irregular extension of concession rights (that too without any corresponding increase in revenue share to GoAP) to a length of 153 km, covering 15 *per cent* of the AP coastline, prevents potential port development by GoI/GoAP, as well as by other private parties, which could have provided competition to the KPCL-SPV.

2.6.8 Monitoring Arrangements

The Revised CA empowered GoAP to organise operational and financial audit to ensure accuracy of the income of the KPCL-SPV, of which it gets its share. GoAP had not appointed a financial auditor and independent engineer since the commencement of commercial operations in March 2009. Subsequent to an audit enquiry, DoP initiated (March 2012) the process for appointment of financial auditor.

The CA also empowered GoAP to inspect the implementation of all construction activities and monitor compliance with the approved plans and designs. GoAP had not conducted such inspection. A joint inspection of the Port by GoAP with the Port Authorities, though required, was not conducted.

²⁹ Actual port area of 13 km + 30 km North + 30 km South

The CA stipulated Performance Standards covering average pre-berthing time³⁰ not exceeding 12 hours, as well as levy of penalty for failure to meet these Standards. However, DoP and GoAP had no information about actual pre-berthing time, or about penalty leviable, if any, and thus failed to monitor compliance with the stipulated Performance Standards.

While the Master Plan and Land Usage Plan of the KPCL-SPV projecting land requirement of 5800 *plus* 1000 acres was approved by GoAP in October 2007, a revised Master Plan (over the already approved Master Plan, earmarking details of land and its utility, duly indicating Customs Zone) had not been furnished by the KPCL-SPV.

2.7 Gangavaram Port

2.7.1 Introduction

Gangavaram is situated about 15 km south of Visakhapatnam on the East Coast. GoAP issued orders in 1994 declaring Gangavaram as a Minor Port, and the Task Force decided (1996) to develop Gangavaram through privatisation. After an unsuccessful attempt at privatisation, GoAP nominated (September 2000) APIIC as the nodal agency for project development; APIIC, in turn, entered into a MoU with Infrastructure Leasing and Financial Services Limited (IL&FS) as the Project Development Promotion Partner.

APIIC invited (September 2001) Expression of Interest (EoIs) for port development. 10 firms submitted EoIs, of which seven firms were shortlisted (January 2002) for issue of Request for Proposal (RFP). Two consortia, led by Adani Exports Ltd.³¹ and DVS Consortium³², submitted bids in May 2002. After evaluation, the project was awarded (July 2002) to the DVS consortium, which incorporated (March 2003) a Special Purpose Company in the name of Gangavaram Port Limited (GPL-SPV). GoAP signed a CA (August 2003) with the GPL-SPV for a concession period of 30 years, extendable by two spells of 10 years each. Construction for Phase-I (five berths) commenced in December 2005. GoAP declared (April 2010) commercial operations to have commenced from April 2009. Phase-I, consisting of five berths at an estimated cost of ₹1677 crore, was completed in 2008-09, while Phase-II, for four additional berths, is under consideration of GoAP.

2.7.2 Selection of Developer

Audit scrutiny revealed deficiencies in selection of the developer affecting the fairness and transparency of the award process as summarised below.

³⁰ The waiting period for ship which is ready in all aspects for berthing and the receivers/shippers of which are ready to receive/load full cargo

³¹ Consisting of Adani Exports Limited, Adani Infrastructure Services Limited and Adani Port Infrastructure Limited

³² Consisting of Sri DVS Raju, New Wave Securities & Industrial Credits Ltd., Dubai Ports International (DPI), Dubai, West Port Holdings SDN BHD, Malaysia and Jurong Consultants Pte. Ltd., Singapore

- Conditional qualifying of four parties** - Four parties (including the successful bidder – the DVS consortium) were qualified conditionally for issue of RFP. APIIC requested (February 2002) the DVS Consortium to furnish the three previous annual reports of Dubai Ports International (DPI) – the specified port operator for the DVS consortium – or documentary evidence certified by an independent auditor/banker or a corporate brochure to assess the financial position of DPI. The DVS Consortium expressed difficulties in submission of annual reports of DPI, and promised to submit a Government certificate that they exceeded all the stipulated financial criteria. Although the consultants expressed their reservations and insisted on additional documentation, so as to be transparent and fair to other parties involved, the AP Infrastructure Authority (APIA) did not agree and decided (April 2002) that the letter from the Dubai Port authorities could be considered as sufficient, subject to confirmation of its financial status.
- Lead member (DVS consortium) had no port experience** - While accepting the Evaluation Report on EoIs, the Steering Committee³³ stipulated that the lead member should have port-related experience, and also that an individual should not be named as the lead member of any consortium; instead, a company preferably having port/ shipping experience should be named as the lead member. The individual (who along with New Wave Securities & Industrial Credits Limited was the lead member of the successful consortium) was in the IT industry for the last 15 years, and had no port experience. However, APIA successively changed the definition of lead member to ‘an individual and a firm, together satisfying the EoI criteria’ and then to ‘a firm or an individual along with a firm satisfying the EoI criteria and nominated to act as the lead applicant’. This allowed the DVS consortium to be qualified, despite the lead member having no port experience.
- Change in consortium composition before bid submission** - In January 2002, the Steering Committee stipulated that changes in consortium members were to be allowed up to the date of submission of RFP, with the prior approval of APIIC/GoAP, and the new members should have equal or better credentials. Though the conditional selection of the DVS - led consortium was based on the financial statements of West Port Malaysia and Jurong Town Corporation (parent company of Jurong Consultants Pvt. Ltd) and the net worth statements of DPI and the individual, yet in April and May 2002, these two members withdrew due to the joint and several liability clauses in the RFP, and a Consortium Agreement was signed between the remaining parties. Although APIIC was aware of the withdrawal, it did not report this to GoAP. Further, the credentials of the newly formed DVS-led consortium at the RFP stage were not re-examined. Such changes in the consortium composition after the EoI short listing rendered the process of short listing at the EoI stage irrelevant, while minimising competition by ensuring that new consortia could not submit proposals.

³³ Constituted specifically for the development of the Gangavaram Port Project

- **Inflated traffic projections by the successful bidder** - The traffic projections in the RFP and DPR by the DVS Consortium were vastly overstated vis-à-vis the actual cargo traffic for the first three years (2009-12). Inclusion of traffic projections in the technical evaluation, without any mechanism for holding the bidder accountable for achieving such projections, is overlooking the financial interests of the Government.

2.7.3 Change in Shareholding and Port Operator

The CA stipulated that the Port Operator, holding an equity stake of not less than 13 *per cent*, should continue for a minimum period of five years from the Commercial Operations Date. However, even before the completion of construction (let alone commencement of operations), the GPL-SPV requested (March 2006) to permit change of Port Operator from DPI to Integrax Berhad, Malaysia on the grounds that continuation of DPI would lead to monopoly, as well as major conflict of interest to Gangavaram Port. GoAP approved the change in Port Operator in March 2006. Integrax Berhad, Malaysia was further replaced (November 2007) as 'Port Operator' by Portia Management Services Ltd., UK with the approval of GoAP citing that Portia Management Services had better capabilities, international experience and expertise in providing technical operations and maintenance services in port operations.

Contrary to the terms of the CA (stipulating 13 *per cent* shareholding for the Port Operator), Portia Management Services did not have any equity share in the SPV as of August 2011. Further, the brochure of Portia Management Services Ltd., UK³⁴ indicated that the scope of Portia's involvement with Gangavaram Port was indicated as "Technical Support" and not Port Operator; this was in clear contrast to ports in other countries³⁵ where Portia's responsibility for a terminal was clearly indicated. Supplementary information on Portia's website indicated the Technical Support Project for Gangavaram Port commenced from January 2008 and was ongoing; with just four professional staff with 16 man months.

It is, thus, evident that the services rendered by Portia Management Services Ltd. UK are clearly limited to technical support, and do not appear, by any means, to extend to "Port Operator", nor is Portia an equity shareholder at all in the GPL-SPV. The provisions of the CA relating to the Port Operator have not been adhered to.

2.7.4 Land Allotment

The CA stipulated that land of 1800 acres and the waterfront within the port limits was earmarked for development of the Port. GoAP acquired 1400 acres from Rashtriya Ispat Nigam Limited (RINL)³⁶ and 604.96 acres from Revenue Department at a cost of ₹53.73 crore, and transferred 1800 acres (August 2007) to the GPL-SPV, which availed of a loan of ₹1170 crore from a consortium of 13 banks for Phase-I, by mortgaging lands allotted to it. Although the SPV informed GoAP (June 2005) that

³⁴ Available on Portia Management Services' website

³⁵ Pakistan, Lebanon, Trinidad, Mozambique, Argentina, and Kenya

³⁶ Also commonly known as Visakhapatnam Steel Plant (VSP)

creating equitable mortgage on the lands allotted was a standard requirement of any financial institution to reach financial closure, however, dates of creation of mortgage were not available with GoAP.

2.7.5 Other Irregularities

- In November 2000, APIIC appointed IL&FS as a Project Development Promotion Partner for selection of the consultant as well as the developer for Gangavaram Port. A Project Development Fee (PDF) was to be collected from the selected bidder and shared between APIIC and IL&FS in a mutually agreed ratio, which was not determined in advance. In February 2002, the Steering Committee decided that the successful bidder would furnish Performance Security through Bank Guarantee of ₹25 crore. GoAP also fixed the PDF to ₹15 crore at a pre-bid meeting stage. However, post-award, after negotiation between the Developer and APIIC, Government (October 2002) reduced the PDF from ₹15 crore to ₹5 crore, also with instalment-based payment³⁷, and the Performance Security from ₹25 crore to ₹20 crore, that too in three stages. While IL&FS questioned APIIC on the huge reduction in PDF, this was resolved between IL&FS and APIIC by sharing the PDF in the ratio of 75:25.

Reduction in PDF and performance security, and instalment/stage-based payment, thus led to post-award undue favours to the successful bidder. DoP confirmed (February 2012) that copies of performance securities were also not available with it.

- Though, the land was handed over to GPL-SPV between November 2006 and August 2007, yet the lease charges were calculated by adopting the fair market value as of January 2002 (which pre-dated the CA) resulting in unjust financial gain to the GPL-SPV of ₹2.17 crore over the period January 2002 to August 2007, with substantial future losses as well.
- The CA and the State Support Agreement mandated provision of external infrastructure (road connection to the nearest National Highway from the port boundary, water supply up to port boundary, and power supply from nearest substation to port boundary) by GoAP before financial closure in October 2005. These were, however, not provided by GoAP in time. The road works were completed in June 2006. The water supply scheme was commissioned in November 2008 and handed over to the GPL-SPV in February 2009.
- In May 1995, GoAP had declared Mutyalammalem as a Minor Port, with prescribed Port Limits. Gangavaram Port limits were notified by GoAP in June 2001. GoAP de-notified (August 2008) the existing Mutyalammalem Minor Port and extended the Port Limits of Gangavaram Port by merging the port limits of Mutyalammalem Port. Such de-notification has led to GoAP foregoing its right to develop this port and amounted to undue favour to the GPL-SPV.

³⁷ ₹2 crore immediately after issue of LoI and ₹3 crore at the time of financial closure

- The GPL-SPV was to pay annual lease charges at 2 *per cent* of fair market value, with annual escalation of 6.5 *per cent* per annum. However, the developer paid lease rentals with delays ranging from 9 to 57 days. Neither the CA nor the lease agreements had any provision for interest for delayed payment.

2.7.6 Revenue Share

The CA stipulated payment of annual concession fee at 2.1 *per cent* of the Gross Income for the first 30 years of the Concession Period, and at double the rate for the extended spells of 10 years each. However, the CA also provided for non-payment of the Concession Fee, where the GPL-SPV did not earn a Gross Profit; this clause did not exist in the bidding documents³⁸, and amounted to post-bid favour to the GPL-SPV. During the period 2009-11, the Port earned gross revenue of ₹810.26 crore, of which GoAP received a revenue share of ₹17.02 crore.

2.7.7 Monitoring Arrangements

- The CA provided for appointment by GoAP of an Independent Engineer (within one year from the date of the CA) i.e. by August 2004 and an Independent Auditor. However, GoAP appointed RITES as the Independent Engineer only in October 2007. Also, GoAP appointed RITES as the Independent Auditor in April 2011; however, after noticing that RITES was not on the list of empanelled auditors with RBI, DoP requested (December 2011) GoAP to withdraw the orders appointing RITES as the Independent Auditor, and appointing an audit firm from the panel maintained by the CAG. RITES' appointment was finally cancelled by GoAP in March 2012, after being pointed out by audit and DoP was requested to submit a proposal for appointment of an auditor from amongst the CAG's panel.
- The CA stipulated Performance Standards covering average pre-berthing time³⁹ not exceeding 12 hours, as well as levy of penalty for failure to meet these Standards. However, DoP and GoAP had no information about actual pre-berthing time, or about penalty leviable, if any, and thus failed to monitor compliance with the stipulated Performance Standards.
- GoAP is required to watch the utilisation of funds provided for carrying out relief and rehabilitation of affected families, creation of external infrastructure, etc. since these are vital for completion of construction of the Port and opening it for commercial operations. GoAP released ₹152.23 crore to various agencies for the above purposes.

Even after eight years of receipt of funds, UCs had not been submitted for ₹79.38 crore. Expenditure particulars collected from the Special Officer, R&R, Gangavaram Port reflected unspent balance of ₹4.38 crore.

³⁸ The draft CA supplied by GoAP (prepared by LTR) contained a clause stating that in case the concession fee, which would be worked out on the basis of percentage of gross income was more than the net profit, concessionaire shall not pay any fee for that year.

³⁹ The waiting period for ship which is ready in all aspects for berthing and the receivers/shippers of which are ready to receive /load full cargo

Further, no cash book was maintained by the Special Officer and monthly reconciliation was not done with the Bank, contrary to requirement. Further, a Chartered Accountant was appointed for conducting audit only up to 2007-08, and he had not submitted any report to the Special Officer/ GoAP even as of January 2012.

- Although the CA empowered GoAP to inspect facilities with regard to O&M of the Port with prior intimation to the GPL-SPV, and also to conduct an annual physical inventory of plants, equipment and accessories provided by the GPL-SPV as part of the Port development, no evidence of such inspection was available.
- The GPL-SPV commenced trial operations in August 2008 and the Customs Department issued the notification in October 2008. However, the issue of declaration of Commercial Operations Date (COD) was under examination by GoAP till 8 April 2010, when the COD was retrospectively declared as April 2009.

2.8 Machilipatnam Port

2.8.1 Introduction

GoAP decided to develop all weather, deep water multipurpose port at Machilipatnam in Krishna District through a competitive process. Expression of Interest (EoI) was invited in September 2005; nine firms responded, out of which five were short-listed for issue of bid documents. After issue of bids and a pre-bid meeting, only one party, a consortium of four companies which included MAYTAS Infrastructure Pvt. Limited (MAYTAS), submitted the bid for development of the port at 'Gogileru'. The work was entrusted to the Consortium in January 2007 on BOST basis. The location of the port was subsequently changed (January 2008) to 'Gilakaladinne' by GoAP, and the CA was signed in April 2008. Audit findings on the award of development of Machilipatnam Port were reported through paragraph 2.2.3 of the Audit Report for the year ended 31 March 2009.

Subsequently, GoAP allowed the substitution of MAYTAS by Navayuga Engineering Company Ltd. (NECL), and a revised CA was signed in June 2010. The project is yet to take off, mainly due to land acquisition issues.

2.8.2 Change in Shareholding Pattern of SPV

In August 2009, the SPV sought approval of GoAP for admitting NECL and exit of MAYTAS and SREI-SCPL due to the financial difficulties being faced by MAYTAS. Simultaneously, MAYTAS authorised another member of the consortium, Nagarjuna Construction Company Ltd (NCC), to represent it before GoAP and release it from all matters under the CA.

Although the CA and the Consortium Agreement (March 2006) did not provide for substitution of the lead member of the project (MAYTAS) and concerns were also expressed internally within GoAP (October 2009) that such an amendment would be violative of constitutional requirement of equality, GoAP decided (March 2010) to sign the amended agreement with a new party. Further, GoAP also ignored another request (November 2009) from MPSEZL (Mundra Port & Special Economic Zone

Ltd), which was successfully operating Mundra Port for a decade, to grant the port to new players so that competition could be induced.

GoAP allowed the change of lead partner (with 89 *per cent* stake) from MAYTAS and its associates to NECL by amending the CA, without going through a tendering process for selection of a new lead partner. This also ensured that GoAP continued to be burdened by an additional cost of ₹335 crore payable to the original SPV for change of port location as discussed in paragraph 2.2.3 of the CAG's Audit Report (Civil) for the year 2008-09. The following deficiencies were further noticed in the project:

- The Machilipatnam Ports Limited (MPL-SPV) sought (May/June 2008) exclusive rights zone of 30 km for setting up power plant at the previous location at Gogileru village (originally proposed for the Port) in an area of 2300 acres. DoP submitted draft notification for the extension of port limits. GoAP issued orders in August 2008 for the extension of the port limits⁴⁰ with exclusive rights to the SPV⁴¹ though not contemplated in the CA.
- Although the foundation stone for the port project was laid in April 2008, and the revised CA (involving NECL) signed in June 2010, the port project is yet to take off, mainly due to land acquisition issues. The DPR submitted (June 2010) by Vajra Seaport Private Limited was followed by a Supplementary DPR (SPR) in May 2011, which was scrutinised through Indian Ports Association (IPA) but had not yet been approved by GoAP.

The then Collector, Krishna District intimated (November 2005/ March 2006) that required Government lands were available for port development; hence, GoAP committed to hand over 6262 acres of land through the RFQ for the successful bidder. However, in January 2011, the district administration belatedly noted that only 1249 acres of Government land was available, and the balance would have to be acquired from private persons at an assessed cost of ₹200 crore.

Incidentally, DoP felt (December 2010) that as per the DPR, only 761 acres of land was required even for the final phase of the Port; the remaining requirement was for other purposes (setting up a steel plant, power plant, multi-purpose SEZ, integrated township, desalination plant, container freight station etc.); and that it was not desirable to acquire 4000 acres from the socio-economic point of view. However, DoP later communicated (January 2012) comments on the IPA Report (January 2012) agreeing to the additional requirement of land.

- Government land of 412.57 acres was handed over (October 2008) by DoP to the MPL-SPV, for which lease charges of ₹0.63 crore (based on the value fixed for land) were payable from October 2008 to October 2010 was not paid (June 2010) by the SPV, on the grounds that the Fair Market Value (FMV) was not fixed by the District Collector. DoP requested GoAP in August 2011 to address the District

⁴⁰ Although the notings indicate a zone of 35 kms, the GO indicated the boundary co-ordinates and not the port limits in kms.

⁴¹ Then designated as Vajra Seaport Private Limited, which was renamed as Machilipatnam Port Ltd.

Collector to fix the FMV. No further demand had been made on the SPV, and lease charges of ₹1.35 crore for the four year period from October 2008 to October 2012 remained unrealised.

2.9 VANPIC Port

- Deficiencies in the award of selection of developer in respect of VANPIC project were reported through paragraph 4.10 of CAG's Audit Report on Land Allotment for 2011-12.
- Critical records relating to VANPIC Port (viz. MoU between GoAP and Government of Ras Al Khaimah; development of VANPIC – request for deletion/ withdrawal of certain lands; information relating to various components of the project by different SPVs; review meetings in connection with the Project; road connectivity to Vadarevu Port) were not provided to audit on the grounds of these being handed over to CBI⁴².
- VANPIC Port SPV transferred 40.5 *per cent* shareholding in the Consortium to NECL. in violation of Clause 3.8 of the CA, which prescribed that M/s Matrix Enport Holdings Pvt. Ltd. (MEHPL) should hold 49 *per cent* stake in the SPV. This transfer resulted in reducing the shareholding of MEHPL to 6.13 *per cent*. Further, GoAP objected to this transfer, as it was violative of the CA.

2.10 Captive Ports

GoAP considered the requests of the promoters of private power plants in Srikakulam and Visakhapatnam districts and allotted Bhavanapadu/ Meghavaram and Nakkapalli minor ports on captive basis, without tender process. Observations are discussed in the succeeding paragraphs.

2.10.1 Bhavanapadu and Meghavaram Ports

East Coast Energy Pvt. Ltd (party) requested (August 2007) GoAP to accord permission for establishing captive jetty facilities at Bhavanapadu Port in Srikakulam District for receiving and unloading the imported coal for use at the proposed Thermal Power Project. However, the party sought revision (within 10 days) for establishing captive jetty facilities at Meghavaram, which was accorded (January 2009) to ECEPL. However, State Government's order did not restrict the permission specifically for coal handling for the thermal power project.

The party again approached DoP in April and December 2010 with proposals for developing captive berths at Bhavanapadu Minor Port. DoP recommended (January 2011) the party's proposal for consideration of GoAP. The recommendation of the DoP was incorrect in view of the following:

- A tendering process was not followed for selection of the developer, and signing of a CA as per the terms and conditions proposed by the private parties was against the principles of transparency and equity.

⁴² Central Bureau of Investigation

- The GO did not include the term ‘coal handling for the thermal power plant’ and merely indicated construction of captive jetty. This was an obvious deviation and unintended favour to ECEPL.

DoP contended (February 2012) that captive jetty was different from the development of a greenfield port and that tender system was not feasible in cases of captive jetties. The response of DoP is not tenable, in the absence of any specific guidelines for allotment of captive jetties/ berths to private parties in a transparent and fair manner and finalisation of project terms and conditions, other than through a tendering process.

2.10.2 Nakkapalli Port

ANRAK Aluminium Limited requested (May 2010) GoAP for approval for a captive jetty at Nakkapalli in Visakhapatnam District. The Special Secretary to GoAP directed (June 2010) DoP to furnish a detailed report on this proposal, including whether any naval base was being set up by the Ministry of Defence at the proposed location as well as an undertaking from ANRAK Aluminium Limited about implementation of the rehabilitation package.

However, without ascertaining information about the naval base and obtaining an undertaking on the rehabilitation package, DoP submitted (July 2010) a draft notification to declare Nakkapalli as a Minor Port. GoAP notified (August 2010) Nakkapalli as a Minor Port and accorded *in-principle* permission to ANRAK Aluminium Limited for constructing a captive jetty.

In October 2010, the Eastern Naval Command (ENC) requested GoAP for reconsideration of the notification, as it was only seven nautical miles from the strategic infrastructure being created at Rambili. DoP intimated (December 2010) ENC that there was no need to reconsider the decision, as the proposed location was beyond 10 km of the south side of the Naval Alternate Operating Base (NAOB) boundary. However, ENC approached (January 2011) the Chief Secretary, GoAP on this issue, which was followed up by the Defence Secretary (December 2011) with GoAP.

DoP stated (February 2012) that they had no information about the development of the naval base at the time, and indicated that a decision would be taken after due examination.

2.11 Setting up of second Major Port in Andhra Pradesh by GoI

As per the press releases of the Press Information Bureau of GoI, a technical committee of the Ministry of Shipping (MoS), GoI had visited three sites in Andhra Pradesh for the second major port (besides Visakhapatnam); MoS would finalise the site by end-August 2012 for subsequent *in-principle* approval by GoI. However, as of date, although the establishment of the second new major port of GoI in Andhra Pradesh was stated to have been approved by the MoS, its location was not notified. This is particularly critical, considering the extensive stretches of exclusive rights granted by GoAP to various private port developers along the State’s coastline.

2.12 Conclusion

GoAP developed several non-Major Ports along the State's coastline through the Public Private Partnership mode. While audit acknowledges the importance of port development for the economic development of the hinterland and the contribution of these non-Major Ports to such growth, the mode of such development had numerous deficiencies and irregularities. Further, the Act for establishment of a Maritime Board in the State has also not been enacted.

There were deficiencies in the process of award of these Ports and various instances of post-bid/ post-award changes to the projects and terms and conditions, which resulted in undue favour to the private developers and against the financial interests of GoAP, though none of the Concession Agreements had provisions for such amendments/revisions. Changes were made to the Concession Agreements to alter its basic structure, thereby vitiating the sanctity of the bidding and contracting process.

GoAP's financial benefit from these PPP projects (excepting Kakinada), with the miniscule revenue share, was vastly overshadowed by other costs incurred by GoAP in terms of external infrastructure creation, land acquisition and relief & rehabilitation. Thus, existing port assets and the rights for future developments were granted to private parties without commensurate benefit to GoAP.

A key aspect of the development of ports on PPP mode has been the allotment of large amounts of land to these ports, also facilitating mortgaging of such lands by the private developers to banks and other lending institutions for obtaining huge loans for project development, leaving little risk or exposure on the part of the private parties.

Multiplicity of non-major Ports along the coastline, along with liberal grant of exclusive rights over large lengths of the coastline (well beyond Port Limits) has virtually rendered the majority of the State's coastline privatised.

2.13 Recommendations

- *GoAP may consider setting up a Maritime Board to regulate the functioning of the privatised ports (as well as minor ports under GoAP's control).*
- *Action should be initiated against the persons responsible for the irregularities and deficiencies pointed out in audit scrutiny. Necessary action may be initiated for recoveries of dues from the SPVs. Accordingly, responsibility needs to be fixed for the various lapses/ deficiencies pointed out.*
- *Legal advice may be sought as to the extent to which it would be feasible for GoAP to withdraw and/or curtail post-bid concessions/favours granted to the successful bidders.*
- *GoAP may initiate action for reviewing withdrawal/ curtailing the exclusive rights granted to Ports. This is particularly important to provide potential for setting up of a second Major Port by GoI (in addition to Visakhapatnam).*

Chapter-3

Chief Controlling Officer (CCO)
based Audit of Forest Department

Chief Controlling Officer (CCO) based Audit of Forest Department

Executive Summary

Andhra Pradesh has a total recorded forest area of 63,814 sq.km (comprising 23.2 per cent of its geographical area), of which 15,200 sq.km is under Community Forest Management with a participatory approach involving communities in forest management. The State also has 21 wildlife sanctuaries, six national parks and one tiger reserve. These resources are managed by the Forest Department, whose Executive Head is the Principal Chief Conservator of Forests. A CCO-based audit of the Forest Department was undertaken during March and between July and September 2012, covering the three year period 2009-12 and involving the examination of records at the Headquarters Office, 12 circles and 25 divisions. The main findings of the CCO-based audit are summarized below:

- The recorded forest area of the State was being shown at 63,814 sq.km since 1991, despite diversion of forest land for non-forest purposes under the Forest Conservation Act, 1980 and alienation of land under the ROFR Act, 2006¹. Further, unclassed forest area of 970 sq.km had also not been notified.*
- There was a substantial spurt in encroachment after enactment of ROFR Act, 2006. Also, the frequency of beat inspections prescribed was not adequate enough to protect the forest.*
- Non-forest land handed over for compensatory afforestation in lieu of diversion of forest land was already afforested, violating the spirit of the Forest Conservation Act, 1980. In another case, compensatory afforestation could not take place due to non-availability of identified non-forest land, which was caused by improper identification of non-forest land in a far away Division.*
- Lack of a timeframe for completing implementation of the ROFR Act and recognition of rights, in effect, keeps the process open indefinitely, with scope for possible exploitation and incorrect claims and increasing vulnerability of forest area. Various instances were noticed where ROFR rights were granted to ineligible persons and individuals in Vana Samrakshana Samithi areas. Further, community rights extended to tribal VSSs were not in line with the provisions under ROFR Act, 2006.*

¹ Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006

- *Audit scrutiny also revealed deficiencies in funds utilization and implementation of various Central and State schemes/activities, including the Intensification of Forest Management Scheme (IFMS), Accelerated Programme of Restoration and Regeneration of Forest Cover, Bio-Diesel Plantation in Forest Areas, 13th Finance Commission grant-in-aid for forests, Project Elephant, River Valley Project, and CAMPA (Compensatory Afforestation Management and Planning Authority).*
- *Non-achievement of targets under various schemes was partly on account of non-release/late release of funds by the Government/PCCF, as well as delay in authorization by the Director of Works Accounts/PAO under the PAO system of works and forests payments.*

3.1 Introduction

3.1.1 Forest Area

Andhra Pradesh has a total recorded forest area of 63,814 sq.km² (comprising 23.2 *per cent* of its geographical area). In terms of notification under the AP Forest Act, 1967, this area includes reserved forest (50,479 sq.km – 79.1 *per cent*), protected forest (12,365 sq.km – 19.4 *per cent*), and unclassified forest³ (970 sq.km – 1.5 *per cent*).

Of the 23 districts in the State, the forest area in three districts (Adilabad, Khammam and Visakhapatnam) constitutes more than one-third of the geographical area, while in four districts (Krishna, Medak, Nalgonda and Rangareddy), the forest cover is less than 10 *per cent* of the geographical area.

Out of the total forest area of 63,814 sq.km, 15,200 sq.km⁴ (23.8 *per cent*) is under Community Forest Management (CFM), with a participatory approach involving communities in forest management. This involves 7,718 VSSs (Vana Samrakshana Samithies), JFMCs (Joint Forest Management Committees)⁵ and EDCs (Eco Development Committees)⁶, involving 15.39 lakh members (of which 7.88 lakh members belong to SC/ST). These Committees have to perform certain duties (viz. managing forests in accordance with the micro plan prepared by them, and protecting forests in the allotted areas) and, correspondingly, also enjoy certain rights and privileges (e.g. entitlement for all non-timber forest produce, 100 *per cent* incremental value of timber, share in beedi leaf net revenues, and share in compounding fees collected).

The State has a Protected Area (PA) network of 15,281 sq.km (23.9 *per cent* of total forest area), comprising of 21 wildlife sanctuaries, 6 national parks and 1 tiger reserve.

² As per the AP State of Forest Report 2011 (APSF 2011)

³ Unlike reserved and protected forest, unclassified forest area has not been notified under any section of the AP Forest Act, 1967.

⁴ The remaining area of 48,614 sq.km (63,814 – 15,200 VSS area) is managed by the Forest Department.

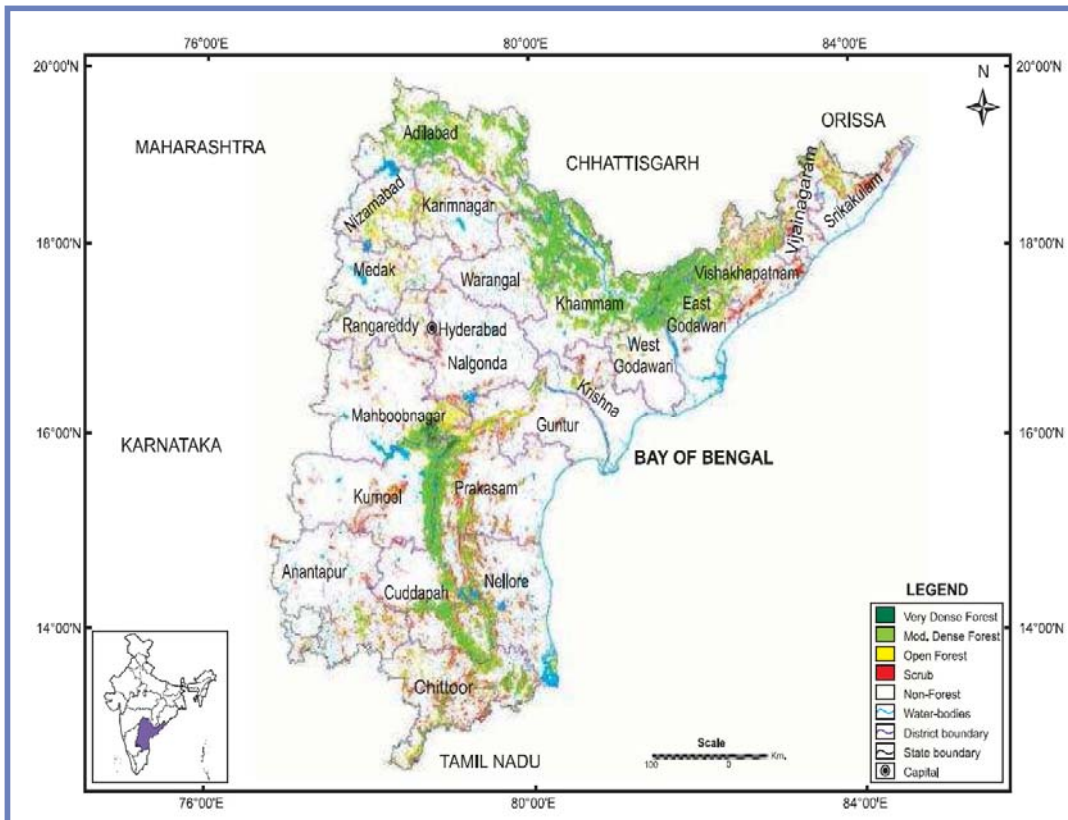
⁵ In FDA (Forest Development Agency) areas

⁶ In wildlife areas

3.1.2 Forest Cover⁷

The AP State of Forest Report 2011 (APSFR 2011) indicates the forest cover in the State in terms of canopy density as very dense forest (950 sq.km – 1.49 per cent), moderately dense forest (18,629 sq.km – 29.19 per cent), open forest (22,584 sq.km – 35.39 per cent), scrub (13,504 sq.km – 21.16 per cent), non-forest (7,496 sq.km – 11.75 per cent) and water bodies (651 sq.km – 1.02 per cent).

However, the India State of Forest Report 2011 (ISFR 2011) prepared by the Forest Survey of India (FSI) based on interpretation of satellite data during the period October 2008-March 2009 shows total forest cover of 46,389 sq.km, consisting of very dense forest (850 sq.km), moderately dense forest (26,242 sq.km) and open forest (19,297 sq. km). The ISFR 2011 draws a distinction between ‘forest area’ (area recorded as forests in Government records, i.e. within the control of the Forest Department) and ‘forest cover’ (all lands more than one hectare in area with a tree canopy density of more than 10 per cent). Thus, while forest area denotes the legal status of the land, forest cover indicates the presence of trees on any land, irrespective of their ownership, and excludes recorded forest areas without any trees or tree density of less than 10 per cent.



Forest Cover Map of Andhra Pradesh

(Source: India State of Forest Report 2011)

⁷ Of the entire forest area, the area which is actually covered by trees is called forest cover. Its classification depends upon the canopy density of the forest

3.1.3 Governing Statutes and Policies

The main statutes governing the management and maintenance of forests are:

- the AP Forest Act, 1967, which lays down the procedure for declaration of ‘reserve forest’ and ‘protected forest’ and the associated rights and conditions;
- the Forest (Conservation) Act, 1980, a Government of India Act, which stipulates the restrictions on, and procedures for de-reservation of reserved forest and diversion of forest land for non-forest purposes;
- the Wildlife (Protection) Act, 1972, a Government of India Act, which lays down the broad framework for protection of wild animals and birds, declaring areas as sanctuaries and national parks, and regulating possession/acquisition/trade in wild animals and animal articles; and
- the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, a GOI Act, (commonly termed as the ROFR Act), which seeks to recognise and vest the forest rights and occupation in forest land in forest dwelling scheduled tribes and other traditional forest dwellers and provides a framework for recording the forest rights and the nature of evidence required.

The State has also a policy for management of forest i.e., State Forest Policy, 1993 (as revised in 2002), which involves:

- sustainable management of forest resources through participatory approach involving communities, with emphasis on protection and regeneration of forests and forest lands;
- maintenance of environmental stability through preservation and restoration of ecological balance and checking of soil erosion and denudation of catchment areas of the rivers, lakes and reservoirs; and
- increasing tree cover through massive afforestation and social forestry programmes and conserving bio-diversity and genetic resources.

A notable development in the area of forest conservation is the Supreme Court order of 29 October 2002, creating a Compensatory Afforestation Fund for pooling in amounts paid by user agencies for diversion of forest land for non-forest purposes; these amounts were mainly towards Compensatory Afforestation (CA) and the Net Present Value (NPV) of the forest land being diverted. Subsequently, as per orders of the Supreme Court and Ministry of Environment and Forests, Government of India, an ad hoc Compensatory Afforestation Management and Planning Authority (CAMPA) at the Centre and State CAMPAs have been created.

3.1.4 Organisation

The management of forests and maintenance of the ecological balance is the responsibility of the Environment and Forest Department, which is headed by a Special Chief Secretary to the Government of Andhra Pradesh (GoAP). The Principal Chief Conservator of Forests (HoFF⁸) is the Executive Head of the Forest Department

⁸ Head of Forest Force

and its Chief Controlling Officer (CCO). He/she is assisted by the Principal Chief Conservator of Forests (Wildlife) & Chief Wildlife Warden, who is responsible for matters relating to wildlife. In addition, at the Head Office level, there are four Special Chief Conservators of Forests, 16 Additional Principal Chief Conservator of Forests, 12 Chief Conservators of Forests (CCFs), and other staff.

A detailed organisational chart is indicated in *Annexure 3.1*.

3.1.5 Financial Management (including programme funding)

The main sources of funding for the Forest Department are:

- Regular funds provided by GoAP – both for non-plan activities and (State) plan schemes;
- Funds provided by GoI for implementation of Centrally Sponsored Schemes;
- Funds released by the Central ad hoc CAMPA; and
- Funds provided for execution of convergence works as part of MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act).

A profile of budget allocation, releases and expenditure during the three year period from 2009-10 to 2011-12 is given below:

Table 3.1 – Outlay, releases and expenditure during 2009-12

(a) Plan and Non-Plan Expenditure from GoAP

(₹ in crore)

Year	Outlay		Total	Releases		Total	Expenditure		Total
	Plan	Non-Plan		Plan	Non-Plan		Plan	Non-Plan	
2009-10	102.08	239.28	341.36	65.11	221.93	287.04	57.10	203.97	261.07
2010-11	74.34	266.36	340.70	71.26	249.00	320.26	43.92	233.36	277.28
2011-12	78.59	339.83	418.42	79.16	322.05	401.21	71.01	260.14	331.15
Total	255.01	845.47	1100.48	215.53	792.98	1008.51	172.03	697.47	869.50

Source: Records of PCCF's office

During 2009-12, ₹172.03 crore and ₹697.47 crore were incurred under plan and non-plan actually, against the outlay of ₹255.01 crore and ₹845.47 crore respectively.

(b) Funding from CAMPA and MGNREGA (outside Government Account)

(₹ in crore)

Year	CAMPA		MGNREGA		
	Funds released	Expenditure by Forest Department	Releases	Expenditure by Forest Department	Remarks
2009-10	43.80	10.87	20.00	4.15	₹ 14.50 crore refunded to GoAP, balance utilized by DFOs
2010-11	62.72	82.83	82.28	82.28	Advance releases done away with under MGNREGA Centralized Fund Management System
2011-12	157.92	153.18	151.55	151.55	
Total	264.44	246.88	253.83	237.98	

Source: Records of PCCF's office

From 2010-11 onwards, releases from the Central ad hoc CAMPA became the most important source of funding for developmental activities.

3.2 Audit Objectives

The Chief Controlling Officer (CCO) based audit is an audit of a fair number of units in a department in an integrated manner to have common audit findings from the selected sample units. It assesses all aspects of functioning of a department such as financial management, planning and project management, human resources management, material/stores management, monitoring, internal controls, etc. The Forest Department was selected for CCO based audit in view of the magnitude of investment in the sector and its importance to ecosystem.

The main objectives of the CCO-based audit of the Forest Department were to ascertain whether:

- The developmental and other activities of the Department for managing and maintaining forests were properly planned and executed; and
- Financial management was properly planned, executed, monitored and controlled.

3.3 Audit Criteria

The main sources of audit criteria were:

- A.P. Forest Act, 1967, Wild Life (Protection) Act, 1972, Forest (Conservation) Act, 1980 (FC Act) and ROFR Act, 2006;
- National Forest Policy, 1988 and State Forest Policy, 2002;
- Working Plans and Management Plans of Territorial and Wildlife Divisions; and
- AP Financial Code, AP Forest Code and AP Treasury Code.

3.4 Scope of Audit

The scope of the CCO-based audit, which was conducted during March 2012 and between July to September 2012, covered the three year period from 2009-10 to 2011-12 and involved examination of the records at the Headquarters Office (Special Chief Secretary and PCCF), 12 circles and 25 divisions, out of 26 circles and 105 Forest divisions. The selection of divisions was made in a manner so as to ensure adequate coverage of different schemes/ plans, and forest regions and types. Details of the test-checked audit sample are indicated in *Annexure 3.2*.

3.5 Audit Findings

3.5.1 Forest Area

3.5.1.1 Updation of Forest Area

Despite diversion of 6487.22 ha of forest land during 2007-12 for non-forest purposes under the FC Act, 1980 and alienation of 1,91,099 ha land under ROFR Act, 2006, the recorded forest area of the State was being shown at 63,814 sq.km since 1991.

Updation is the responsibility of the PCCF (HoFF), based on inputs from the Divisional Forest Officers (DFOs), duly taking into account the forest land diverted and compensatory non-forest land received for afforestation. However, no mechanism has so far been prescribed for discharging this responsibility.

3.5.1.2 Unclassed Forest Area

As per APSFR 2011, the State has unclassified forest area of 970 sq.km (equivalent to 97,000 hectare), which is under the control of the Forest Department but has not been notified under any section of the AP Forest Act, 1967. The process for notification of reserved/protected forest involves the following:

- Notification of proposals for reservation;
- Appointment of Forest Settlement Officer (FSO) from the Revenue Department;
- Proclamation of areas to be reserved, duly calling for objections, if any, from the persons affected within one year of proclamation;
- Holding of inquiry by FSO and settlement of rights; and
- Publication of final notification for reservation of forests, after allowing appeals.

Audit scrutiny revealed that there was delay in final notification on account of non-conduct of survey/resurvey and demarcation, and cancellation of irregular assignments of land⁹ and joint survey with Revenue Department authorities in respect of six selected divisions. The prescribed process though planned decades back but could not executed so far by the DFOs. The reason for non-execution of the activities was not available on records. Details of delays in six divisions are summarised below:

Table 3.2 - Delay in notification of unclassified area

Name of the Division	No. of blocks	Unclassed Area (in ha)	Process pending since the year
Khammam	2 (Katkur Ext.VII and Mustibanda- Ext.Bit I)	256.91	1994
Bhadrachalam (South)	4 (CA blocks)	130.68	2001
Warangal (North)	8	2981.56	N.A
Karimnagar (West)	4	1083.53	1982
Chittoor (West)	11 (10 CA and 1 Non-CA blocks)	200.579	N.A
Kadapa	1 (Yerraballi)	653.25	1990

Source: Divisional records of concerned DFOs

Existence of substantial unclassified forest area carries risks of encroachment and loss of forest cover. Further, it was also observed in three divisions, that the unclassified forest area also included sixteen Compensatory Afforestation blocks. This showed that non-forest land accepted for afforestation was not free of disputes¹⁰.

⁹ Forest land incorrectly assigned as Revenue lands have to be cancelled, by resolving the disputes with the Revenue Department after holding joint survey. Notification process was held up due to non-cancellation of such irregular/ incorrect assignment of land by non-conduct of joint survey with the Revenue Department.

¹⁰ In cases of diversion of forest land for non-forest purposes, compensatory afforestation is generally to be undertaken on non-forest land.

Audit scrutiny, further, revealed that:

- In Khammam Forest Division, the computed forest area in seven blocks¹¹ was more than notified area by 8,590 ha. For reconciliation of the discrepancy, a survey in seven blocks was proposed in the working plan (2003-04 to 2012-13) during the period from 2004-05 to 2010-11 (one block each year). However, the proposed action plan was not carried out to date for which the reasons were not available on record.
- In Kadapa Forest Division, the land allotted (May, 2003) by Revenue Department for compensatory afforestation (CA) (210.44 ha) in Thumkunta Village of Raychoti Mandal was, in fact, not physically taken over, as some portions were either under encroachments or pattas were already given. The notification process initiated in 2007-08 was still in progress even after lapse of five years, mainly on account of non-availability of whole land (210.44 ha) due to failure of the then FRO to physically take over the land after proper verification. No action was taken against the FRO except issue of charge memo, while District authorities was addressed (June, 2010) to cancel the pattas given in CA areas. Progress made in the matter was not on record; the CA area was yet to be notified and CA yet to be completed (December 2012).

3.5.1.3 Reduction in Forest Cover

According to APSFR 2011,

- There was a reduction of 22.67 sq.km in Moderately Dense Forest (MDF) and 61.77 sq.km in Open Forest (OF) as against the position from 2010, which was reflected in an increase in non-forest area (82.58 sq.km) and scrub (1.86 sq.km). Very Dense Forest (VDF) remained static at 950.14 sq.km.

A loss of forest cover of 104.04 sq.km was reported, of which 56.73 sq.km was due to fresh harvesting of plantations. It was observed that due to encroachment of 18.56 sq.km of forest land under management of CFM¹², 56.56 sq.km of forest cover was lost in one year (2009-10). Khammam, Rajahmundry, and Warangal Circles topped in loss of forest cover, reporting losses of 31.94 sq.km, 14.62 sq.km. and 12.94 sq.km respectively.

- Decadal forest cover change studies carried out by Forest Department on a pilot basis for Jannaram Forest Division, Kawal and Pakhal Wild Life Sanctuaries for the period from 1988 to 2000 & 2000 to 2010, showed that there was an aggregate loss of forest cover ranging between 8 and 10 percentage in two decades without showing any positive change as depicted below.

¹¹ Gowaram, Cheemalpad, Erlapudi-I, Katkur, Tirumalakunta, Lanthalapally and Kanakgiri blocks

¹² having participatory approach in forest management

Table 3.3 – Loss of Forest Cover

Name of the Division/ WL Sanctuary	Forest Cover		Loss of forest cover (sq.km)						Total Loss
	In 1988		1988-2000			2000-2010			
	MDF	OF	MDF	OF	Total	MDF	OF	Total	
Jannaram	258.91	233.34	22.03	2.48	24.51	14.41	2.08	16.49	41.00
Kawal WLS	374.45	320.93	25.68	10.15	35.83	16.74	10.20	26.94	62.77
Pakhal WLS	153.61	452.86	3.70	39.57	43.27	4.96	11.67	16.63	59.90

Source: AP State of Forest Report - 2011

Further, ISFR 2011 also confirmed the loss of forest cover in the State; vis-à-vis the position in 2009, it showed decreases in MDF of 135 sq.km, Open Forest of 146 sq.km, and scrub of 53 sq.km, with increase in NF (Non-Forest) of 334 sq.km. Encroachments and harvesting of plantations were cited as possible reasons for the loss of forest cover, but the performance of the Department in preventing the encroachments was ineffective.

3.5.2 Encroachment of forest area

According to APSFR 2011, the forest land under encroachment in the State was 5,674 ha (less than 0.09 per cent of the total recorded forest area). However, this figure of 5,674 ha apparently related to encroachments that took place prior to implementation of ROFR Act, 2006 and did not consider subsequent attempted encroachments on the ground that control over the encroached land was subsequently regained. Though the control was regained over encroached land, in most of the cases, it was observed that forest cover on such land was already destroyed. It was the responsibility of the Divisional Forest Officer to enforce prevention of encroachment. Further, AP Forest Act 1967 also provides for penalty, prosecution and imprisonment besides compounding in case of offence.

As can be seen below, there was a substantial spurt in encroachment after the ROFR Act, 2006 (ranging between 108 and 2676 ha), as against the relatively modest recorded encroachment (ranging between 31 and 598 ha) prior to enactment of ROFR Act:

Table 3.4 – Encroachment on forest land

(All area in ha)

Name of the Division	Recorded forest area	Recorded encroachment prior to ROFR Act	Encroachments after ROFR Act (Figures in bracket indicate number of cases)						Total
			2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
Khammam	1,32,234	486	43.52 (26)	148.34 (56)	658.11 (118)	365.70 (62)	1317.93 (162)	142.82 (28)	2676.42
Bhadrachalam (South)	1,29,366	90	33.87 (08)	159.60 (24)	34.50 (11)	7.50 (07)	374.50 (62)	7.20 (04 up to 12/2011)	617.17
Kothagudem	1,68,388	505	54.80 (21)	247.66 (49)	77.86 (17)	151.65 (30)	433.80 (109)	105.37 (41)	1071.14
Paloncha	1,52,352	598	43.27 (17)	183.19 (17)	622.09 (66)	292.32 (59)	276.40 (70)	203.01 (51)	1620.28

Name of the Division	Recorded forest area	Recorded encroachment prior to ROFR Act	Encroachments after ROFR Act (Figures in bracket indicate number of cases)						Total
			2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
Bhadrachalam (North)	1,43,557	59	12.00 (2)	360.33 (46)	454.62 (42)	72.71 (11)	281.34 (45)	40.20 (11)	1221.20
WLM, Paloncha	68,638	80	28.50 (11)	82.98 (17)	47.50 (25)	221.148 (64)	485.19 (158)	137.18 (92)	1002.53
WLM, Warangal	53,855	77	2.08 (02)	35.91 (05)	28.94 (13)	28.62 (07)	13.44 (07)	Nil	108.99
Warangal (North)	2,31,025	265	30.70 (13)	198.00 (55)	279.43 (88)	213.32 (73)	---	---	721.45
Karimnagar (West)	97,499	35	0.99 (01)	24.90 (06)	249.09 (32)	113.20 (17)	14.20 (06)	---	402.38
Chittoor (West)	2,09,017	31	No encroachments were reported after 01-01-2006.						---

Source: correspondence files in test checked Circles and Divisions

Action in the above cases was taken as per extent law, but only after the act of encroachment, indicating failure of prevention mechanism by the department as discussed in the succeeding paragraph. It is desirable that the frequency of beat inspection prescribed by PCCF (1995) is enhanced to improve prevention mechanism.

3.5.3 Forest Protection

The State Forest Department seeks to protect forest areas through regular patrolling of vulnerable and non vulnerable areas; demarcation by constructing boundary pillars and walls; provision of new fast moving vehicles to front line staff; establishment of base camps (200) and strike forces (85) in vulnerable areas; and involvement of VSSs in protection aspects.

According to PCCF's instructions of November 1995, inspection of beats and natural forest in a Division should be conducted in a phased manner covering all vulnerable and non vulnerable beats in a year. Each vulnerable beat should be inspected at least once in a quarter, and each non-vulnerable beats should be inspected at least once in six months. Beat inspection reports, covering inspections conducted in the previous month, have to be forwarded to the DFO on a monthly basis, and beat inspection registers are prescribed at Range and Division level.

Audit scrutiny of the beat inspection programmes in 11 selected territorial divisions revealed the following:

- Beat inspection reports were not sent promptly by the Range Officers to the DFOs; this indicated that either the inspections were not conducted or the reports were not sent to the Divisions. In Hyderabad Division, 12 inspection reports relating to 2010-11 were yet to be received (June, 2012) from the Range Officers. Similarly, Khammam and Warangal North Divisions were yet to receive (August 2012) 19 and 38 reports relating to 2010-11 and 47 and 42 reports relating to 2011-12 from the respective Range Officers. Chittoor West Division did not maintain any beat inspection register, yet compliance to completion of phased inspection programme was reported. In the balance seven divisions, no deviation was observed.

- Despite conduct of beat inspections and formation of base camps and strike forces, there were a large number of offence reports relating to offences like encroachment, trespassing and destruction of forest (both detected and undetected) in eight test checked divisions¹³ indicating that the minimum inspection prescribed was not adequate enough to protect the forest from such offences. Frequency of the offences are summarised in the table 3.5 below.

Table 3.5 – Offence Reports

Category	2009-10		2010-11		2011-12	
	Number	Money Value	Number	Money Value	Number	Money Value
Offence reports	2978	1.34	3095	1.54	3656	1.74
Undetected offence reports	346	1.30	696	0.97	673	1.47

Source: Offence registers and case files of test-checked divisions

The increasing trend in offences was attributable to ineffective preventive mechanism.

3.5.4 Diversion of forest area for non-forestry purposes

The FC Act, 1980 and the Forest (Conservation) Rules, 2003 issued thereunder, prohibit diversion of forest land for non-forestry purposes, except with prior approval of GoI. Such approval is granted in two stages:

- In Stage-I, the proposal for diversion is agreed to in principle, subject to fulfilment of various conditions e.g.:
 - providing equivalent non-forest area (or degraded forest area to the extent of twice the forest area diverted in case non-forest area is not available in the State) for compensatory afforestation;
 - payment of Net Present Value (NPV) of forest diverted, cost of compensatory afforestation, penal cost of afforestation, if any, etc. by the user agency requesting such diversion.
- In Stage-II, formal approval is accorded for diversion after all conditions stipulated in Stage-I are fulfilled.

In Andhra Pradesh, as of September 2011¹⁴,

- Diversion of forest land under FC Act, 1980 was allowed in 446 cases, covering 35,790 ha (0.56 per cent of total recorded forest area) after approval from GOI. The main user agencies were Irrigation & Command Area Development Department, Roads & Buildings Department, Tourism Department, electricity utilities, Singareni Collieries Company Ltd. (a Public Sector Undertaking), Indian Railways, and AP State Road Transport Corporation.

¹³ Warangal North, Karimnagar West, WLM Warangal, Khammam, Chittoor West, Bhadrachalam South, Kadapa and Hyderabad

¹⁴ Updated figures upto March 2012 were not provided by the Department

- Out of the stipulated area for compensatory afforestation of 35,441 ha, compensatory afforestation was carried out in 28,087 ha (79 per cent), leaving a balance of 7,354 ha.
- Against the cost of compensatory afforestation of ₹201.22 crore and NPV of ₹1299.72 crore to be recovered from user agencies, the amounts actually recovered were ₹199.36 crore and ₹1299.72 crore respectively.

A test check of 11 diversion cases in seven divisions revealed deficiencies in implementation of the provisions of the FC Act, 1980 in two cases.

3.5.4.1 Diversion of forest land

Revenue Department (August 2010) diverted 6.70 ha of forest land in Indupulapaya Polmyrah Plantation Reserve Forest, Vempally Range of Kadapa Forest Division in favour of the Department of Youth Advancement, Tourism and Culture (DOYAT). However, the identified non-forest land of 25.08 acre (10.15 ha) for raising compensatory afforestation as per Stage-I approval (June 2010) was, in fact, within an area of 30.08 acres (12.17 ha)¹⁵ of revenue land handed over by the Revenue Authorities to AP Forest Development Corporation (APFDC) in 2007 for raising of red sanders plantations in Vempally Range. APFDC had already done afforestation on this area during 2007-08 (incurring expenditure of ₹17.31 lakh¹⁶), but handed over (February 2009) 5 acres to the Forest Department for establishing a conservation breeding centre and the remaining 25.08 acres (December 2009) to the Forest Department to facilitate diversion of forest land to DOYAT. Handing over of already afforested land against diversion of land was a violation of the guidelines issued under FC Act 1983, which stipulates that land which is not already planted should be afforested thereagainst.

3.5.4.2 Non-completion of compensatory afforestation over 80 ha in Kadapa District due to non-availability of identified non-forest land

231.94 ha of forest land in Kothagudem Forest Division of Khammam Circle was diverted (2006) in favour of The Singareni Collieries Company Ltd.¹⁷ for coal-mining activities. Non-forest land for compensatory afforestation was identified in Kadapa Forest Division (210.44 ha) and Bhadrachalam South Forest Division (21.50 ha). However, scrutiny of records in Kadapa Forest Division revealed that the land identified for compensatory afforestation was not available, as some of the land was already alienated by issue of DKT pattas etc. When repeatedly pressed by PCCF for initiating notification of compensatory afforestation lands under the A.P. Forest Act, 1967, FRO Rayachoty reported (January 2009) that the handing over of 210.44 ha (520 Acres) was on paper only, and not physically. The compliance to Stage-I conditions (taking over of CA land) reported by FRO which led to grant of Phase-II

¹⁵ @ 2.47105 acres/ ha

¹⁶ This was claimed by APFDC from the Forest Department, but was yet to be reimbursed.

¹⁷ A public sector undertaking

approval (2006) was found later (January 2009) to be false, and hence no demarcation could be carried in view of disputes with regard to boundaries. The Collector, YSR Kadapa District was addressed by DFO (June 2010) for cancellation of pattas issued on CA land, and the matter was also referred by DFO (July 2010) to CF, Kurnool Circle. Further progress in the matter was not on record.

Consequently, out of the proposed 210.44 ha, compensatory afforestation was carried out only over 130.44 ha, incurring an expenditure of ₹40.50 lakh (out of the total CA cost of ₹1.93 crore deposited by the user agency); the balance area of 80 ha was yet to be afforested (September 2012).

Thus, improper identification of non-forest land in a far away Division resulted in incomplete compensatory afforestation for diverted forest land.

3.5.5 Recognition of forest rights and award of titles under ROFR Act

The ROFR Act, 2006, notified in January 2007 in the Gazette of India, seeks to recognise and vest the forest rights and occupation in forest land in forest dwelling Scheduled Tribes and other traditional forest dwellers who have been residing in such forest for generations but whose rights could not be recognized. It also provides a framework for recording the forest rights and the nature of evidence required. Thirteen forest rights to be recognized are listed in Section 3(1) of the Act; these covered both individual rights and community rights. The Act distinguishes between recognition of rights of forest-dwelling Scheduled Tribes and other traditional forest dwellers:

- The rights existing as of 13 December 2005 for forest-dwelling Scheduled Tribes are recognised under the Act;
- In respect of other traditional forest dwellers, the existing right of those who were primarily residing and depending on forest/forest lands for bona fide livelihood needs at least for three generations prior to 13 December 2005 are recognised.

The ROFR Rules 2008, for carrying out the provisions of the Act, were notified in December 2008. The rules prescribed a three stage process for recognition of rights at three levels i.e. Gram Sabha, Sub-Divisional Level Committee (SDLC) and District Level Committee (DLC), which is summarised below:

- Claims for rights are received and decided by the Gram Sabha and recommended to SDLC (Sub-Divisional Level Committee).
- SDLC (consisting of Sub-DFO from Forest Department and RDO from Revenue Department) examines the recommendations by the Gram Sabha and sends eligible claims to District Level Committee (DLC) for consideration.
- DLC, chaired by District Collector and including DFO and District Tribal Welfare Officer, finally decides on entitlement to rights and passes resolution to that effect, whereupon title deeds are issued to the beneficiaries signed by DLC members.

However, no time limit is prescribed in the ROFR Act or the ROFR Rules for completing the recognition process.

GoAP took up the implementation of the ROFR Act on fast track mode; as per the prescribed road map, the entire process of recognition was to be completed by 30 October 2008. Audit scrutiny of the implementation of the ROFR Act revealed the following.

3.5.5.1 Continuation of recognition beyond the road map period

Although the ROFR Act prescribed a cut-off date of 13 December 2005 for eligibility for grant of rights, it does not prescribe any time limit for reorganization of rights. However, GoAP prescribed a road map, whereby the entire process was to be completed by 30 October 2008.

However, this timeline was not adhered to, the reasons for which were not on record. Not only was the issue of titles extended upto 2010-11, Phase-II of the programme commenced in 2011-12 and was in progress. At the end of Phase-I (2010-11), the reported status of issue of titles (individual and community) was as follows;

Table 3.6 – Issue of rights under ROFR Act, 2006

Category	No. of titles issued	Extent of land (Acres)
Individual titles	1,65,691	4,72,016
Community titles	2,106	9,79,207

Source: Records of PCCF's office

The lack of a timeframe for completing implementation of the ROFR Act and recognition of rights, in effect, keeps the process continuing with scope for possible exploitation and incorrect claims and increasing vulnerability of forest area.

In Khammam Division, 452 claimants, whose claims were rejected earlier in Phase-I, attempted fresh encroachments and claimed titles in Phase-II over an area of 1800 acres. The timely action of the Range Officer, Tallada in bringing the matter to the notice of the DFO, resulted in the DFO writing (May 2012) to the Tahsildars (Revenue Authorities) not to entertain the claims.

Year-wise figures of issue of titles had not been produced to audit, despite being sought.

The absence of time frame for award of titles and rights under the ROFR Act, acts as an incentive for possible encroachments with a view to subsequent regularisation in the future. This resulted in increasing trend in encroachment on forest area post-ROFR, as detailed in **paragraph 3.5.2.**

3.5.5.2 Grant of rights to ineligible persons

Seventy two persons were granted individual rights to hold forest land and title deeds issued under the ROFR Act, 2006 for 248.77 acres (100.7 ha) in Bhadrachalam North and Khammam Forest Divisions, although they were not the dwellers of forest land as on 13 December 2005, and the lands over which titles were given were in forest areas

subjected to attempted encroachments only after 2007. The fact of illegal grant of rights was brought to the notice of the District Collector (May/August 2010) by the CF/DFOs concerned for cancellation of titles. However, such cancellations did not take place to date. Division-wise details of issue of illegal titles are as follows:

Table 3.7 – Instances of issue of illegal titles

Name of the division	Name of the Village & Mandal	Compartment No.& Forest block	No. of claimants	Year	Extent of Area (Acres)
Bhadrachalam North	Madhavaopeta and Arlaagudem of Bhadrachalam Mandal	137/Madhavaopeta and RF 43/Arlagudem	56	2008-09	222.69
Khammam	Vedanthapuram EP of Dabbatogu Habitation of Sathupally Mandal	Area given to APFDC for plantation during 1984. They were proposed for Bamboo MFP during the year 2010 by APFDC	16	2009-10	26.08

Source: Divisional records of concerned DFOs

Audit scrutiny further revealed that:

- In respect of Bhadrachalam areas, the DFO relied on satellite imagery for the year 2007 to show that the areas were under dense forest cover in 2007 and that encroachments were attempted after 2007 to claim title under the Act.
- In respect of forest areas in Khammam given to APFDC for eucalyptus plantation in the year 1984, three rotations of eucalyptus plantations were completed and bamboo mixed plantation was proposed during the year 2010. Advance operations were commenced from December 2009 and an amount of ₹8.62 lakh¹⁸ was spent on these operations. The area was under the control of APFDC till the rights were entertained under the ROFR Act over an extent of 26.08 acres (2009-10).

3.5.5.3 Grant of Rights to Individuals in VSS areas

Vana Samrakshana Samithis (VSS) were formed under the Joint Forest Management Programme during 1990-99 and revitalised and re-visited during the AP Community Forest Management. Each VSS is given a certain forest area for management with rights to enjoy certain benefits and also duties to protect the forest areas. The areas under the management of VSSs are forest areas over which no individual (VSS or non-VSS) has any right to ownership. Accordingly, PCCF clarified (August 2009) that individuals could not claim rights in VSS areas, as they were not in possession of land on the cut off dates of 13 December 2005 and 31 December 2007; the second date – 31 December 2007 – is not a cut off date specified in the ROFR Act, 2006. However, rights were already granted to individual claimants in three test-checked divisions, prior to the receipt of this clarification as detailed below.

¹⁸ @ ₹25,000 per ha over 34.50 ha of plantation area

Table 3.8 – Grant of rights to individuals in VSS areas

Name of the division	No. of VSS/ EDCs where titles given	No. of individual titles issued	Extent of Area (Acres)
Warangal North	41 VSSs	859 (VSS- 150 + Non VSS- 709)	2151.53
Karimnagar West	8 VSSs	i) 85 claims in Raikal & Siricilla Ranges ii) Other claimant in Jagitial Ranges (numbers not available)	244.57
WLM, Warangal	4 EDCs	34	110.10

Source: Divisional records of concerned DFOs

No action, however, was taken to cancel the rights already granted in the above cases (December 2012).

3.5.5.4 Grant of Community Rights to Tribal VSSs

Audit scrutiny revealed that community rights were given to tribal VSSs in the following Divisions:

Table 3.9 – Grant of community rights to tribal VSSs

Name of the Division	No. of VSSs community Rights granted	Extent of forest land over which rights given (Acres)
Warangal North	33 VSSs	32,992.03
Warangal South	101 VSSs	85,129.55
Chittoor West	12 VSSs	8,108.51
Nandyal WLM	8 VSSs	6,453.10
Narsipatnam	103 VSSs	24,136.29
Vizianagaram	95 VSSs	36,291.40

Source: Divisional records of the concerned DFOs

In this context, a clear distinction is required to be made between the rights of VSSs and the community rights envisaged under the ROFR Act, 2006. The rights, duties and responsibilities of VSSs emanate from the MoU with the Forest Department, micro-plans drawn and VSS resolutions for execution of works and sharing of benefits. VSS members get benefits, because they are required to perform certain forestry operations and protect forests over the allotted area and are also required to maintain operational and accounting records prescribed under the Community Forest Management scheme (CFM).

However such responsibility of maintenance of records, foresting operation and protecting forest on allotted land was not imposed along with community rights granted under the ROFR Act, thus, leading to grant of rights without any responsibility.

3.5.5.5 Misuse of rights granted

Title deeds issued under the ROFR Act, 2006 are for *bona fide* livelihood needs (viz. fulfilment of sustenance needs of self and family through production or sale of produce resulting from self cultivation of forest land given). The land is heritable, but not transferable or alienable under the ROFR Act.

Contrary to the above legal provisions, 50 acres out of 111.79 Acres of land given to 38 members during 2009-10 under the Act in Chandrapalem Village of Annapureddypalli RF of Khammam Division were transferred by the beneficiaries on lease for two years to a developer, who raised a banana crop on the area taken on lease. Although the matter was reported (May 2011) by the DFO the action on the report from authorities was awaited (December 2012).

3.5.6 Management of forests and wildlife

The State has been implementing several Central and State schemes for improvement of existing forests, afforestation of degraded forest land, and increasing tree cover on non-forest lands. Performance of some of these schemes is discussed in the following paragraphs.

3.5.6.1 Intensification of Forest Management Scheme (IFMS)

The Intensification of Forest Management Scheme (IFMS), introduced in 2008-09, a Centrally Sponsored Scheme financed by the Central and State Governments in the ratio of 75:25, is intended to support State Forest Departments in taking up important works related to improvement of forest infrastructure and strengthening of forest protection machinery. The year-wise Annual Work Plan allocations, releases and expenditure under IFMS are indicated in table given below:

Table 3.10 Intensification of Forest Management Scheme

Year	Annual Work Plan (AWP) approved by GOI	Central releases (Fresh & Revalidated) (₹ in Lakh)	Budget Releases by State Govt. (₹ in Lakh)	Expenditure (₹ in Lakh)
2009-10	- NIL- (approved AWP of ₹454.15 lakh kept in abeyance due to non-release of State Share)	70.94 (towards revalidated AWP of 2008-09)	170.94 (revalidated AWP of 2008-09) [(CS-₹70.94 (Sept.2009) SS-₹100.00 (Nov.2009)]	80.39 (AWP 2008-09) (CS-₹31.63; SS-₹48.76)
2010-11	228.23 (Central Share - ₹171.17 State Share - ₹57.06)	176.25 (June, 2010) (AWP 2008-09)	102.90 Revalidated (AWP 2008-09) (CS-₹39.30; SS-₹63.60)	56.74 (CS-₹3.64; SS-₹53.10) (AWP 2008-09)
2011-12	230.62 (CS- ₹172.97; SS- ₹57.65)	-NIL-	- NIL-	-NIL-

Source: Records of PCCF's office

A review of the above table revealed that the implementation of IFMS during 2009-12 was unsatisfactory due to delays in release of budget ranging between three and five months during 2009-10 & 2010-11 by the State Finance Department. Further, unsatisfactory performance and poor expenditure in earlier years prompted GoI not to make any allocation in release of budget for 2009-10 and again for 2011-12. Hence, the Annual Work Plan (AWP) for 2009-10, though cleared, and the AWP for 2011-12 (originally proposed for ₹10.31 crore but approved for only ₹2.31 crore by GoI) were not executed, due to non-release of State share.

3.5.6.2 Accelerated Programme of Restoration and Regeneration of Forest Cover

Additional Central Assistance (ACA) for “Accelerated Programme of Restoration and Regeneration of Forest Cover” was a new State Plan introduced by GoI in 2009-10 with the objectives of promoting ecological restoration and regeneration of degraded forests (with special emphasis on Assisted Natural Regeneration (ANR), Artificial Regeneration (AR) of forest plant series, restoration of problem areas, eco-restoration and Production of Quality Planting Material (PQPM), high tech nurseries, genetic selection etc.); and conservation of existing forests with special emphasis on conserving rare, endangered and threatened species. Details of Approved Action Plan, budget releases and expenditure are indicated in the table given below.

Table.3.11 - Accelerated Programme of Restoration and Regeneration of Forest Cover

Year	Approved Action Plan (₹ in lakh)	Budget Releases (₹ in lakh)	Expenditure (₹ in lakh)
2009-10	Advance works - 896.29 Aided Natural Regeneration - 421.19 Nursery Activity (Territorial and Hitech) - 824.86 Total - 2142.34	NIL	NIL
2010-11	- do -	NIL	NIL
2011-12	- do -	388.00 (revalidated)	388.00

Source: Records of PCCF's office

However, the scheme could not take off during 2009-10 and 2010-11 due to late receipt (October 2009) of guidelines from GoI, consequent delay in finalization of Action Plans (December 2009), and belated release of funds in both 2009-10 and 2010-11. The unspent balances for 2009-10 and 2010-11 were revalidated for an amount of ₹3.88 crore and released in October 2011; the revalidated amount was utilized in the months of February and March 2012 for carrying out only advance work of plantations, due to late authorization of funds by the DOWA/PAOs¹⁹. The failure of the PCCF to prepare the action plans in time and ensure prompt release of funds, resulted in dismal performance of the Scheme.

3.5.6.3 Bio-Diesel Plantation in Forest Areas

The Project ‘Bio-Diesel Plantation in Forest Areas’, funded by the National Bank for Agriculture and Rural Development (NABARD) under RIDF-XIII²⁰ and sanctioned by GoAP in April 2008 at an outlay of ₹23.42 crore (NABARD ₹22.24 crore and GoAP ₹1.17 crore) which envisaged bio-diesel plantation over 8,800 ha through 101 projects (ranges), was started in 2008-09 and ended in March 2011.

¹⁹ DOWA: Director of Works Accounts; PAOs: Pay and Accounts Offices

²⁰ RIDF – Rural Infrastructure Development Fund

Audit scrutiny revealed that 17 out of 101 projects were deleted subsequently for want of suitable land and problems of encroachments. Against the target of 8800 ha, coverage of 5250 ha at a cost of ₹11.20 crore was achieved; details of achievement in the test-checked divisions are indicated in the table below.

Table 3.12 - Bio-Diesel Plantation

Sl. No.	Name of the Division	Name of the Project (Range)	Target		Achievement	
			Physical (Ha)	Financial (₹ in lakh)	Physical (Ha)	Financial (₹ in lakh)
1	Hyderabad	Hyderabad South	125	36.14	80	21.89
2	Hyderabad	Vikarabad	80	22.19	20	6.16
3	Hyderabad	Mohammadabad	- Non Starter Project -			
4	Hyderabad	Tandur	- Non Starter Project -			
5	Khammam	Sathupally	25	5.140	20	0.474
6	Khammam	Karepally	50	10.270	- Non Starter Project -	
7	Khammam	Dammamet	50	10.270	25	5.961
8	Khammam	Tallada	50	10.270	25	6.638
9	Bhadrachalam South	VR Puram	40	8.220	40	6.860
10	Bhadrachalam South	Chintur	50	10.270	50	4.79 (1st year maintenance of 50 Ha not carried)
11	Bhadrachalam South	Kunavaram	25	5.140	25	2.780 (1st year maintenance of 25 Ha not carried)
12	Chittoor West	Punganuru	50	10.270	38	4.514
13	Chittoor West	Madanapalli	50	10.270	30	3.939
14	Chittoor West	Kuppam	40	8.220	35	4.517
15	Chittoor West	Chittoor West	50	10.270	40	7.162
16	Chittoor West	Palamner	30	6.610	10	3.120

Source: Divisional records of concerned DFOs

3.5.6.4 13th Finance Commission Grant

Grant-in-aid for forests, based on the award of the 13th Finance Commission, covered different activities and components viz. forest protection, wildlife, social forestry, FDA, research, training, IT & Communications, and preparation and revisiting of working plans; it was programmed to be implemented over a period of 5 years upto 2014-15. Grants were to be released in five annual instalments (not later than July for each year); while instalments for 2010-11 and 2011-12 would be unconditional and untied, the last three instalments would, however, be based on the progress made on execution of approved Working Plans. The component wise action plan for the period from 2010-11 to 2014-15 were approved by GoAP in February 2011.

However, audit scrutiny revealed that the implementation of the scheme suffered from several deficiencies.

- During 2010-11, despite timely release of grant of ₹33.58 crore by GoI (March 2010), the Department could utilize only ₹21.53 crore, leaving an unspent balance of ₹12.05 crore. This poor performance was mainly attributable to (a) delayed preparation/ revision of action plans and their approval (February 2011) by GoAP, and (b) delayed release of budget (November 2010) by GoAP.
- The unspent balance of ₹12.05 crore, which was revalidated and released in July 2011, as well as the regular grant of ₹33.48 crore for 2011-12, was also not fully utilized, due to incomplete execution of action plans in field, leaving unutilised balances of ₹0.76 crore (revalidated) and ₹4.95 crore (regular).

Details of component-wise fund utilisation are indicated in the table below.

Table 3.13 - 13th Finance Commission Grant

(₹ in lakh)

Sl. No.	Component	2010-11		2011-12			
		Amount released	Expenditure incurred	Revalidated		Regular	
				Amount released	Expenditure	Amount released	Expenditure
1	Forest Protection	479.25	292.363	185.887	178.07	429.620	354.794
2	Wild life	575.00	392.282	262.720	258.087	580.000	466.461
3	RIDF	358.00	190.010	-----Component deleted-----			
4	Social Forestry	1,000.00	941.985	226.241	225.250	1379.350	1293.180
5	FDA	525.00	124.916	284.579	260.322	572.000	512.167
6	Research	50.00	39.034	10.996	10.945	21.850	21.690
7	Training	116.65	27.867	88.784	76.305	70.000	26.237
8	IT & C	210.70	128.792	117.413	97.004	192.600	100.00
9	Working Plans	43.30	16.090	27.310	21.929	112.580	88.153
Total		3358.00	2153.339	1203.900	1127.859	3358.000	2862.682
Unspent balances			1204.661		76.041		495.318

Source: Records of PCCF's office

3.5.6.5 Project Elephant

Project Elephant, a 100 per cent Centrally Sponsored Scheme (CSS), has been implemented in Royala Elephant Reserve area, Chittoor West Division since 1991-92, and consists of programmes relating to habitat improvement, eco-development, anti-poaching measures, fire protection and awareness programmes among the public. Funding for the project suffered during the period from 2009-10 to 2011-12, due to not having an approved management plan for Koundinya Wild Life Sanctuary located in the Royala Elephant Reserve, and GoAP could not get any assistance from GoI during 2010-11 and 2011-12. Despite repeated insistence by the PCCF since 2001-02, no management plan was prepared and submitted to PCCF by the DFO till 2012-13. The draft management plan submitted (November 2012) was yet to be approved. Details of funds released and utilized are indicated in the table below.

Table 3.14 - Project Elephant

Year	Project outlay proposed by GOAP (₹ in lakh)	Project out-lay Approved by Govt. of India (₹ in lakh)	Releases by GOI/ State Govt. (₹ in lakh)	Utilization (₹ in lakh)
2009-10	100.00	52.50	21.50	21.50
2010-11	125.00	NIL	2.85 (GoAP)	2.85
2011-12	150.00	NIL	15.85 (GoAP)	15.85

Source: Divisional records of concerned DFOs

3.5.6.6 River Valley Project

River Valley Project (RVP), a 100 per cent Centrally Sponsored Scheme for soil conservation in the catchment areas of Machkund and Sileru Rivers, is being implemented in Visakhapatnam Circle since 1992. 232 watersheds, covering an area of 2,60,244 ha, were identified for treatment - As per guidelines of Watershed Development Project issued by GoI, treatment of a watershed should be planned on project basis for a period of four to seven years. The reported implementation of the Project was very slow, only 134 out of 232 identified water sheds could be treated over a period of two decades. The deficiency in achievement was mainly attributable to meagre release of funds by the nodal agency, despite approval by GoI for higher allocation of funds, and late releases of funds. During 2011-12, the last instalment of ₹1.25 crore was released during the last week of March 2012, resulting in non utilization of ₹1.00 crore. Details of GoI allocation, releases by Agriculture & Co-operation Department and expenditure there against are summarised in the table below.

Table 3.15 - River Valley Project

Year	Allocation by GOI (As per approved annual plan) (₹ in lakh)	Amount released by Nodal Agency (Agriculture Dept.) (₹ in lakh)	Deficit financing (₹ in lakh)	Percentage of releases to GOI approval	Expenditure incurred (₹ in lakh)
2009-10	1547.86	500.00	1047.86	32	475.11
2010-11	1475.10	517.10	958.00	35	376.25
2011-12	1107.90	615.84	492.06	55	516.05

Source: Divisional records of concerned DFOs

3.5.6.7 CAMPA

Funds release by the central ad-hoc CAMPA is based on the Annual Plan of Operation (APO), prepared by the Executive Committee of the State CAMPA and approved by its Steering Committee. The activities undertaken as per the approved APO covered the whole gamut of forest functioning i.e. forest management, forest and wildlife protection, infrastructure development and office support under NPV component, and compensatory afforestation under the CA component.

A summary of fund requirements projected in the APO, funds released and expenditure incurred during the 3 years period is given below.

Table 3.16 – Funds requirement, releases and expenditure under CAMPA

(₹ in crore)			
Year	Funds requirement - APO	Releases	Expenditure
2009-10	87.29	89.78	10.87
2010-11	168.75	120.74	82.83
2011-12	169.81	118.57	153.19
Total	425.85	329.09	246.89

Source: Records of PCCF's office

Audit scrutiny revealed that:

- The poor implementation of the APO during 2009-10 was attributable to late release (November 2009) of funds by the ad-hoc CAMPA and late communication of APO (January 2010) by the State CAMPA to all circles and divisions. Performance during 2010-11 was also not satisfactory; however, during 2011-12, 90 per cent of the funds released were expended.
- As part of CAMPA works, DFO, Khammam proposed to construct eight Km of protection wall with an estimated cost of ₹1.77 crore during 2011-12. While tendering was initiated in August 2011 and the work awarded to the lowest bidder, the Department did not execute the agreement and gave the bidder extension of time due to non availability of funds in 2011-12. Audit scrutiny of the APO for 2012-13 revealed non-allotment of funds for this work even during 2012-13; consequently, this work could not be taken up till date (July 2012).

3.5.6.8 Plantations under various schemes

Plantations raised under various Schemes/Projects often failed due to various reasons like encroachments, unsuitability of climate and failure to take up maintenance due to paucity of funds. A list of 33 instances of such failures in plantation activities detected during field inspections by the Forest Department is indicated at *Annexure 3.3*.

3.5.7 Community Forest Management (CFM)

Audit scrutiny revealed that while the concept of Community Forest Management (CFM) reached its zenith during 2004-05 to 2009-10 when the AP Community Forest Management Project, a World-Bank aided project, was in existence, it lost its prominence thereafter. Out of 1837 VSSs formed in ten test checked Divisions, the number of functional VSSs ranged between 415 (2009-10) and 301 (2011-12). A division-wise profile of VSSs functioning and expenditure incurred by them during 2009-12 is given in *Annexure – 3.4*. A large proportion of the functional VSSs were those formed under GoI funded FDA and NAP²¹ schemes, which mandated execution of works only through JFMCs. Further, out of the 301 functional VSSs in 2011-12, 178 (59 per cent) were under FDA.

Audit scrutiny also revealed that:

- Contrary to the stipulation of re-investment of at least 50 per cent of net proceeds from harvest and sale of forest produce in the VSS Joint Account with the Forest

²¹ NAP: National Afforestation Programme

Department Officials for carrying out forestry works in the allotted areas, no such reinvestment was taking place in the test-checked VSS Joint Accounts. In fact, the Kakinada Territorial Division reported realization of net sale proceeds of ₹79.14 lakh by VSSs during the period 2009-12, out of which an amount of ₹43.84 lakh was kept separately for regeneration without depositing in the respective VSS Joint Accounts.

- Although the State and National Forest Policies mandated carrying out of forest works in VSS areas by VSSs, audit scrutiny of test-checked divisions indicated that works under CAMPA as well as convergence works under MGNREGA were not being executed through VSSs.
- Although VSSs were entitled to 50 per cent of the compounding fees that they collected, no such fees were earned by them during 2009-12. In fact, the 2011 AP State of Forest Report indicates that VSSs accounted for 1856 ha of encroachment during one year.
- Advances of ₹4.31 lakh and ₹1.95 lakh given to three VSSs in Karimnagar Forest Division and 19 VSSs in Warangal North Division during 2001-08 and 2004-06 were outstanding as of September 2012.

3.5.8 Wildlife Management

The Protected Area (PA) network in the State consists of 21 wildlife sanctuaries, six national parks and one tiger reserve. The AP State Forest Policy (2002) requires that management plans covering “Strengthening of existing infrastructure, identification and creation of conservation zones, improvement of habitat for wild life, restoration and enhancement of water sources and mitigation of man-animal conflict in and around protected areas” be prepared for each of these protected area for their holistic development, besides prescribing general measures for conservation of bio-diversity and wild life, and mitigation of man-animal conflict by creation of ‘corridors’. Community and people’s participation in bio-diversity conservation through Eco-Development Committees (EDCs) also finds an important place in the State Policy.

Audit scrutiny of records relating to eight Wild life Sanctuaries and one Tiger Reserve²² functioning under the control of Wildlife Management Divisions/Territorial Divisions revealed the following:

3.5.8.1 Management Plans

As against the holistic long-term management plan envisaged in the State Forest Policy, 2002, four sanctuaries²³ - did not have any management plan in place since inception. The management was being carried out as per Annual Plan of Operations (APO) prepared each year. In fact, the draft management plans in respect of Koundinya, Eturunagaram and Pakhal WLS had been submitted (August/September 2012) to the

²² Pakhala, Eturunagaram, Koundinya, Rollapadu, Krishna, Kawal, Kolleru lake, Coringa WL Sanctuaries, Nagarjuna Sagar- Srisaillam Tiger Reserve (N.S.T.R.)

²³ Koundinya Wild Life Sanctuary (WLS) in Chittoor West Territorial Division , Eturunagaram WLS and Pakhal WLS in Warangal WLM Division and Krishna Wild Life Sanctuary in Eluru WLM Division

PCCF and their approval was still awaited (September 2012), while the management plan for Krishna WLS was not prepared.

Further, the Integrated Management Plan (IMP) for Kolleru WLS had not been implemented to date, due to non-establishment of Kolleru Development Authority.

3.5.8.2 Control over sanctuaries

The National Wildlife Action Plan (2002-2016) implies that the protected area should be under the control of one Division (Wildlife/Territorial) so as to ensure effective management of the area. However, two sanctuaries²⁴ were under the multiple control of three Divisions i.e. Warangal WLM, Warangal North and Warangal South Territorial Divisions, instead of one single Division.

3.5.8.3 Wild life Census

Scrutiny of records relating to Wild Life Census conducted in Five Wild life Divisions and one tiger reserve during the years 2010 to 2012 revealed that while there was no significant change in common animals and birds like deer, sambar, black bucks, wild boars, bears, foxes and wolves, changes were noticed in the population of tigers, elephants and Great Indian Bustard, as summarised below:

- Wildlife census conducted in 2012 revealed that the tiger population within Warangal WLM Division has come down over the years from two in 2007 to 'Nil' in 2012, while the population of leopards has decreased from ten in 2007 to five in 2012.
- Elephant census conducted in Koundinya WLS (an elephant reserve) in Chittoor West Division in 2010 revealed that there was an increase in elephant population from 9 in 2007 to 17 in 2012.
- Great Indian Bustard (GIB), an endangered species notified in Schedule 1 to the Wildlife (Protection) Act, 1972, found in Rollapadu WLS in Atmakur WLM has become almost extinct. Its number had come down to just five (One male and four female) in 2010 from 98 found in 2001.
- Tiger population in Nagarjuna Sagar-Srisailem Tiger Reserve (NSTR), the largest tiger reserve of India, did not show any appreciable change during the five year period from 2007-2012; the number of tigers recorded was 76, 85, 80, 85 and 79 during these five years. However, the population of panthers increased from 58 (2007) to 88 in 2011.
- Tiger population in Kawal Wild Life Sanctuary in Jannaram WLM Division was static at four since 2009 and that of panthers showed a decline from 23 in 2009 to 21 in 2011.

²⁴ Pakhal WLS and Eturunagaram WLS

3.5.9 Financial Management and Control

3.5.9.1 Forest Revenues

The Forest Department receives revenues mainly from sale of timber, bamboo, beedi leaves and other Minor Forest Produce (MFP); other sources of revenue include compounding fees ('C' fees) collected from persons indulging in forest offence cases, license fee collected from saw mill licensees, and fees collected on permits issued under the Forest Produce Transit Rules. While timber and bamboo are sold through timber/ bamboo depots established by the Department, sale of beedi leaf is done through bidding by APFDC; as a matter of policy, net revenue in the beedi leaf trade is distributed 100 *per cent* to beedi leaf collectors from 2006-07. Revenue targets fixed and achieved during the last three years was as follows:

Table 3.17 – Forest Revenues

(₹ in crore)

Year	Sale of timber and other forest produce		Other receipts	
	Target	Achievement	Target	Achievement
2009-10	76.03	74.94	27.41	28.42
2010-11	80.00	63.05	28.62	65.69
2011-12	81.51	68.17	32.54	80.69

Source: Records of PCCF's office

As can be seen above, the target for sale of timber and other forest produce could not be achieved in any of the three years; this was mainly on account of lesser sales of bamboo (whose productivity was coming down year after year). There was, however, a substantial increase in respect of other receipts.

In respect of MFP, monopoly rights are given to the Girijan Cooperative Corporation (GCC), Vishakapatnam for collection and sale of MFP; rentals are fixed every year by the DFOs and the demand communicated to the GCC for payment. Audit scrutiny revealed that with regard to the agreement with GCC Ltd. for items of MFP, payments through book adjustments between the Forest and Tribal Welfare Departments were not being made in time; as per GCC's version, the amount to be paid was ₹69.04 crore for the period 2002-03 to 2010-11; this amount could be higher as the exact figures of amounts in arrears were not available with the PCCF. The CCF/CFs were requested (May 2012) to provide the exact amount of recoverable dues, so as to impress upon the GCC for early settlement of dues.

Also, scrutiny of records relating to STC Circle Hyderabad, revealed that an amount of ₹12.82 crore relating to the Beedi Leaf Seasons 2009 to 2010 (which was to be distributed to beedi leaf collectors as per GoAP's decision of 2006) was remaining undistributed with APFDC, for the reasons of non-tracing of the persons who had originally collected the leaf and left the villages afterwards. The undistributed amount, being the revenue of the Government, should be remitted to Government account.

3.5.9.2 PAO System of Payment

The PAO system of works payments, whereby all work bills would be subject to pre-check and issue of cheques by the PAOs, was introduced in respect of the Forest

Department with effect from August 2005; an exemption was provided for works executed by the VSSs, by empowering PAOs to issue authorization letters to the banks concerned to honour the cheques drawn by the DFO against the Letter of Credit (LOC) released by the Government.

Audit scrutiny revealed that the PAO system of works was resulting in delays in flow of funds for execution of forestry operations.

- The amounts of the bills were small (below ₹1.00 lakh) and received lesser attention at the PAOs.
- Although VSS works are exempted from the PAO system of execution, fund flow to VSSs was also affected due to delay in issue of authorization by the PAO/APAO to the banks concerned.
- While there was no significant delay between release of funds by the PCCF and authorization by the Director of Work Accounts (DOWA) (the gap was not more than a week), delay in authorization by PAO/APAO was noticed in almost all cases. In one case (Chittoor West Division), PAO delayed the authorization by more than six months on the ground that there was a freeze on release of funds by the Finance Department.

Instances of delay noticed in audit are summarised in *Annexure 3.5*.

3.5.9.3 Internal audit setup

The Department has a well structured internal audit system, with sanctioned posts of 17 Accounts Officers (14 at field level - 1 A.O. for each Circle - and 4 at PCCF Office), and one Chief Accounts Officer located at PCCF Office. Internal audit is conducted annually covering all 180 Audit Units. Internal audit for the year 2011-12 was in arrears in 12 Units (eight located in Adilabad and 4 in Kurnool Circle) on account of vacancy of one post in Adilabad Circle and for other administrative reasons in Kurnool Circle.

3.5.10 Vacancies in frontline staff

While the IFS cadre posts were adequately filled, there were substantial vacancies in the posts of front-line staff in the field and other ministerial and technical staff at Head Quarters, as summarised below:

Table 3.18 – Vacancies in frontline staff

S.No	Name of the Post	Sanctioned Strength	Persons-in-Position	Vacant Posts
1	ACF (Non-Cadre)	160	97	63
2	Forest Range Officer	426	336	90
3	Forest Beat Officer(FBO)	2916	2760	156
4	Asst. Beat Officer (ABO)	1458	1267	191
5	Draftsman-Gr.II	69	53	16
6	Tanadar	47	23	24

Source: Records of PCCF's office

3.6 Conclusion

There was lack of effective action for notification of unclassed forest area, reduction/loss of forest cover and deficient implementation of statutory provisions for diversion of forest land in two cases. There was also a substantial spurt in encroachment after the coming into force of the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006. The lack of a timeframe for completing implementation of the ROFR Act and recognition of rights, in effect, keeps the process open indefinitely, with scope for possible exploitation and incorrect claims and increasing vulnerability of forest area. Various instances were noticed where ROFR rights were granted to ineligible persons and individuals in VSS areas as well as community rights extended to tribal VSSs, not in line with the provisions of the ROFR Act.

Audit scrutiny also revealed that many of the schemes for forest management were not effectively implemented due to delayed preparation of action plans, and delay in release of State share of funds. The concept of Community Forest Management (CFM) had also lost its erstwhile prominence, with a vastly reduced proportion of functional Vana Samrakshana Samithis (VSSs). There were also deficiencies in management of test-checked wildlife sanctuaries.

Further, non-achievement of targets under various schemes was partly on account of non-release /late release of funds by the Government/PCCF, as well as delay in authorization by the Director of Works Accounts/PAO under the PAO system of works and forests payments.

3.7 Recommendations

- *The recorded forest area needs to be updated, by excluding land diverted for non-forest purposes and alienated under the ROFR Act, 2006 and including additions to forest land. The Forest Department needs to put in place a mechanism for such periodic updation.*
- *The process of notifying unclassed forest area should be expedited and monitored effectively.*
- *It is now almost eight years since the cut-off date of 13 December 2005 for eligibility for recognition of forest rights under the ROFR Act. Thus, future applications for recognition of rights (including under Phase-II) should be scrutinized very closely and strictly, especially with reference to satellite imagery to establish beyond doubt the existence of such rights as on 13 December 2005, both by the Forest and Revenue Departments.*
- *Cases of irregular allotment of rights, not in conformity with the provision of the ROFR Act, 2006, should be cancelled. Also, the PCCF circular of August 2009 should be amended to remove reference to the cut-off date of 31 December 2007, which is not as per the provisions of the ROFR Act.*

- *Considering that the magnitude of financial transactions in respect of forestry operations and the delays in fund flows (especially at the PAO/APAO levels) which adversely affect the execution of forest operations, GoAP may ensure expeditious settlement of payments.*
- *Significant vacancies in frontline staff in the Forest Department need to be filled up urgently, to improve its functioning.*

Chapter-4

Compliance Audit Observations

Transport, Roads and Buildings Department

4.1 Thematic Audit of Road Over Bridges (ROBs) and Road Under Bridges (RUBs) at Rail Crossings

Executive Summary

Road Over Bridges (ROBs) and Road Under Bridges (RUBs) at rail crossings represent important safety measures, besides reducing traffic congestion. At Level Crossings (LCs) where the traffic density is one lakh Train Vehicle Units per day (TVU) or more, the Railways share the cost of construction of ROBs and RUBs, in lieu of the LC, with the State Government on a 50:50 basis. The State Government can also propose construction of ROBs/RUBs on 100 per cent funding basis. The construction of the bridge proper over or under the railway track is undertaken by the Railways, while the approaches are constructed by the Roads & Buildings (R&B) Department of the State Government. The process for planning and execution of ROBs/RUBs is elaborate and effective and efficient co-ordination between the Railways and the R&B Department is essential for smooth and timely completion of ROBs and RUBs.

An audit was conducted covering 43 out of 123 ROBs/RUBs (as per outcome budget 2011 of AP) and one ROB fully Railway funded; of these, 14 had been completed, 20 were in progress and 10 were in their initial stages. The main findings and recommendations arising from audit are summarized below:

- There were instances where the bridge proper was completed by the Railways, but the approaches (to be completed by the R&B Department) were incomplete and vice-versa; thus, the objectives of free flow of traffic and elimination of LC (with concomitant railway safety issues) were not achieved. In two test-checked cases, the ROBs were stalled/not usable due to non-shifting of HT Transmission Lines obstructing the ROB. In two other cases, although the ROBs were completed, the LCs were not closed. Other instances of lack of effective co-ordination between the R&B Department and Railways were non-matching of the levels of the approaches and the bridge proper, change from ROB to RUB and back to ROB, addition of an extra pier and non-pursuance of widened four-lane ROB.*

- *Delayed/non-acquisition of land and non-shifting of utilities, differences/deficiencies in alignment, change in degree of skew, alignment/location not along the current LC and other design issues with an adverse impact on traffic congestion were noticed, resulting in delayed completion/non-completion/non-utilisation of ROB/RUBs.*
- *Award on single bids and limited competition at the bidding stage were noticed. In most of these cases, the winning bid was at a premium close to the ceiling of 5 per cent over Estimate Contract Value (ECV). This not only affected the transparency of the bidding process but also adversely affected Government's financial interests.*
- *There were instances of undue favours to contractors by revision of rates, allotment of substantial additional works on nomination basis, reduction of interest rate on mobilisation advance etc.*
- *Audit also noticed several instances of deficient quality control mainly relating to non-compliance with the Departmental/MORTH¹ instructions on procurement of steel from original manufacturers etc.*

4.1.1 Background

4.1.1.1 Need for ROB and RUB at railroad intersections

The intersection of a railway line with a road or a path either culminates in a Level Crossing (LC), or, in lieu of an LC, either a Road Over Bridge (ROB) or a Road Under Bridge (RUB). LCs present a significant risk of collision between trains and road vehicles, especially with the development of the road network and increase in road and rail traffic. They also increase traffic congestion, due to frequent closure of the LC gates, thus resulting in inconvenience to the general public and vehicular traffic.

As per the existing policy of the Indian Railways, provision of an LC is made in consultation with the State Government at the time of laying a new line or within 10 years of the date of its commissioning to traffic. After the 10 year period, the Railways share the cost of construction of ROB/RUBs in replacement of busy LCs with the State Government on a 50:50² basis.

The Railways adopts a general criterion of minimum traffic density of one lakh Train Vehicle Units per day³ (TVU) for provision of ROB/ RUBs on cost-sharing basis; this traffic density condition is relaxed in cases of suburban sections with high frequency of train services and near stations where detentions to road traffic are high due to Railway operations. Also, since January 2003,

¹ MORTH: Ministry of Road Transport and Highways, Government of India

² Excluding the cost of land acquisition and cost of structures thereon, which is to be borne by the State Government

³ The product of number of trains and number of road vehicles passing the LC per day e.g. if an LC has 20 trains passing per day [24 hours], and the total number of vehicle units crossing the LC is 6,000, the TVU is 1,20,000

- The Railways share 50 *per cent* of new four lane ROBs/RUBs, if the TVU is at least 3 lakh, with at least 6000 road vehicle units, and the State Government agrees for four laning of the approach roads;
- The Railways also share 50 *per cent* of the cost of widening of existing two lane ROBs/RUBs to four lane, if the TVU is at least 5 lakh, comprising of at least 10000 vehicle units; an incremental increase of 2 lakh TVU and 4000 road vehicle units must have taken place since the construction of the two lane ROB/ RUB.

In addition to ROBs/RUBs on cost-sharing basis, the State Government can also propose construction of ROBs/ RUBs with 100 *per cent* funding.

For the ROB/ RUBs, the construction of the “bridge proper” over or under the railway track (i.e. within Railway limits) is undertaken by the Railways, while the construction of the approach roads up to the ‘bridge proper’ (including land acquisition, construction of service roads, shifting of utilities etc.) is undertaken by the Roads & Buildings (R&B) Department of the State Government.

4.1.1.2 Process for planning and execution of ROBs/RUBs

The process for planning and execution of ROBs/RUBs is elaborate, involving multiple stages:

- Proposal for ROBs/RUBs are included in the Railway Budget; the alignment is finalised and the General Arrangement Drawing (GAD) approved;
- The Combined Estimate of Railways and R&B Department is finalised, and administrative and technical sanction of works accorded; simultaneously, the process of land acquisition for construction of the approaches is initiated in consultation with Revenue authorities. The acquisition of private land is a sensitive and time-consuming process, and is also open to the possibility of land owners seeking legal recourse.
- Tendering, contracting and work execution takes place; LC is closed after opening of ROBs/RUBs.

Details of different stages in this process are summarized in *Annexure-4.1*.

4.1.1.3 Profile of planned ROBs/RUBs in Andhra Pradesh

As per the outcome budget for 2011-2012 of the GoAP, under the Railway Safety Works (RSW) scheme, 112 ROBs/RUBs have been approved by the Railway Board on cost sharing basis. In addition, 11 ROBs/RUBs, which fall below the threshold of one lakh TVU, have been taken up with 100 *per cent* funding from GoAP. Details of cost of ROBs/RUBs as well as stage of execution is given below.

Table 4.1 – ROBs and RUBs planned by Government of Andhra Pradesh

Funding Pattern	No of ROBs/RUBs	Cost (₹ in crore)	Stage of execution
Cost Sharing	49	633.18	Completed
	29	662.75	In progress
	5	146.00	Tender stage
	16	506.20	Estimation stage
	10	330.00	Administrative sanction stage
	3	102.50	Investigation stage
Fully funded by GoAP	4	53.43	In progress
	7	129.42	Estimation stage
Total	123	2563.48	

Source: Outcome Budget of R&B Department 2011-12

4.1.1.4 Budget and Expenditure

A provision in the annual budget is made towards Railway Safety Works under Major Head - 5054 Plan. A summary of budget provision and actual expenditure under 'Railway Safety Works' for construction of ROBs/RUBs in Andhra Pradesh during the period 2007-2012 is given below:

Table 4.2 – Budget and Expenditure for Railway Safety Works

Year	Budget	Expenditure	Excess(+) / Savings(-)
2007-08	80.00	40.79	(-) 39.21
2008-09	130.00	137.33	(+) 7.33
2009-10	300.00	189.22	(-) 110.78
2010-11	300.00	124.58	(-) 175.42
2011-12	300.00	162.25	(-) 137.75

Source: Accounts data from Pr. AG (A&E), AP, Hyderabad

4.1.2 Organisational setup

The Engineer-in-chief (Administration & NH) in the R&B Department (ENC) is in-charge of maintenance of National Highway (NH) Roads and construction of ROBs and RUBs. He is assisted at the field level by Superintending Engineers (SEs) at the circle level, Executive Engineers (EEs) at the divisional level, and Deputy EEs/ Assistant EEs at the sub-divisional/sectional level.

4.1.3 Audit Approach

4.1.3.1 Audit Scope/Objectives

The objectives of the thematic audit were to ascertain whether:

- There was proper and effective coordination by GoAP with Railways at the planning and execution stages (including finalising of alignments);
- Pre-requisites (viz. land acquisition, shifting of utilities etc.) were fulfilled effectively and in time;

- Tendering and contract management, and works execution (including quality control) were adequate, timely and effective; and
- The intended objectives of providing free flow of traffic and permanent elimination of LC were achieved.

4.1.3.2 Sources of Audit Criteria

The main sources of audit criteria were circulars of Railways and Roads & Buildings (R&B) Department/GoAP; General Arrangement Drawings (GAD), Combined Estimates of Railways and R&B Department, detailed designs and drawings of R&B/technical sanction, and other related records.

4.1.3.3 Audit Sample and Methodology

Out of the 112 ROBs/RUBs involving cost-sharing and 11 ROBs/ RUBs with 100 *per cent* GoAP funding, 43 ROBs/RUBs were selected for detailed audit examination. Further, one ROB, which was 100 *per cent* Railway funded, was also selected for detailed examination. Details of the 44 ROBs/RUBs selected for detailed audit scrutiny are indicated in *Annexure - 4.2*.

Field audit involved scrutiny of the records of the R&B Department, as well as joint field visits to the sites along with the Departmental officials, which also involved collection of photographic evidence.

The draft findings were issued to GoAP in August 2012; despite issue of a reminder (September 2012), their response was yet to be received (December 2012).

4.1.3.4 Acknowledgement

We acknowledge the co-operation extended by the R&B Department and its officials in the conduct of this thematic audit.

Audit Findings

4.1.4 Profile of execution/completion of test-checked ROBs/RUBs

Of the 44 test-checked ROBs/RUBs, 14 had been completed⁴, 20 were in progress, and 10 were in their initial stages. Expenditure of ₹203.08 crore and ₹195.72 crore had been incurred on completed ROBs/RUBs and ROBs/RUBs in progress respectively, as detailed in *Annexure – 4.2*. A scrutiny of records relating to execution of works for these ROBs/RUBs revealed various deficiencies with respect to deficient planning, delayed completion, deficient contract management and quality related issues, as discussed in *paragraphs 4.1.5 to 4.1.8*.

4.1.5 Deficient planning of ROBs/RUBs

Audit scrutiny revealed the following instances of deficient planning leading to delayed commencement/non commencement of the work for long periods, as detailed below:

⁴ Including one ROB (Bhalabhadrapuram) completed, but not opened for traffic

- Although the work of **ROB at Bhanugudi Junction** was included in the Railway Works Programme (RWP) for 2008-09 and administrative sanction accorded in February 2009, the work designs and estimates were under approval, due to delay in finalization of alignment. The work had not yet commenced (April 2012).
- Although the work of **ROB at Battala Bazar** was included in the RWP for 2007-08, administrative sanction and technical sanction were accorded only in August 2011 and March 2012 respectively. The finalization of the alignment was delayed due to its location in built up area, and tenders were invited only in April 2012.
- The original proposal for construction of **ROB at Muddanur** at the existing LC, which was included in the RWP for 2008-09, was subsequently changed twice; finally an alignment at 540 metres from the existing LC was approved by GoAP (April 2012). The approval of GAD by Railways was still pending.
- Although the **ROB at Kazipet Yard** was included in the RWP for 1992-93, correspondence on the ROB location went on till August 2001, when the originally proposed location was accepted. However, the administrative sanction was accorded only in February 2002. The technical sanction was delayed (September 2002) and tenders issued only in December 2003. The work was completed in April 2006.

4.1.6 Delay in completion/non-completion of ROBs/RUBs

The execution of ROBs/RUBs was delayed substantially, as summarised below:

- Out of 14 test-checked ROBs/RUBs which were completed, none was completed within the original agreement period; the delay ranged between 183 days and 960 days. In the case of one **ROB (at Bhalabhadrapuram)**, though the work was completed in November 2011, the ROB was not yet opened for traffic for want of shifting of High Tension (HT) transmission lines.
- Out of 20 test-checked ROBs/RUBs in progress, the original agreement period of 14 ROBs/RUBs was already over as of July 2012; the delay ranged between 75 days (**ROB at Dwarapudi**) and 4265 days (**ROB at Palakol**). The expenditure on these 14 ROBs/RUBs upto July/August 2012 was ₹180.49 crore.
- In case of two **RUBs (at RIMS-Kapada and Nandalur)**, the work of approaches was not even taken up, although the bridge proper by the Railways was nearing completion (July 2012). The expenditure upto July 2012 on these two RUBs was ₹5.52 crore.

The main reason for delayed completion/ non completion of ROB/RUBs was either the bridge proper completed but approaches were incomplete or vice versa and lack of coordination in planning and execution etc. as discussed in the succeeding paragraphs.

4.1.6.1 Bridge proper complete but approaches incomplete and vice versa

It is imperative on the part of the Railways as well as the R&B Department to complete their portion of work (i.e., bridge proper/approach) by synchronisation of work in such a way that both works are completed simultaneously. A scrutiny of records of 44 test checked ROBs/RUBs revealed that such synchronisation was missing in the following cases:

- The approaches for six **ROBs (at Dwarapudi, Rajampet, Tummikapalli, Tadepalligudem (2nd ROB), Puttur, and SH 30 at Renigunta)** and two **RUBs at Nandalur and RIMS – Kadapa** (with total expenditure of ₹76.31 crore upto July 2012) were incomplete or yet to be grounded, although the bridge proper had been completed by the Railways. These were largely on account of land acquisition problems. Before proceeding with tendering and award of contracts, the Department failed to ensure physical possession of the land.



Bridge proper at Tummikapalli completed, but approaches incomplete

- One **RUB at Puttur Town** and one **ROB at Milk Project, Vijayawada** (with total expenditure of ₹21.28 crore upto July 2012) were open to traffic but with certain incomplete facilities (i.e non completion of service roads approaching the ROB/RUB, drainage, sump well for collecting rainwater and pumping the water). Thus, the benefit as envisaged could not be achieved.



Photograph showing water stagnation resulting in obstruction to traffic at RUB at Puttur Town

- In respect of two **ROBs at Tuni and Yerraguntla** (with total expenditure of ₹27.18 crore upto July 2012), the approaches were complete or nearly complete, while the bridge proper was incomplete.

- Two **ROBs at Bhalabhadrapuram and Bonakal Yard** (with total expenditure of ₹28.47 crore upto July 2012) were obstructed by HT transmission lines crossing the ROBs, which had not been shifted.
- Two **ROBs at Anaparthi and Lankelapalem** (with estimated cost/Revised Estimate (RE) cost of ₹23.49 crore, against which total expenditure upto July 2012 was ₹33.15 crore) were completed and opened for traffic, but the LCs had not been closed. Consequently, the safety objectives of LC closure through construction of ROBs have not been achieved.

ROB/RUB-wise details, including details of undue haste in tendering and awarding of contracts, without completion of pre-requisites, are given in **Annexure – 4.3**.



Approach for ROB on SH 30 at Renigunta affected due to land acquisition problem



Perilous state of ROB at Bhalabhadrapuram vis-à-vis 220KV and 400KV HT lines

Thus, despite expenditure of ₹186.39 crore by the R&B Department on 16 ROBs/RUBs (excluding the expenditure incurred by the Railways), the benefits to the public of reduced traffic congestion and safety were not achieved.

4.1.6.2 Lack of effective co-ordination in planning and execution

Audit scrutiny also revealed that in six cases, there was lack of effective co-ordination in planning and execution between the R&B Department and Railways, which are summarised below.

- In respect of the **ROB at Anaparthi** (expenditure of ₹9.87 crore up to July 2012) the R&B Department changed the designs of the ROB superstructure from T beam slab (as per jointly agreed GAD) to deck slab for the approach portion, without intimating modified designs to the Railways. Consequently, the approach levels did not match that of the bridge proper; this had to be rectified by the Railways providing extra height of bed blocks on the common piers to match the level of the deck slab.



Extra height of bed blocks added by Railways to match height of deck slabs at ROB at Anaparthi

- In respect of the **ROB at Eluru** (expenditure of ₹14.56 crore up to July 2012), although the RCL⁵ of 22.725 metres of the Railways and R&B should have been identical, there was a difference of 0.415 metre in levels. During a joint meeting, it was decided that a difference of 0.385 metre would be rectified; the Railway deck would be lowered by 0.18 metre, and the R&B slab would be raised by 0.105 metre. However, ENC noted (October 2011) that there was still 10cm difference in levels.
- In respect of the **ROB at Ghanpur** (Expenditure of ₹3.35 crore up to July 2012), although construction of an ROB at the LC was sanctioned by the Railways and included in the RWP for 2005-06, R&B Department proposed conversion to an RUB (on grounds of economy and less land acquisition), issued the technical sanction for RUB in September 2007, and awarded contracts for RUB in April 2008. However, the Railways found that the construction of RUB was not feasible on technical and safety grounds⁶, and the R&B Department had to revert back to the ROB; the re-tendered contract for ROB was awarded only in June 2011. This change from ROB to RUB and back to ROB resulted in substantial delays, besides expenditure of ₹3.45 lakh incurred by the R&B Department on preliminaries.
- In respect of the **ROB at Milk Project, Vijayawada** (expenditure of ₹18.98 crore up to July 2012), a two lane ROB was sanctioned in the 2005-06 Railway Budget. However, even in March 2003, the TVU was five lakh. According to the R&B Department, the proposal was initiated by the VGTM Urban Development Authority (VGTMUDA), and subsequently included in the R&B Department's budget due to lack of sufficient funds with VGTMUDA.
- In respect of the **ROB at Yerraguntla** (Expenditure of ₹15.91 crore up to July 2012), due to change in spacing of piers by the Railways, an additional pier has to be added to the approach.
- In respect of the **ROB at Rayavaram** (Expenditure of ₹12.06 crore up to July 2012), the distance between adjoining spans of the ROB pertaining to the R&B Department on either side of the Railway piers were 10.76 metres apart (10.37 metres effective), and accordingly alignment was fixed and the work executed. However, R&B Department reported that the Railways shifted the centre line towards Markapur side, resulting in reduced span of 7.85 metres. On Podili side, it was increased to 13.170 metres against the original 10.76 metres. This necessitated one extra pier indicating lack of effective co-ordination between the Railways and the R&B Department.

4.1.6.3 Differences/Deficiencies in Alignment and/or location

Audit scrutiny also revealed instances of differences/deficiencies in alignment and location, which are summarised below.

⁵ Road Crest Level

⁶ Due to presence of rocky strata

- In respect of the **ROB at Tuni**, the combined estimate of the Railways proposed a 27 degrees skew at the track centre, as against 44 degrees skew in the countersigned GAD. This was settled in January 2008 at 44 degrees, while the R&B Department had awarded the works contract in June 2007 itself. Further, field inspection by the audit team revealed an extremely unusual alignment of piers between the bridge proper and the approaches, as depicted in the photograph below:



- In respect of the **ROB at Dwarapudi**, the work could not be started even after ten months of the agreement time was over, due to change in alignment of the approaches by the R&B Department. Further, the design of the approaches involves two arms on one side, but only one arm on the other side⁷, which may result in congestion of traffic and sub-optimal utilisation.
- In respect of the **ROB at Palakol**, the ROB is 800 metres away from the existing LC. The GoAP has not responded to the Railways' insistence again (February 2011) for assurance for closure of LC.
- In respect of the **ROB at Yerraguntla**, during the initial joint inspection (May/June 2006), an alignment of 45 degrees skew was decided. However, in February 2007, the skew angle was changed to 5 degrees at the R&B Department's request (on account of difficulties in acquisition of structures). This alignment was changed to 11 degrees after opening of tenders. Also, the gradients on both sides were changed, post-award. In its current shape, the ROB may be unusable for heavy vehicles for want of formation of a link road, as well as land acquisition issues.
- In respect of the **ROB at Kovur Gate**, in addition to modification of designs after work award (but before commencement), numerous changes in alignment were made at the execution stage (viz. shifting of alignment from left edge to centre of the old NH; reducing the gradient from 1 in 35 to 1 in 30 on Chennai side;

⁷ Two arms on the Kakinada- Rajahmundry side and one arm on the Rajanagaram side (all of two lane width)

redesigning of abutments; providing cross drainage on Kolkata side; modification in retaining wall sections on Kolkata side; change in super structure designs of T junction).

Further, the design of the ROB approaches is such that even direct traffic (on the Vijayawada - Nellore route) not crossing the railway track is forced to use the ROB approaches, which could result in avoidable congestion/ safety issues at the elevated T-junction on the ROB.



Direct traffic (bus) forced to take elevated T-junction at ROB at Kovur Gate

- In respect of the **RUB at RIMS (Kadapa)**, a vertical clearance of only 4 metres (against the IRC⁸ requirement of 5.5 metres) was provided, which may result in restricted movement of traffic.
- In respect of the **RUB at Puttur Town**, the RCL of the RUB proper was revised to (+) 95.310m against the approved RCL of (+) 94.880m in the GAD. Due to change of RCL, the vertical clearance of the RUB was also reduced from 3.66 metres to 3.23 metres, which may result in restricted movement of traffic.
- In respect of the **ROB at Matwada**, the original estimate provided for 'Y' junction on the Fort Road side. One side arm was, however, removed in September 2006, but reinstated in January 2008 after protests from the people and public representatives.
- In respect of the **ROB at Milk Project, Vijayawada**, the width of service roads was not uniform. At some places, it was as narrow as 2.65 metres against the required 5.5 metres. Further, there was already a drain constructed on the right side edge, rendering any further improvements unlikely. According to the Department, this was due to the Municipal Corporation's not taking up under ground drainage (UGD) work for the existing drain.

⁸ IRC: Indian Roads Congress

- In respect of the **ROB at Kadium**, the original alignment for the ROB did not follow the existing road, and involved extensive land acquisition. Pursuant to the matter being taken to the High Court, the alignment was amended after negotiation with a private party to reduce the amount of land acquisition, and the approach now falls in the existing road area. This delay, which resulted in additional costs due to SSR⁹ revision, could have been avoided through more logical planning.
- In respect of the **ROB at Kazipet Yard**, the request of Kadipikonda villagers for construction of a ramp to the approach road was rejected on the grounds of public safety, as it would be as high as three metres from the ground level, and also since service roads were laid. However, an unauthorised ramp was laid by the villagers, which reportedly resulted in five to six serious accidents, causing two deaths.
- In respect of the **ROB at Rayavaram**, the SE, Designs & Planning (D&P) Wing, Hyderabad noted that the alignment marked on the ground was not as per the approved alignment of the ENC as the radius of the curve no. 1,2,3 was modified. Though, the deviations were approved post facto, this is an indication of inadequate planning.

4.1.6.4 Other deficiencies

In addition to lack of coordination in planning and execution; delayed/non-acquisition of land and structures and non-shifting of utilities, audit scrutiny also revealed other instances of deficiencies resulting in delayed completion/non-completion/non-utilisation of ROB/RUBs, which are summarised below:

- In respect of the **ROB at Lankelapalem**, though, a four lane ROB was constructed, yet one approach road leading to the ROB is only two lane, and was not widened. This may result in congestion of traffic.
- In respect of the **ROB at Dendukuru**, the ROB was still incomplete, with the delay due to non-shifting of utilities, revised RCL, and obstruction by local residents demanding a Limited Height Subway (LHS). Further, the technical sanction does not consider the full length of the service road. The possibility of difficulties in timely LC closure (even after completion of ROB) cannot be ruled out.
- In respect of the **ROB at Tuni**, the foundations of two piers had to be re-designed, due to inadequate soil sample testing on built-up area. According to the Commissioner, Tuni Municipality, the original ROB did not involve demolition of municipal shops, but the R&B Department changed the alignment, without advance intimation to the Municipality, involving such demolition.

Further, the surface of the service roads on both sides of the ROB were irregularly changed to Cement Concrete (CC) at a cost of ₹1.30 crore, after award of work on the basis of BM and SDBC¹⁰. The Department's reply that the existing road lies in

⁹ Standard Schedule of Rates

¹⁰ BM: Bituminous Macadam; SDBC: Semi-dense bituminous concrete

built-up area and is low lying appears to be an after-thought, since this should have been considered as part of the original estimation.

- In respect of the **ROB at Hanuman Junction**, the completion of the ROB was delayed due to non-shifting of utilities, and delay in formation of diversion road.
- In respect of the **ROB at Yerrupalem**, although the contract was awarded in March 2010, the contractor commenced work execution only in April 2011. Further, the work of diversion road was awarded only in April 2011 and does not appear to have been grounded. Strangely, although the estimate for the diversion road was for ₹5.14 crore, the technical sanction was only for ₹1.25 crore.
- In respect of the **ROB at Tanuku**, although the bridge proper was completed in January 2007, completion of ROB approaches was delayed substantially. The contract for ROB approaches was awarded only in March 2007 (after three rounds of tendering), although administrative and technical sanctions were received in December 2003 and November 2004 respectively. The approaches were finally completed only in March 2010 (three years after completion of the bridge proper).
- In respect of the **ROB at Kovur Gate**, a diversion road with Estimate Contract Value (ECV) for ₹2.91 crore, which was utilised from the ROB estimate, was entrusted (August 2007) to a contractor and was completed by August 2008, while the main ROB approach, which was entrusted in August 2005, was completed by October 2008. Thus, the expenditure on the diversion road did not serve its intended ROB-related purpose.
- In respect of the **ROB at Palakol**, the ROB involved crossing of both the railway line and the Narasapur canal, before joining Narasapur- Aswaraopeta road. While the approaches were awarded in 1999, defective/inadequate soil investigation beneath the foundations resulted in settling/depressions at various points along the ROB; rectification work is still incomplete, and the bridge proper was taken up by the Railways for reconstruction in 2011-12.
- In respect of the **ROB at Yerraguntla**, the carriage width of the service roads was reduced from 7.50m to 5.00m, thus permitting traffic in one direction only.
- In respect of the **ROB at Rayavaram**, for approaches, provision made for the crust of GSB, WBM, WMM¹¹ was changed during execution. In respect of service roads for ROB, these roads were provided with CC pavements as against BT contemplated in original estimate. This change from BT roads to CC pavements lacked justification.

4.1.7 Deficiencies in Tendering and Contract Management

Audit scrutiny also revealed numerous instances of award on single bids, as well as other instances of limited competition at the bidding stage, often through disqualification of bidders and cancellation of tenders on specious grounds. In most of

¹¹ GSB: Granular sub-base; WBM: Water bound macadam; WMM: Wet mix macadam; BT: Black top

these cases, the winning bid was at a premium close to the ceiling of 5 *per cent* over ECV, casting doubts on the robustness of the competitive bidding process. Out of 44 test checked ROBs/RUBs works, in 16 cases, the contract was awarded to a single bidder. Of these, 14 tenders received were within the range of four *per cent* and five *per cent*. This not only affected the transparency of the procurement process but also adversely affected Government's financial interests. Details are given below:

4.1.7.1 Works awarded on single/limited tender

- In respect of the **ROB at Veleru**, although three bids were received by 11 August 2011 (with stipulated validity upto 8 November 2011), the SE sought to delay the opening of the bids, and opened only two price bids on 4 November 2011, without opening the third bid on the grounds that the bidder did not extend its validity beyond 8 November 2011. The ground for delayed price opening of seeking clarification was invalid, as the clarification was received on 20 October 2011. Even after Commissionerate of Tenders (COT) directed opening of the third bid, this was not done on the grounds of the expiry of bid validity. Subsequently, the tenders were cancelled and called afresh.
- In respect of the **ROB at Kazipet Yard**, although the successful tenderer for the work of improvement of a connecting road (ECV of ₹4.34 crore) backed out at the time of agreement, only his EMD was forfeited; the tender condition of suspension of the agency's business with all GoAP Departments was not enforced. When the work was re-tendered in September 2010, three out of four bids were disqualified (two being disqualified on trivial grounds relating to the DD for EMD¹²), and the work awarded to the remaining single bidder¹³ at a premium of 4.41 *per cent* over ECV. The difference between the successful bidders in the first and second rounds was ₹0.96 crore. The triviality of errors by the two disqualified bidders is a matter of concern.
- In respect of the **ROB at Eluru**, the work was tendered four times:
 - In February 2007, and cancelled due to non-availability of encumbrance free site;
 - In August 2007, with no response;
 - In October 2007, and the single tenderer disqualified *inter alia* for not meeting the required technical qualification for well sinking¹⁴;
 - In November 2007, after removing the technical qualification for well sinking (which, however, remained part of the work items); and awarded to a single bidder¹⁵ at 4.95 *per cent* excess over ECV (the same single bidder disqualified in the third round).

¹² Demand Draft for Earnest Money Deposit drawn in favour of POA/ KCC Hanumakonda and APAO/ KCC Hanumakonda, instead of PAO/ KCC Hanumakonda

¹³ Janga Constructions Pvt. Ltd.

¹⁴ A distinct method of foundation

¹⁵ RSV Constructions Pvt. Ltd.

- In respect of the **four lane ROB at Renigunta**, two¹⁶ out of three bids received on 20 October 2008 were disqualified for furnishing invalid bank solvency certificate (which was valid upto 11 October 2008, beyond the tender publication date of 27 September 2008¹⁷) and not furnishing proof of latest Income Tax return (which was interpreted for disqualification purposes as the return for 2008-09, which was due only by 30 September 2008).
- The second disqualified bidder engaged in correspondence with the ENC in November 2008, but withdrew his request in December 2008¹⁸. The work was entrusted to a single qualified bidder at 3.44 *per cent* excess over the ECV.
- In respect of the **ROB at Milk Project, Vijayawada**, the work was awarded on a single tenderer in the first call itself at 4.99 *per cent* premium over ECV, just 0.01 *per cent* below the maximum ceiling of 5 *per cent*, citing the reasons that the Railways and local public were pressing for early grounding of the work.
- In respect of the **ROB at Dwarapudi**, in the first call for tenders (November 2008), a single bid was received, which was allowed to lapse (February 2009) after extensive correspondence between the ENC and the SE as to whether the income tax clearance certificate was mandatory but not attached.

During the second call for tenders (July 2009), five out of eight tenders received were disqualified technically; however, the stipulated time for completion was increased from 24 to 30 months.

- In respect of the **ROB at Rajampet**, in the first round of tendering (January 2007), all three bidders¹⁹ were technically disqualified due to lack of experience for reinforced soil retaining walls. In the second round (May 2007), this qualifying condition was removed, although this remained part of the work items, and the single qualified bidder²⁰ (MRKR Constructions) was awarded the contract at 4.59 *per cent* excess over ECV.
- In respect of the **ROB at Tummikapalli**, the tender was awarded on the first call (February 2006) to the single bidder (BVSR Constructions Pvt. Ltd.) at 2.90 *per cent* excess over ECV without acquiring adequate land, which was subsequently foreclosed due to non-handing over of the required land.
- In respect of the **ROB at Anaparthi**, the initially awarded contract was foreclosed due to land acquisition problems. During retendering, the contract was awarded on a single bid at 4.47 *per cent* excess over ECV to Coastal Engineering Constructions Ltd., which did not have the required experience in reinforced soil retaining walls and was thus not qualified. However, the contractor was

¹⁶ RSV Constructions Pvt. Ltd, and MRKR Constructions Pvt Ltd.

¹⁷ However, the bid could be downloaded only from 4 October 2008 onwards.

¹⁸ E-mail of 23 October 2008 sent to the bidder (referred to in the bidder's correspondence with ENC) was not made available to audit.

¹⁹ MRKR Constructions, BVSR Constructions Pvt. Ltd, East Coast Constructions and Industries

²⁰ One other bidder (not amongst the three first-time bidders) was disqualified.

irregularly termed as technically qualified, and awarded the contract. COT decided to consider the contractor's bid 'as a special case' by tying up with another party for this work item, but informed ENC not to provide such unique items under qualification criteria and, if provided, to adhere to such criteria in future.

- In respect of the **RUB in Puttur Town**, the work was awarded to the single bidder²¹ (at 4.95 *per cent* excess over ECV) on the first call itself (July 2008) on account of no hope of getting more favourable tenders and delayed entrustment possibly resulting in larger price escalation. However, the work is still incomplete.
- In respect of the **ROB at Dornakal**, the work was entrusted to a single bidder²² (4.92 *per cent* excess over ECV) in the first call itself (April 2007) on grounds of urgency, but work was completed only in October 2010, against the stipulated completion date of May 2009.
- In respect of the **ROB at Dendukuru**, the work of a diversion road (which should normally have been the responsibility of the main contractor) was awarded to a separate single bidder²³ with premium of 4.95 *per cent* over ECV (just 0.05 *per cent* below the ceiling of 5 *per cent*).
- In respect of the **ROB at Yerraguntla**, three calls for tenders were made. The first call (February 2007) was cancelled on grounds of change of work; the second call (August 2007) received only a single bidder²⁴ who was disqualified on the grounds that the bidder had not signed all the documents/statements, which appears unusual. In the third call (October 2007), the work was awarded to a single bidder²⁵ at 4.5 *per cent* over ECV. Further, the agreement was signed only in March 2008.
- In respect of the **ROB at Vallabhai Road, Kakinada**, the work was entrusted on a single bid in the first call itself (April 2007) to Tracks & Towers Infra Tech Ltd. at 4.75 *per cent* over ECV, due to pressure from the Railway authorities and local people for early grounding of work. However, the work was completed only in April 2010, against the scheduled completion date of December 2008.
- In respect of the **ROB at Gannavaram**, the work was entrusted on a single bid in the first call itself (May 2008) to Tracks & Towers Infra Tech Ltd. at 4.44 *per cent* over ECV, on account of pressure from the Railway authorities and local people for early grounding of work. However, against the scheduled completion date of July 2010, the work is still incomplete.

²¹ GVR Constructions Pvt. Ltd.

²² K Narasimha Reddy

²³ VSRK Constructions

²⁴ GVR Constructions

²⁵ BVSR Constructions

- In respect of the **2nd ROB at Tadepalligudem**, the first call for tenders was invited in August 2005, and cancelled due to erroneous nomenclature in the Tender Notice. The tender was again called in December 2005, and awarded to a single bidder²⁵ at 2.90 *per cent* over ECV. However, the work is still incomplete, due to court cases, regarding land acquisition.
- In respect of the **ROB at Rayavaram**, tenders for the work were called for in October 2007. In response, two bids were received. The tender uploaded by Sri P. Bhaskar Reddy was disqualified on the ground that the tenderer had not uploaded the well sinking quantity as per experience certificate. The second tenderer²⁵ quoted 4.99 *per cent* excess over ECV of ₹13.40 crore.

The evaluation reports of bids were forwarded to ENC in November 2007. However, the tenders were cancelled by ENC, quoting the contractor, Sri P. Bhaskar Reddy's representation of 28 November 2007 addressed to the SE (R&B) Circle, Ongole and copy marked to ENC. However, a copy of the contractor's representation dated 28 November 2007 addressed to SE, R&B Circle, Ongole, was not available from the records produced to audit.

The second call for tenders was invited in December 2007. In response, only a single qualified tender of MRKR Constructions Pvt Ltd. was received. The work was entrusted with a tender premium of 4.86 *per cent* over ECV of ₹13.40 crore in March 2008. The reasons stated by the Department for entrustment of work to a single qualified tenderer were (i) it may not possible to receive favourable tender in next call (ii) further delay would result in increase in the cost of work and (iii) early grounding of work. It was, however, observed that the work scheduled to be completed by September 2009 was actually completed in January 2012 and opened for traffic during February 2012 only.

- In respect of the **ROB on SH-30 at Renigunta**, the work was awarded to the single bidder, GVR Infra Project Ltd., on the first call itself (August 2008) at 4.54 *per cent* over ECV (₹7.15 crore) in January 2009, on account of no hope of getting more favourable tenders and delayed entrustment result in possibility of large price escalation. However, against the scheduled date of completion in all respects by January 2010, the work is still incomplete due to land acquisition problems.

4.1.7.2 **Undue favour to contractors**

Audit also noticed several instances of undue favours to contractors (involving undue revision of rates, allotment of substantial additional works on nomination basis, reduction of interest rate on mobilisation advance etc.), which are summarised below:

- In respect of the **ROBs at Tummikapalli and Anaparthi**, the contractors sought for foreclosure due to High Court stay for land losers, which was permitted by the R&B Department (without insisting on an undertaking regarding not claiming of compensation). Later, the contractors filed a suit seeking compensation due to breach of contract by the Government.

- In respect of the **ROB at Milk Project, Vijayawada**, provision for land acquisition was over-estimated, and ₹1.64 crore thereof diverted to work items. According to the R&B Department, the quantum of land acquired came down dramatically due to a modification of one approach.
- In respect of the **ROB at Hanuman Junction**, the work was entrusted to a contractor²⁶ in July 2003 stipulated completion by January 2005. However, the contractor executed only 42.30 *per cent* (valuing ₹2.18 Crore) of the work during the agreement period. The progress of work was hampered due to delays in shifting of utilities and formation of diversion road.

Further, an additional work of road widening and strengthening (not related to the ROB) amounting to ₹6.16 crore, which was 80 *per cent* of the original work cost, was awarded on nomination basis to the same contractor on 11.5 *per cent* discount and to avoid time in calling tenders for an agency. Audit scrutiny revealed that these two advantages were nullified, since, neither was the work completed in time, nor did the award of the work on nomination basis to the same contractor result in any advantage to Government. The work was delayed by more than one year and three months from the extended date of completion (December 2005) and the payments were allowed at revised quarterly SSR rates, without deducting the tender discount of 11.50 *per cent*.

The action of the Government in awarding the work on nomination basis and allowing payment of SSR rates prevailing at the time of execution, without deducting the tender discount of 11.50 *per cent*, was irregular. It may be noted that in other cases where premium was quoted, revised SSR rates were paid along with premium. This action resulted in unintended benefit of ₹1.38 crore due to waiver of the tender discount.

- In respect of the **ROB at Yerrupalem**, delayed commencement of work by the contractor by one year resulted in avoidable price escalation on account of cement and steel of ₹13.04 lakh.
- In respect of the **ROB at Kovur Gate**, by contrast to the case involving tender discount, Government allowed revision of SSR rates (with quoted tender premium of 4.50 *per cent*) to the contractor²⁷, as well as adoption of MORTH pattern²⁸. In addition, additional works for box cell culvert and service roads totalling ₹8.15 crore (35 *per cent* of the original scope of work) were entrusted on nomination basis. Also, quarry lead was irregularly increased beyond the agreement conditions.
- In respect of the **ROBs at Matwada, Kakinada and Kadium** instead of applying the price adjustment formula provided in the agreement for increases/decreases in

²⁶ VSN Benarji, Engineers and Contractors

²⁷ BVS R Constructions

²⁸ Ministry of Road Transport & Highways (MORTH) pattern involving overhead charges at 21 *per cent* for bridges and 6 *per cent* approaches, contractor's profit of 10 *per cent*, and municipal area allowance of 20 *per cent*

the rates of steel, cement, bitumen and POL beyond 5 *per cent*, the contractors were paid based on rates arrived after revising SSRs (and also overhead and contractor's profit, which were not incorporated in the original estimates, in the case of Matwada). This resulted in extra payments which could not be quantified in audit.

- In respect of the **ROB at Lankelapalem**, payment was made at revised SSRs (and not the agreement rates), including addition of overhead charges, contractor's profit, municipal area allowance. Further, interest rate on mobilisation advance was reduced from 15 *per cent* per annum to 9.5 *per cent*, resulting in undue benefit of ₹8.95 lakh.
- In respect of the **2nd ROB at Tadepalligudem**, payment was made at revised SSRs (and not the agreement rates), including addition of overhead charges, contractor's profit, municipal area allowance.
- In respect of the **ROB at Kakinada**, quantity of fill material and drainage fill was not proportionately decreased with the reduction in the area of the reinforced soil wall from 1840 sq. metres to 1427 sq. metres.
- Further, the Department irregularly proposed lead of 46 kms for sand, whereas for another ROB at LC 9 (just half a kilometre away), the corresponding lead was only 18 km.
- In respect of the **ROB on SH 30 at Renigunta**, ₹2.57 crore out of capitalized maintenance charges provided by Railways (since the ROB was fully Railway funded) was irregularly diverted for two road improvements not connected with the ROB, but entrusted to the ROB contractor (GVR Infra Projects Ltd.) without tendering. Further, mild steel railings in place of guide posts were proposed at an extra cost of ₹0.58 crore (over the original provision of ₹0.04 crore).

4.1.8 Quality related findings

Audit noticed several instances of deficient quality control (QC), mainly relating to non-compliance with the provisions for procurement of steel from original producers. As per Departmental/MORTH instructions, all steel shall be procured from the original producers/authorised dealers and no re-rolled steel shall be incorporated in the work. However, the use of steel only from original manufacturers and non-resort to 're-rolled steel' is mentioned as an agreement condition, but has not been enforced at all. This is a serious issue from the perspective of safety and long-term asset maintenance, since the brand of steel cannot, in practice, be verified after use in the work.

Detailed quality-related audit findings are summarised below:

- In respect of the **ROB at Eluru**, QC inspections revealed that various brands of steel engraved on the steel were being used in well-steining work and were available at site, and bills for used material such as cement and steel were not furnished for verification. However, no recommendations/directions for suspension

of work were made; instead, the EE was asked to verify the same and satisfy himself, before making payment.

In response to an audit enquiry, bills for steel from various traders (purportedly agents of Tata, Vizag Steel etc.) were produced to audit; audit is unable to verify whether these bills²⁹ truly represent purchases from original manufacturers or not.

- In respect of the **ROB at Kovur Gate**, records relating to log of cement, compliance for previous reports, modified design details, ground/foundation levels, and QC test results, original bills for steel, and test certificates for elastomeric neoprene rubber bearings were not produced to QC authorities.
- In respect of the **ROB at Ghanpur**, QC authorities noted the instructions for non-use of re-rolled steel, but did not indicate what was actually used.
- In respect of the **2nd ROB at Tadepalligudem**, QC inspection noted several deficiencies in the work (filler material not used in joints, berms not compacted, less height of curb, hand rail/top of hand posts not to true thread line etc.) as well as non-production of bills of cement, steel and bitumen and records pertaining to levels. QC authorities also noted that Sujana TMT and Mangal TMT were engraved on steel being used for span reinforcement work.
- In respect of the **ROB at Yerraguntla**, QC inspection pointed out non-production of logs of cement and steel bills, as well over-sized filter media, inadequate number of tests by field officers, and also recommended recovery of marginal amounts for deficiencies in weight of steel used.

Copies of steel bills from traders were produced to audit, who, however, could not verify whether these bills actually represented purchases from original manufacturers or not.

- In respect of the **ROB at Tummikapalli**, QC authorities noted use of Vinayaka TMT, and directed that use of steel from Government of India (GoI) undertaking steel plants be insisted upon. The possibility of sub standard work due to use of such brand of steel cannot be ruled out.
- In respect of the **ROB at Hanuman Junction**, QC authorities pointed out use of steel from Sujana Metal Products and Vizag Profiles Ltd, contrary to the agreement clause. While the R&B Department issued orders in April 2011 for working out financial implications thereof and recovery from field staff, action thereon was not available on record.
- In respect of the **ROB at Puttur**, QC authorities noted that Reinforced Cement Concrete (RCC) was carried out using Shalimar TMT and DILL TMT steel instead of original manufacturer steel.
- In respect of the **ROB at Kadium**, QC inspections had not been conducted since November 2010, after which 11 bills had been paid. Further, QC authorities stated

²⁹ In the absence of batch number or other unique identifier; even the brand name was not mentioned

that they were not being informed about important concrete cubes (nor were these sent for QC), and the stage of fabrication of reinforcement deck slab from time to time was not adhered to.

- In respect of the **ROB at Tuni**, the Chief Engineer (R&B), D&P noted that some piers were executed without checking/ensuring the Safe Bearing Capacity, which was a prerequisite for starting work.
- In respect of the **four lane ROB at Renigunta**, from the records it was seen that QC inspection was last done in July 2010 and no further QC inspection was conducted up to July 2012. In the absence of the QC inspection for the last two years, the details of testing quality aspects relating to concrete, steel, cement and GSB, etc were not known.

During QC inspection, it was pointed out that RCC work was carried out using DIIL, Sujana and Shalimar TMT steel; QC instructed for procurement of steel from the authorized/original manufacturers and getting it tested at Soil Research Centre before execution of the work. QC also instructed the field officials to produce original steel bills, duly noting the name of the work, and relevant test certificates. The compliance details were not available to audit. During inspection, QC authorities made 26 general remarks. The compliance report to these remarks was not available.

- In respect of the **RUB at Puttur**, QC pointed out use of steel from DIIL TMT and directed that the contractor had to purchase the steel from the original manufacturers and no rerolled steel should be used on the work as per the MORTH specifications.
- In respect of the **ROB at Rayavaram**, as per drawings, the bottom reinforcement for the slabs of the ROB, require 29 rods each for three types (i.e. a1-straight; a2 and a3-crank) of rods for each slab. Though a1 rod was provided as per drawings, the crank rods were provided with a wider spacing of 720 mm against the required spacing of 360 mm, resulting in short provision of steel reinforcement. Further, instead of obtaining separate designs from the Design & Planning wing for curved slabs, the designs for straight slabs were adopted, instead of 87 rods for each straight slab, the steel rods used for thirteen slabs (five straight and eight curved slabs) ranged between 57 and 63 per slab.

Having noticed the defective work due to inadequate quantity of steel used, the R&B Department conducted load test with 85 tonnes and restricted the usage of the ROB for vehicles upto 70 tonnes only. However, when the Department approached IIT, Madras for review, the latter stated that the load to be applied on ROB for the load test should have been 131.4 tonnes, and not 85 tonnes. IIT, Madras, further, stated that the deficient slabs had to be necessarily strengthened to achieve code compliance.



Photograph at ROB at Rayavaram showing warning board to road users for limiting weight of vehicles to 70 tonnes

The above matters were reported to the GoAP (August 2012); their reply is still awaited (December 2012).

4.1.9 Conclusion

Replacement of high traffic density Level Crossings (LCs) at rail-road intersections by Road Over Bridges (ROBs) and Road Under Bridges (RUBs) reduces traffic congestion and also increases railway safety. Such replacement of high traffic density LCs by ROBs/RUBs is funded by the Indian Railways and the State Government on a 50:50 basis.

Since construction of proper bridge over/under the railway track is handled by the Indian Railways, while the approaches to the bridge are done by the State Government, effective co-ordination is of prime importance. Audit scrutiny, however, revealed numerous instances where the bridge proper was completed by the Railways, but the approaches were incomplete (and also vice versa). Further, there were instances of differences/deficiencies in alignment and other design issues, which could have an adverse impact on traffic congestion.

Audit scrutiny also revealed numerous instances of award on single bids, as well as other instances of limited competition at the bidding stage, as also undue haste in tendering and award of contracts, without completion of pre-requisites, besides instances of deficient quality control, non-compliance with stipulated provisions for procurement of steel from original producers etc.

4.1.10 Recommendations

- *Considering the huge amount of blocked funds on incomplete projects due to lack of effective co-ordination by R&B Department with the Railways, GoAP, in association with the Railways, may consider the feasibility of entrusting of the entire work of ROBs/RUBs (both the bridge portion and the approach roads) to a single agency (e.g. SCR Construction Organisation or IRCON or other railway-related entity) on deposit works basis, so as to minimize instances of lack of co-ordination. It may be noted that the Railways had decided (October 2009) to assign such works falling in Tamil Nadu, West Bengal, Karnataka and Gujarat to a single agency on experimental basis.*
- *Frequent changes of alignment and other specifications (especially post-award) are undesirable and should be avoided, especially when the grounds on which such changes are justified could have been foreseen well in advance.*
- *Award on single financial bid should be strictly avoided. In cases, where this is necessitated and approved by higher authorities on grounds of urgency, the concerned officials should be held personally accountable for completion of such urgent works within the stipulated completion dates. The grounds of urgency should be linked not to the early grounding of work (as recorded in several cases), but to the timely completion thereof.*
- *Post-award changes to agreements should be strictly avoided.*
- *GoAP should mandatorily list out the original manufacturers from whom steel can be procured; all other manufacturers/units rolling/re-rolling steel products from billets should be automatically disqualified. In addition to QC of steel before reinforcement is undertaken, bills for steel should be admitted only if they mention the specific lot/ batch number of production from the approved original manufacturers.*

Industries and Commerce Department (Commissioner of Sugar and Cane Commissioner)

4.2 Non-recovery of loans from Co-operative Sugar Factories

Commissioner of Sugar & Cane Commissioner (CoS), Government of Andhra Pradesh (GoAP) has been entrusted with the supervision and control of Co-operative Sugar Factories (CSFs) in the State of Andhra Pradesh. There are 38 Sugar Factories in the State, of which 11 are under the cooperative sector (as detailed in *Annexure 4.4*), three under joint venture and 24 under the private sector. Each of the CSF is headed by a Managing Director, who is the executive head and supervising officer.

CSFs in Andhra Pradesh have been approaching GoAP/CoS from time to time for financial assistance. CoS has been coordinating with the Andhra Pradesh State Co-operative Bank (APCOB) for extending loans to CSFs towards working capital requirements, and also recommending to GoAP to extend guarantee in respect of

loans sanctioned by APCOB. During 2006-12, loans were sanctioned by APCOB against hypothecation of sugar stocks of CSFs and guarantee given by GoAP. In addition, CSFs also approached CoS/GoAP for financial assistance, over and above the term loans sanctioned by APCOB during 2006-2012. As per the recommendations of CoS, GoAP extended financial assistance to CSFs either directly or through State PSUs in the form of loans/grants.

An amount of ₹152.23 crore (₹92.14 crore by GoAP, ₹36.29 crore by APIIC and ₹23.80 crore by APIDC³⁰) was released to CSFs during 2006-12. The details of loans sanctioned by GoAP, repayment and outstanding balances are given in *Annexure-4.5*.

In this connection, the following audit observations are made:

- Out of the total loan amount of ₹92.14 crore released by GoAP to eight CSFs to the end of March 2012, an amount of ₹73.66 crore was due for repayment, but none of the CSFs repaid any amount towards principal or interest so far. There is nothing on record to show that the proposals for financial assistance were scrutinized by CoS for arriving at the estimated/actual requirement of CSFs, before recommending the same for approval of GoAP. Although these eight CSFs were incurring losses, loans were released by GoAP without considering their financial position. Further while releasing the loans, GoAP did not issue any instructions to CoS for pursuing the recovery of loans from CSFs.
- GoAP directed (June 2007) APIIC to release a temporary loan of ₹36.89 crore to CoS for clearing NPA³¹ of CSFs towards APCOB. APIIC expressed its inability to extend the loan, as this would violate its Memorandum & Articles of Association. However, on directions (July 2007) of GoAP to release funds to CoS, out of revenue payable by APIIC to GoAP, APIIC released an amount of ₹36.29 crore to CoS. Though, this amount was to be remitted back to Government within one month the same had not been received from CSFs.
- APIDC was directed (Sept 2008) by GoAP to release an amount of ₹23.80 crore as advance to CoS on reimbursement basis to clear cane price dues of CSFs, to be repaid after disposal of sugar stocks. It was observed that instead of paying ₹23.80 crore as advance to CoS, APIDC disbursed the loan directly to eight CSFs.

Further, APIDC requested the CoS to furnish information regarding hypothecation of sugar stocks to any other financial institution/bank, but the loan was disbursed without waiting for reply/information. Before releasing the loan, neither was the financial position evaluated nor was any security obtained by APIDC.

Thus, as on 31 May 2012, out of total loan of ₹23.80 crore, an amount of ₹21.81 crore was due from CSFs, besides interest dues of ₹7.46 crore.

³⁰ Andhra Pradesh Industrial Development Corporation Limited

³¹ Non Performing Asset i.e. outstanding over due amount

- The financial position of eight CSFs as on 31 March 2011/2012 as given in **Annexure-4.6** revealed that the eight CSFs are incurring losses and had aggregate accumulated losses of ₹429.42 crore.
- Though the equity of GoAP is more than 51 *per cent* in seven of the eight CSFs, State nominees were not appointed due to non-availability of elected bodies since 2005, resulting in lack of monitoring on working of CSFs.

Thus, extension of loans amounting to ₹152.23 crore (by GoAP, APIIC and APIDC), without taking into account the performance of CSFs, coupled with inadequate monitoring led to non-recovery of loans.

GoAP/CoS should exercise effective monitoring over the functioning of CSFs to make them viable and take steps for improving the financial position of the CSFs for their self sustenance.



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Hyderabad
The

Countersigned



(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The

Annexures

Annexure – 1.1
(Reference to paragraph 1.2 page 2)

List of audited entities falling within the Economic Sector

A. Departments

- Agriculture and Co-operation
- Animal Husbandry and Fisheries
- Energy
- Environment, Forests, Science and Technology
- Industries and Commerce
- Information Technology and Communications
- Infrastructure and Investment
- Irrigation and Command Area Development
- Public Enterprises
- Transport, Roads and Buildings

B. State Public Sector Undertakings (State Government Companies and Statutory Corporations)

(i) Working Government Companies and Statutory Corporations

Department	Government Companies and Statutory Corporations
Agriculture and Co-operation	<ul style="list-style-type: none"> • Andhra Pradesh State Agro Industries Development Corporation Limited • Andhra Pradesh State Seeds Development Corporation Limited • Andhra Pradesh State Warehousing Corporation
Animal Husbandry and Fisheries	<ul style="list-style-type: none"> • Andhra Pradesh Meat Development Corporation Limited • Indira Gandhi Centre for Advances Research on Livestock Private Limited
Energy	<ul style="list-style-type: none"> • Andhra Pradesh Heavy Machinery and Engineering Limited • Andhra Pradesh Power Finance Corporation Limited • Andhra Pradesh Power Development Company Limited • Andhra Pradesh Power Generation Corporation Limited • Central Power Distribution Company of Andhra Pradesh Limited • Eastern Power Distribution Company of Andhra Pradesh Limited • Northern Power Distribution Company of Andhra Pradesh Limited • New and Renewable Energy Development Corporation of Andhra Pradesh Limited • Southern Power Distribution Company of Andhra Pradesh Limited • The Singareni Collieries Company Limited • Transmission Corporation of Andhra Pradesh Limited

Department	Government Companies and Statutory Corporations
Environment, Forests, Science and Technology	<ul style="list-style-type: none"> Andhra Pradesh Forest Development Corporation Limited
Industries and Commerce	<ul style="list-style-type: none"> Andhra Pradesh Handicrafts Development Corporation Limited Andhra Pradesh Industrial Development Corporation Limited Andhra Pradesh Industrial Infrastructure Corporation Limited Andhra Pradesh Gas Infrastructure Corporation Private Limited Andhra Pradesh Mineral Development Corporation Limited Andhra Pradesh State Financial Corporation Andhra Pradesh Trade Promotion Corporation Limited Damodhara Minerals Private Limited Fab City (India) Private Limited Krishnapatnam International Leather Complex Private Limited Leather Industries Development Corporation of Andhra Pradesh Limited Pashamylaram Textile Park The Nizam Sugars Limited Vizag Apparel Park for Export
Information Technology and Communications	<ul style="list-style-type: none"> Andhra Pradesh Technology Services Limited
Infrastructure and Investment	<ul style="list-style-type: none"> Andhra Pradesh Aviation Corporation Limited Andhra Pradesh Gas Distribution Corporation Limited Infrastructure Corporation of Andhra Pradesh Limited
Irrigation and Command Area Development	<ul style="list-style-type: none"> Andhra Pradesh State Irrigation Development Corporation Limited
Transport, Roads and Buildings	<ul style="list-style-type: none"> Andhra Pradesh State Road Transport Corporation Limited

(ii) Non-working Government Companies

Department	Government Companies and Statutory Corporations
Agriculture and Co-operation	<ul style="list-style-type: none"> Hyderabad Chemicals and Fertilisers Limited
Animal Husbandry and Fisheries	<ul style="list-style-type: none"> Andhra Pradesh Dairy Development Corporation Limited Andhra Pradesh Fisheries Corporation Limited Proddutur Milk Foods Limited
Industries and Commerce	<ul style="list-style-type: none"> Allwyn Auto Limited Allwyn Watches Limited Andhra Pradesh Automobile Tyres and Tubes Limited Andhra Pradesh Electronics Development Corporation Limited Andhra Pradesh Small Scale Industries Development Corporation Limited

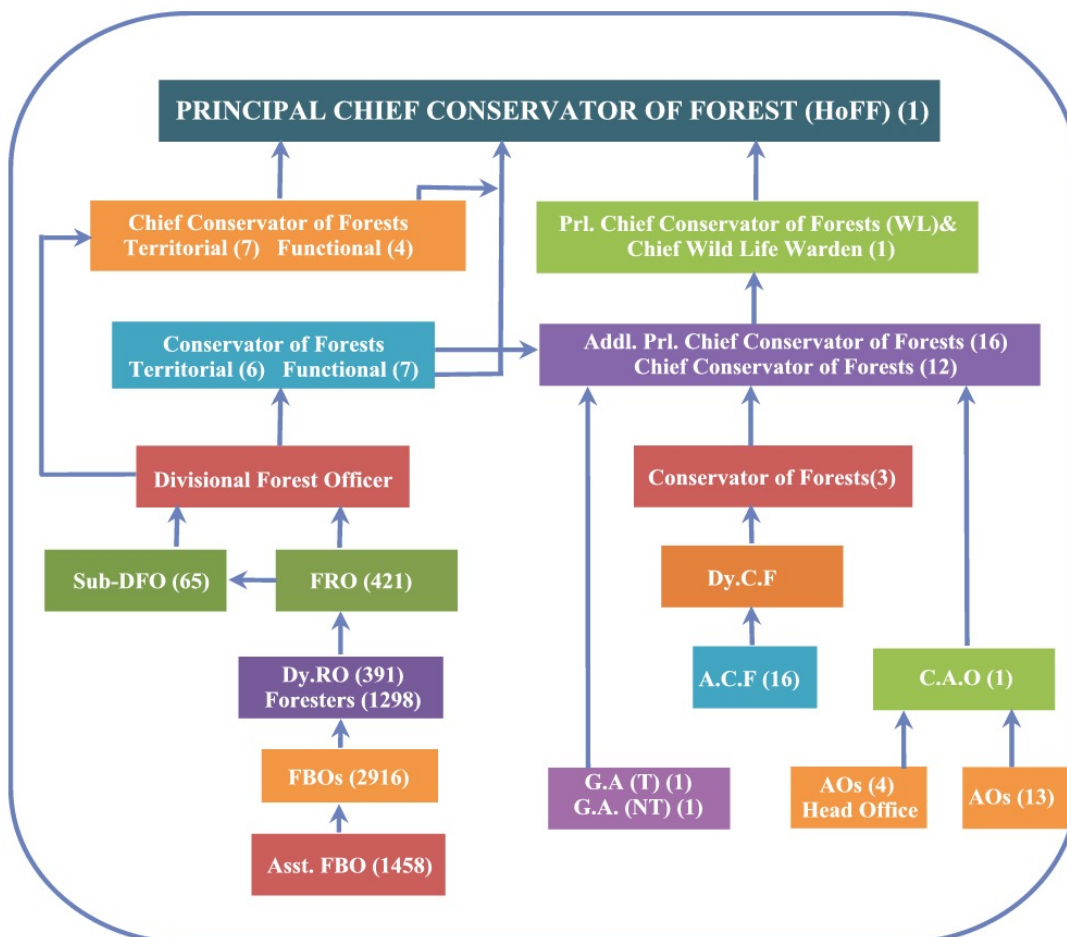
Department	Government Companies and Statutory Corporations
	<ul style="list-style-type: none"> • Andhra Pradesh Scooters Limited • Andhra Pradesh State Non Resident Indian Investment Corporation Limited • Andhra Pradesh State Textile Development Corporation Limited • Andhra Pradesh Steels Limited • Apronix Communications Limited • Golkonda Abrasives Limited • Krishi Engineering Limited • Marine and Communication Electronics (India) Limited • PJ Chemicals Limited • Republic Forge Company Limited • Southern Transformers and Electricals Limited • Suganthy Alloy Castings Limited • Vidyut Steels Limited

C. Autonomous Bodies involving issue of Separate Audit Reports (SARs), where CAG is the sole auditor

- Andhra Pradesh Khadi and Village Industries Board
- Environment Protection Training and Research Institute

Annexure – 3.1
(Reference to paragraph 3.1.4 page 39)

Organisational structure of Forest Department



Sub-DFO	:	Sub-Divisional Forest Officer
FRO	:	Forest Range Officer
Dy.RO	:	Deputy Range Officer
FBO	:	Forest Beat Officer
Asst. FBO	:	Assistant Forest Beat Officer
Dy. CF	:	Deputy Conservator of Forests
CAO	:	Chief Accounts Officer
ACF	:	Assistant Conservator of Forests
AO	:	Accounts Officer
GA (T)	:	Gazetted Assistant (Technical)
GA (NT)	:	Gazetted Assistant (Non-Technical)

Annexure – 3.2
(Reference to paragraph 3.4 page 40)

Test-checked Audit Sample

Sl. No.	Circles	Sl. No.	Circles
1	Territorial Circle, Hyderabad	7	Territorial Circle, Guntur
2	P&E Circle, Hyderabad	8	Territorial Circle, Kurnool
3	STC Circle, Hyderabad	9	P&E Circle, Ananthapur
4	R&D Circle, Hyderabad	10	P&E Circle, Visakhapatnam
5	Territorial Circle, Khammam	11	FDPT, Srisailem
6	Territorial Circle, Warangal	12	Territorial Circle, Visakhapatnam

Sl. No.	Divisions	Sl. No.	Divisions
1	DFO (T), Hyderabad	14	DFO (T), Adilabad
2	DFO (SF), RR District, Hyderabad	15	DFO (WLM), Jannaram
3	SS, Rajahmundry	16	DFO (WLM), Atmakur
4	DFO (T), Khammam	17	DFO (WLM), Eluru
5	DFO (T), Bhadrachalam South	18	DFO (Logging), Nirmal
6	DFO (T), Warangal North	19	DFO (Logging), Jangareddygudem
7	DFO (T), Karimnagar West	20	DFO (Logging), Bhadrachalam
8	DFO (WLM), Warangal	21	DFO (T), Narasipatnam
9	DFO (T), Nellore	22	DFO (T), Vizianagaram
10	DFO (T), Kadapa	23	Nehru Zoological Park, Hyderabad
11	DFO (FSD), Kurnool	24	WLM, Hyderabad
12	DFO (SF), Ananthapur	25	APFA, Dulapally, Hyderabad
13	DFO (T), Chittoor West		

Annexure - 3.3
(Reference to paragraph 3.5.6.8 page 56)

Failure of Plantations

Sl. No	Name of the Division	Scheme under which raised	Year of plantation & area planted	Location of plantation	Amount spent on plantation (₹ in lakh)	Survival percentage	Reasons for failure
1	Khammam	RIDF-XIII	2007-08, 25 Ha	Pallewada VSS Sathupalli Range	5.68	9	Failure in raising year itself due to unsuitable climate
2	Kothagudem	RIDF-XIII	2007-08, 11.15 Ha	Thippannapally VSS, Ramavaram Range	1.65	0	Damaged in Bhoopartam
3	Kothagudem	RIDF-XIII	2009-10	Anugulabodu VSS, Komararam Range	1.91	0	Encroachments
4	Warangal North	FDA - NAP	2007-08, 20 Ha	Machapur, VSS- Mulugu range	--	--	Failure due to poor maintenance on account of delayed funding
5	Warangal North	FDA- NAP	2007-08, 3 Ha	Mullakatta VSS, Eturunagaram Range	--	--	Failure due to poor maintenance on account of delayed funding
6	Warangal North	FDA- NAP	2007-08, 7 Ha	Etur VSS, Eturunagaram Range	--	--	Failure due to poor maintenance on account of delayed funding
7	Warangal North	FDA- NAP	2007-08, 7 Ha	Papkapur VSS, Eturunagaram Range	--	--	Failure due to poor maintenance on account of delayed funding
8	Warangal North	FDA- NAP	2009-10, 15 Ha	L.B Nagar VSS, Pasara Range	--	--	Damaged
9	Warangal North	FDA- NAP	2009-10 10 Ha	Narayanpur VSS, Bhupalpalli (N) Range	1.69	--	Damaged
10	Warangal North	FDA- NAP	2009-10 5 Ha	Roheer VSS, Eturunagaram Range	--	--	Failure due to poor maintenance on account of delayed funding
11	Warangal North	FDA- NAP	2008-09 7 Ha	Dubbagudem VSS., Mulugu Range	--	--	Failure due to poor maintenance on account of delayed funding
12	Warangal North	FDA- NAP	2008-09 11 Ha	Tondyal laxmipur VSS, Eturunagaram Range	--	--	Failure due to poor maintenance on account of delayed funding

Sl. No	Name of the Division	Scheme under which raised	Year of plantation & area planted	Location of plantation	Amount spent on plantation (₹ in lakh)	Survival percentage	Reasons for failure
13	Warangal North	FDA-NAP	2009-10 20 Ha	Katrapally VSS, Mulugu Range	--	--	Failure due to poor maintenance on account of delayed funding
14	Warangal North	FDA-NAP	2009-10 10 Ha	Andhukuthanda VSS, Bhupalpally North Range	--	--	Failure due to poor maintenance on account of delayed funding
15	Warangal North	FDA-NAP	2009-10 5 Ha	Ontippathanda VSS, Bhupalpally Range	--	--	Damaged
16	Warangal North	FDA-NAP	2009-10 5 Ha	Ramnaikthanda VSS, Bhupalpalli North Range	--	--	Damaged
17	Warangal North	FDA-NAP	2009-10 11 Ha	Tondyal laxmipur VSS, Eturunagaram	--	--	Failure due to encroachments
18	Warangal North	FDA-NAP	2008-09 15 Ha	Etur VSS, Eturunagaram Range	--	--	Failure due to encroachments
19	Warangal North	FDA-NAP	2008-09 15 Ha	Tondyal Laxmipur VSS, Eturunagaram Range	--	--	Failure due to encroachments
20	Warangal North	FDA-NAP	2008-09 15 Ha	Papkapur VSS, Eturunagaram	--	--	Failure due to encroachments
21	Warangal North	FDA-NAP	2010-11 2 Ha	Ekkela VSS, Tadvai Range	0.16	--	Failure due to encroachments
22	Warangal North	RIDF-Bio Diesel	2009-10 5 Ha	JaggaiPET VSS, Bhupalpally (N)	1.60	--	Damaged
23	Warangal North	RIDF-Bio Diesel	2009-10 5 Ha	Jubilee Nagar, Bhupalpally (N)	0.82	--	Damaged
24	Warangal North	RIDF-Bio Diesel	2009-10 5 Ha	Immadigudem VSS, Tadvai Range	0.37	--	Failure due to poor management and funds crunch
25	Warangal North	RIDF-Bio Diesel	2009-10 5 Ha	Ekkela VSS, Tadvai Range	0.30	--	Failure due to poor management and funds crunch
26	Warangal North	RIDF-Bio Diesel	2009-10 5 Ha	Manzoor nagar VSS, Bhupalpally (N) Range	0.25	--	Failure due to poor management and funds crunch
27	Warangal North	RIDF-Bio Diesel	2009-10 5 Ha	Rajeev nagar VSS, Bhupalpally (N) Range	--	--	Failure due to poor management and funds crunch
28	Warangal North	RIDF-Bio Diesel	2009-10 10 Ha	Laxmipur VSS, Bhupalpally (N) Range	0.48	--	Failure due to poor management and funds crunch

Sl. No	Name of the Division	Scheme under which raised	Year of plantation & area planted	Location of plantation	Amount spent on plantation (₹ in lakh)	Survival percentage	Reasons for failure
29	Warangal North	RIDF-Bio Diesel	2009-10 10 Ha	Laxmipur VSS, Bhupalpally (N) Range	0.48	--	Failure due to poor management and funds crunch
30	Warangal North	FDA-NAP	2011-12 10 Ha	Ramnaikthanda VSS, Bhupalpally (N) Range	1.89	--	Failure due to poor management and funds crunch
31	Warangal North	CAMPA (NPV)	2011-12 5 Ha	Puredupalli- 1 VSS, Eturunagaram Range	3.29	--	Failure due to encroachments
32	Warangal North	CAMPA (NPV)	2011-12 5 Ha	Puredupalli -2 VSS, Eturunagaram Range	0.67	--	Failure due to encroachments
33	S.S. Rajahmundry	C.S.S	2010-11 50 Ha	Marlagudem RF, Compartment No. 136 & 137	15.00	--	Damaged due to fire, due to non clearance of weeding, non execution of fire tracing and absence of watch and ward
Total					36.24		

Annexure – 3.4
(Reference to paragraph 3.5.7 page 56)

Profile of Functioning of Vana Samrakshana Samithis

Sl. No.	Name of the Division	No. of VSSs formed	Year wise expenditure involving VSSs					
			2009-10		2010-11		2011-12	
			No. of VSSs	Amount (₹ in lakh)	No. of VSSs	Amount (₹ in lakh)	No. of VSSs (FDA VSSs given in brackets)	Amount (₹ in lakh)
1	Khammam	110	29	80.35	19	21.30	26 (23%) (FDA- 14)	130.97
2	Warangal North	127	19	20.81	12	2.01	15 (12%) (FDA- 10)	40.99
3	Warangal WLM	43	10	0.92	NIL	NIL	1 (FDA) (2%)	0.350
4	Karimnagar West	236	17	24.82	17	18.33	18 (8%) (FDA- 18)	31.89
5	Chittoor West	232	96	111.97	90	61.97	71 (30%) (FDA- 60)	83.80
6	Hyderabad	123	50	103.12	38	90.11	23 (19%) (NIL)	43.88
7	Adilabad	325	44	39.47	Nil	Nil	17 (5%) (NIL)	1.03
8	Kakinada	528	116	214.77	113	175.25	100 (19%) (FDA-75)	243.48
9	Jannaram WLM	73	16	51.89	13	63.94	16 (22%) (NIL)	49.24
10	WLM Eluru	40	18	32.61	24	61.72	14 (35%) (NIL)	132.25

Annexure – 3.5
(Reference to paragraph 3.5.9.2 page 60)

Delay in Funds Flow

Sl. No.	Name of the Division	Scheme	Year	Date of release by PCCF - Amount	Date of authorization by PAO	Delay
1	SF Division, RR Dist., Hyderabad	09-Mixed Plantation	2009-10	1. 1 st Quarter 22.05.09 - ₹1.70 lakh	24.06.09	1 month 2 days
				2. IV th Quarter 20.03.10 - ₹ 3.16 lakh	NIL	NIL
			2010-11	1. 19.06.10 - ₹ 2 lakh	25.07.10	1 month 6 days
				2. 15.03.10 - ₹0.50 lakh	No authorization	
		2011-12	27.05.11- ₹2.685 lakh	25.06.11	28 days	
		12 th Finance Commission	2009-10	15.10.10 - ₹ 2.80 lakh	December 2009	1 month 15 days
		13 th Finance Commission	2010-11	8.12.10 - ₹ 53.23 lakh 15.12.10 - ₹ 47.88 lakh (SF)	January 2012	1 month
			2011-12	22.11.11 - ₹ 67.73 lakh	February 2012	More than 2 months
2	All Divisions	ACA	2010-11	17.02.11	Last week of March 2011	40 days
			2011-12	2.11.11	Jan./Feb. 2011	3 months
3	Chittoor West	Project Elephant	2009-10	14.09.09 - ₹ 21.50 lakh	3.10.09	20 days
			2010-11	19.06.10	4.07.10	15 days
			2011-12	22.06.11 - ₹15.850 lakh	Feb. 2012	7 months 8 days
		13 th Finance Commission (FDA)	2010-11	8.12.10 - ₹ 4.20 lakh	Jan. 2011	1 month
			2011-12	22.11.11- ₹ 34 lakh	Feb. 2012	2 month
4	Warangal North	IFMS	2009-10	27.10.09 - ₹ 0.67 lakh	29.01.10	3 month
		ACA	2011-12	2.11.11 - ₹ 2 lakh	Jan.2012	2 month
		13 th Finance Commission	2011-12	22.11.11- ₹ 11.535 & ₹10.320 lakh	5.05.12	1 month 13 days
5	Khammam	13 th Finance Commission	2010-11	8.12.10 - ₹ 8.925 lakh	Jan. 2011	1 month
			2011-12	22.11.11 - ₹ 34.37 lakh	Feb. 2012	2 month
6	SS, Rajahmundry	13 th Finance Commission	2010-11	7.01.11 - ₹ 8.25 lakh	Feb. 2011	1 Month

Annexure - 4.1
(Reference to paragraph 4.1.1.2 page 65)

Process for planning and execution of ROBs/ RUBs

Stage	Details
Proposal for ROBs/ RUBs for inclusion in Railway Budget	<ul style="list-style-type: none"> • Every year, the Chief Bridge Engineer of the Railway Zone¹ communicates a list of eligible LCs with TVU of more than 1 lakh for construction of ROBs/RUBs on cost-sharing basis. • Field officers of both Departments (Railways and R&B) Department conduct a joint inspection of the site, and finalise the proposal for ROB/RUB (including LC closure declaration by the State Government, traffic census by R&B Department etc.) and submit the same to the Chief Bridge Engineer through the State Government. • The Chief Bridge Engineer submits the total consolidated proposals in the State to the Railway Board for approval, after which the proposed ROBs/RUBs are sanctioned as Railway Safety Works (RSWs) in the Railway Work Programme (RWP), as part of the annual Railway Budget.
Finalisation of alignment, and approval of GAD (General Arrangement Drawing)	<ul style="list-style-type: none"> • On receipt of sanctions in the Railway Board, the R&B Department and Railways conduct joint inspection of the proposed site, and finalise the feasible alignment of approaches, including the Road Crest Level (RCL). • On submission of alignment by R&B Department, the Railways prepare the General Arrangement Drawing (GAD) and forwards it to the R&B Department for approval. The GAD will be approved by the R&B Department, unless a geometric parameter (e.g. skew angle, RCL) attracts attention.
Finalisation of Estimates	<ul style="list-style-type: none"> • After approval of GAD, the R&B Department and the Railways take up preparation of designs and estimates for the approaches and bridge proper respectively. The process of detailed technical estimates and land acquisition is to be completed within 3 to 12 months. • The R&B Department submits the estimates for approaches to the Railways for preparation of the Combined Estimate of the Bridge Proper and Approaches, which is then furnished by the Railways to R&B Department for approval. • In the meanwhile, GoAP is addressed for according administrative sanction².

¹ South Central Railway, Southern Railway and East Coast Railway

² The administrative sanction is generally taken for 50 *per cent* of the cost of the bridge proper and 100% of the approaches (including land acquisition); this is subject to subsequent adjustment with the Railways

Stage	Details
Land Acquisition process	<ul style="list-style-type: none"> • Simultaneously, the land acquisition process is initiated in consultation with Revenue authorities after approval of the final alignment and Railway GAD. The process of land acquisition involves various stages - (a) preparation of land plan schedules indicating the areas to be acquired, separately for Government land and private land, which is furnished to the District Collector by the R&B Department; (b) deposit of amount with Revenue authorities for compensation payable to land losers; (c) joint inspections by R&B Department and Revenue authorities; (d) publication of Draft Notification and Draft Declaration by the Revenue authorities, indicating details of the area and owners; and (e) handing over the land to R&B Department by the Revenue authorities after due process, as per the LA Act.
Tendering and Contracting, and Project Execution	<ul style="list-style-type: none"> • After receipt of administrative and technical sanctions, tenders are invited by the R&B Department for the approaches, contracts awarded and works are to be executed within 18 to 24 months of award.
LC closure	<ul style="list-style-type: none"> • After opening of ROBs/RUBs, the LCs are to be closed by GoAP (in line with the LC closure declaration at the time of the ROB/RUB proposal).

Annexure - 4.2
(Reference to paragraph 4.1.3.3 page 67)

List of ROB/RUBs selected for test-check

Sl. No.	Name of the ROB/RUB in short	Full nomenclature of the work	Financial progress in Percentage as reported by Department	Physical Status	Agreement / Estimate cost (₹ in crore)	Expenditure as reported by Department (₹ in crore)
A.	COMPLETED					
1	ROB at Eluru (Vijayawada – Visakhapatnam section)	Construction of ROB at Eluru in lieu of LC 349 at railway km.487/12-14 and km 64/374 of Vijayawada – Visakhapatnam road (old NH road) in Eluru municipal limits, in West Godavari District	100	Completed	14.60	14.56
2	ROB at Kovur Gate (Gudur-Vijayawada section)	Construction of ROB at Kovur gate (near Polytechnic college) in Nellore town in lieu of LC No 119 at railway km 176/12-15 of Gudur-Vijayawada section at km 0/2 of Nellore-Bellary-Bombay road in SPS Nellore District	100	Completed	13.51	30.96
3	ROB at Lankelapalem (Vijayawada-Visakhapatnam section)	Construction of ROB at Lankelapalem in lieu of LC No 490 at railway km755/3-6 of Vijayawada-Visakhapatnam section at km 7/4 of Parawada-Asakapalli road in Visakhapatnam District	100	Completed	14.01	23.28
4	ROB at Kazipet yard (Railway km 324/1-2 in Kazipet yard)	Construction of ROB in lieu of LC No 59A at railway km 324/1-2 in Kazipet yard at km 132/370 of Hyderabad-Hanamkonda road in Warangal District	100	Completed	5.24	9.80
5	ROB at Milk Project (Kazipet-Vijayawada section)	Construction of ROB at Milk Project in Vijayawada at LC Nos 315A, 315B and G6 at railway km 581/01-03 and km 581/20-22 of Kazipet-Vijayawada section at km 5/640 of Vijayawada-Vissannapeta road in Krishna District	100	Completed	17.50	18.98
6	ROB at Bhalabhadrapuram (Vijayawada-Visakhapatnam section)	Construction of ROB at Bhalabhadrapuram in lieu of LC No 417 at railway km 607/30-32 of Vijayawada and Visakhapatnam section corresponding to road km 14/8-10 of Someswaram – Rajanagaram road in East Godavari District	100	Completed (but not opened for traffic)	11.50	13.20

Sl. No.	Name of the ROB/RUB in short	Full nomenclature of the work	Financial progress in Percentage as reported by Department	Physical Status	Agreement / Estimate cost (₹ in crore)	Expenditure as reported by Department (₹ in crore)
7	ROB at Hanuman Junction (Vijayawada–Visakhapatnam section)	Construction of ROB at Hanuman Junction in lieu of LC No 336 at railway km 470/12 of Vijayawada – Visakhapatnam section at km 61/8 of Machilipatnam-Nuzvid-Kalluru road in Krishna District	100	Completed	12.53	16.44
8	ROB at Anaparthi (Vijayawada–Visakhapatnam section)	Construction of ROB at Anaparthi in lieu of LC No 412T and 413T at railway km 601/7-8 of Vijayawada – Visakhapatnam section at km 0/6 of ILTD road in East Godavari District	100	Completed	9.48	9.87
9	ROB on Vallabhai road (Kakinada – Samalkot section)	Construction of ROB at Kakinada in lieu of L.C No 9 at railway km 12/22-23 of Kakinada – Samalkot section on Vallabhai road from NH-214 at Jagannaickpur to NH-214 Junction at SP office in Kakinada town limits, in East Godavari District	100	Completed	9.49	11.31
10	ROB on Matwada (Kazipet-Vijayawada section)	Construction of ROB in lieu of L.C. No 63/T-3 at railway km377/45-47 of Kazipet-Vijayawada section on Matwada diversion road connecting Hanamkonda-Narsampet-Mahabubabad road at km 3/5 and joining at km 7/8-10 of Hanamkonda-Khammam road in Warangal District	100	Completed	7.37	10.40
11	ROB at Tanuku (Bhimavaram-Nidadavole section)	Construction of ROB at Tanuku in lieu of L.C No 153 at railway km 138/6-7 of Bhimavaram-Nidadavole section at km 131/914 of old Vijayawada-Visakhapatnam road in West Godavari District	100	Completed	8.38	9.09
12	ROB at Kakinada town (Kakinada town-Kakinada port section)	Construction of ROB at Kakinada town limits in lieu of L.C No 11 at railway km 14.05 of Kakinada town-Kakinada port section on Brahmarshi street from NH214 Junction at Manasarovar hotel to Dairy farm centre, in East Godavari District	100	Completed	10.34	11.74

Sl. No.	Name of the ROB/RUB in short	Full nomenclature of the work	Financial progress in Percentage as reported by Department	Physical Status	Agreement / Estimate cost (₹ in crore)	Expenditure as reported by Department (₹ in crore)
13	ROB at Dornakal (Kazipet–Vijayawada section)	Construction of ROB at Dornakal in lieu of LC No 92 at railway km 463/06-08 Kazipet–Vijayawada section corresponding to road km 1/ 4 of Dornakal – Lingala road in Khammam District	100	Completed	10.89	11.39
14	ROB at Rayavaram (Guntur-Nandyal section)	Construction of ROB at Rayavaram in lieu of LC No 236 at railway km 143/10-12 of Guntur – Nandyal section at R&B road at 37/2 of Podili-Markapur road in Prakasam District	100	Completed	14.05	12.06
SUB TOTAL (Completed)					158.89	203.08
B.	IN PROGRESS					
1	4 Lane ROB at Renigunta (Renigunta–Tirupati sections)	Construction of ROB at Renigunta in lieu of LC No 111 on NH 205 at km 84/25-37 between Renigunta–Tirupati stations in Chittoor District	80	In progress	26.34	19.69
2	RUB at RIMS, Kadapa town	Construction of RUB at RIMS in Kadapa town limits at railway km 257/11-12 between Kadapa-Kanamolapalli stations, in YSR District <i>(fully state funded)</i>	90	In progress	4.32	3.90
3	ROB at Dwarapudi (Vijayawada–Visakhapatnam section)	Construction of ROB at Dwarapudi in lieu of LC No 410 at railway km 598/18-20 of Vijayawada–Visakhapatnam section corresponding to road km 14/10 of Tokada-Dwarapudi road in East Godavari District	40	In progress	17.81	6.70
4	ROB at Dendukuru (Kazipet–Vijayawada section)	Construction of ROB at Dendukuru in lieu of LC No 125 D&U at railway km 534/8-10 of Kazipet–Vijayawada section at km 5/4-6 of Madhira-Yerrupalem road in Khammam District	77	In progress	19.68	17.56
5	ROB at Rajampet (Renigunta-Guntakal section)	Construction of ROB at Rajampet in lieu of LC No 103 at railway km 208/13-14 of Renigunta-Guntakal sections corresponding to road km 1/6-8 of Rajampet-Kadiri-Tumkur road in YSR District	100	In progress	11.90	10.88

Sl. No.	Name of the ROB/RUB in short	Full nomenclature of the work	Financial progress in Percentage as reported by Department	Physical Status	Agreement / Estimate cost (₹ in crore)	Expenditure as reported by Department (₹ in crore)
6	ROB at Palakol (Bhimavaram–Narasapur section)	Construction of ROB at Palakol in lieu of LC No 23 at railway km 21/10-11 of Bhimavaram –Narasapur section at km 22/0 +71m in Palakol municipal limits of Palakol town on Bhimavaram-Palakol road in West Godavari District	50	In progress	7.53	11.66
7	ROB at Yerraguntla (Renigunta-Guntakal section)	Construction of ROB at Yerraguntla yard in lieu of LC No 138 at railway km 298/4-5 of Renigunta-Guntakal section corresponding to road km 0/4-8 of Yerraguntla-Proddatur road in YSR District	98	In progress	8.82	15.91
8	2 nd ROB at Tadepalligudem (Vijayawada – Visakhapatnam section)	Construction of 2 nd ROB at Tadepalligudem municipal limits at 160 metres towards Tadepalligudem railway station from LC No.371 at railway km 534/28-31 of Vijayawada –Visakhapatnam section and at km 112/8 of Old NH-5 and ends at km 60/10 of N.A road in West Godavari District (<i>fully state funded</i>)	100	In progress	11.67	21.70
9	ROB at Ghanpur (Secunderabad–Kazipet section)	Construction of ROB at Ghanpur in lieu of LC No 49 at railway km 305/120-140 on Secunderabad –Kazipet section in km 0/8-10 of branch road to railway station connecting Ghanpur-Zaffarghad and Ghanpur–Palakurthy road in Warangal District	30	In progress	13.65	3.35
10	ROB at Tummikapalli (between stations Kothavalasa–Kantakapalli in Vizianagaram District)	Construction of ROB at Tummikapalli in lieu of LC No 481 at km 0/2 of Kothavalasa Deverapalli road at railway km 851/0-1 between stations Kothavalasa Kantakapalli – in Vizianagaram District	30	In progress	10.77	3.26
11	RUB at Puttur (Renigunta-Chennai section)	Construction of RUB in Puttur Town limits in lieu of LC No 57 between Renigunta-Chennai section in Chittoor District	100	In progress	2.52	2.30
12	RUB at Mahabubabad (Kazipet–Vijayawada)	Construction of RUB at Mahabubabad in lieu of LC No 81 at railway km 437/3-15 of Kazipet–Vijayawada section in km 0/4 of Mahabubabad-Maripeda road in Warangal District	67	In progress	7.62	1.40

Sl. No.	Name of the ROB/RUB in short	Full nomenclature of the work	Financial progress in Percentage as reported by Department	Physical Status	Agreement / Estimate cost (₹ in crore)	Expenditure as reported by Department (₹ in crore)
13	ROB at Puttur (Renigunta–Chennai section)	Construction of ROB at Puttur in lieu of LC No 58 at railway km 111/38 to 112/2 of Renigunta – Chennai section in Chittoor District	90	In progress	18.59	18.13
14	RUB at Nandalur yard	Construction of RUB at km 219/14-15 in Nandalur station yard, YSR District (fully state funded)	0	In progress	1.95	1.62
15	ROB at Tuni (Vijayawada–Visakhapatnam section)	Construction of ROB at Tuni in lieu of LC No 449 at railway km 682/16-18 of Vijayawada–Visakhapatnam section corresponding to road km 0/0 to 0/660 in Tuni town limits in East Godavari District	90	In progress	8.82	11.27
16	ROB on Madhira-Yerrupalem road (Kazipeta–Vijayawada section)	Construction of ROB in lieu of LC NO.128/T at railway km 542/30-32 of Kazipet-Vijayawada section in km 17/2-4 of Madhira-Yerrupalem road in Khammam District	15	In progress	11.94	1.70
17	ROB at Kadium (Vijayawada-Visakhapatnam section)	Construction of ROB at Kadium in lieu of LC No.398 at railway km.579/12-14 of Vijayawada-Visakhapatnam section corresponding to road at km 0/6 of Rajahmundry–Kesavaram road in East Godavari District	100	In progress	9.66	8.93
18	ROB at Bonakal (Kazipet–Vijayawada section)	Construction of ROB at Bonakal Yard in lieu of L.C No 117 at km 512/35-37 of Kazipet–Vijayawada section and km 25/2-4 of Jaggaiahpet-Wyra road in Khammam District	73	In progress	17.55	15.27
19	ROB at Gannavaram (Vijayawada-Visakhapatnam section)	Construction of ROB at Gannavaram in lieu of LC No 320 at railway km 448/6-8 of Vijayawada-Visakhapatnam section in km30/2 of Nuzvid-Gannavaram road in Krishna District	100	In progress	12.96	10.37

Sl. No.	Name of the ROB/RUB in short	Full nomenclature of the work	Financial progress in Percentage as reported by Department	Physical Status	Agreement / Estimate cost (₹ in crore)	Expenditure as reported by Department (₹ in crore)
20	ROB on SH 30 at Renigunta (connecting Gooty Renigunta line to Gudur-Renigunta line)	Construction of ROB at km 1/4-6 on SH-30 in connection with proposed railway Bye pass line connecting Gooty-Renigunta and Gudur-Renigunta lines near Renigunta, in Chittoor District. (Fully Railway Funded)	83	In Progress	7.48	10.12
SUB TOTAL (In Progress)					231.58	195.72
C.	IN INITIAL STAGES					
1	ROB at Veleru (Vijayawada-Visakhapatnam)	Construction of ROB at Veleru village limits in lieu of LC No 334E at railway km 467/8-10 of Vijayawada – Visakhapatnam and km 30/2 of Sobhanapuram Hanuman Junction in Krishna District	0	Initial stage	0	0
2	RUB at Kodur (Guntakal–Renigunta section)	Construction of RUB at Kodur railway station in YSR District in Guntakal–Renigunta section (fully state funded)	0	Initial stage	0	0
3	ROB at Kamalapuram (Chennai–Guntakal section)	Construction of ROB at km 14/4-8 of Khajipeta Kamalapuram road in Kamalapuram Town in lieu of LC No 134 of Madras–Guntakal section corresponding to railway km 282/16-283/1 in YSR District (fully state funded)	0	Initial stage	0	0
4	ROB at Gunadala (Vijayawada–Gudivada section)	Construction of ROB in lieu of LC No 8 at Gunadala at railway km 5/6-7 of Vijayawada – Gudivada section at km 5/204 of Vijayawada-Gudivada road in Vijayawada municipal limits in Krishna District	0	Initial stage	19.60	0
5	ROB at Powerpet (Vijayawada–Visakhapatnam section)	Construction of ROB in lieu of LC No 347 at railway km 486/26-28 of Vijayawada – Visakhapatnam section and km 64/2 of Vijayawada – Visakhapatnam road in Eluru town limits (Powerpet Gate) in West Godavari District	0	Initial stage	0	0

Sl. No.	Name of the ROB/RUB in short	Full nomenclature of the work	Financial progress in Percentage as reported by Department	Physical Status	Agreement / Estimate cost (₹ in crore)	Expenditure as reported by Department (₹ in crore)
6	ROB at Vatluru (Vijayawada–Visakhapatnam section)	Construction of ROB in lieu of LC No 343 at railway km 480/26-28 Vijayawada – Visakhapatnam section at Vatluru on Vijayawada Visakhapatnam road in West Godavari District	0	Initial stage	0	0
7	ROB at Muddanur (Renigunta-Guntakal section)	Construction of ROB in lieu of LC No 145 (Chennai-Mumbai lane) at km 316/01 between Muddanur and Mangapatnam station on Renigunta-Guntakal section in YSR District	0	Initial stage	0	0
8	ROB at Battala bazar (Kazipet-Vijayawada section)	Construction of ROB in lieu of LC No 62/T at Battala Bazar in Warangal town limits at railway km 376/2-4 of Kazipet-Vijayawada section on Hanamkonda – Khammam road at km 6/8-10 in Warangal District	0	Initial stage	0	0
9	ROB at Bhanugudi Junction (Samalkot-Kakinada section)	Construction of ROB at Kakinada in lieu of LC No 7 at railway km 11/19-20 of Samalkota-Kakinada section on the road from Kakinada-Rajahmundry road at ZP Junction to NH-214 at Bhanugudi Junction in Kakinada city limits in East Godavari District	0	Initial stage	0	0
10	ROB at Kakinada (Kakinada Port Yard)	Construction of ROB in lieu of LC No 13 at km 166/4-5 in Kakinada Port Yard and LC No 1 at km 0/8-9 between Kakinada Port Yard and NFCL siding on Kakinada-Rajanagaram (ADB) road in East Godavari District.	0	Initial stage	0	0
SUB TOTAL (In Initial Stages)					19.60	0
GRAND TOTAL					410.07	398.80

Annexure – 4.3
(Reference to paragraph 4.1.6.1 page 70)

**Instances of bridge proper complete but approaches incomplete
and vice versa etc.**

ROB	Expenditure incurred (as reported by Department) (₹ in crore)	Brief Description
ROB at Dwarapudi	6.70	Tenders were floated and work was awarded (November 2009), prior to completion of land acquisition, which is now sub-judice. The bridge proper is completed, while approaches are still incomplete (June 2012).
ROB at Rajampet	10.88	The work was awarded in June 2007, without completion of land acquisition. The Bridge proper was completed however, the approaches are still incomplete (November 2011).
ROBs at Tummikapalli	3.26	The bridge proper is completed, while the approaches are still incomplete, due to land acquisition problems (July 2012).
2 nd ROB at Tadepalligudem	21.70	The bridge proper and ROB structure are complete, but approach road is incomplete due to incomplete land acquisition and a pending court case (March 2012).
ROB at Puttur	18.13	Railway Bridge proper completed, but the approaches are still incomplete due to land acquisition problem and delay in finalization of designs of the super structure and substructure of ROB approaches (August 2012).
ROB on SH-30 Renigunta	10.12	Though the work was entrusted in January 2009 with a stipulation to complete by January 2010, enormous delay was noticed in land acquisition due to which though the Bridge proper completed by Railways, the approaches remain incomplete (August 2012).
RUB at Nandalur	1.62	The railway portion of the RUB is complete, but the approaches (R&B portion) are yet to be grounded. (November 2012).
RUB at RIMS (Kadapa)	3.90	Bridge proper completed but approaches were not taken up, due to land acquisition problems (October 2012).
RUB at Puttur Town	2.30	Water gets stagnated in Subway portion for even small rains and there is interruption of traffic due to non completion of the work of construction of sump well to collect the rain water in subway and pumping the water (August 2012).
ROB at Milk Project, Vijayawada	18.98	While the ROB has been opened for traffic, works relating to service roads, side drains and pipe culverts are yet to be completed, due to non-completion of UGD pipeline by the Municipal Corporation (February 2012).
ROB at Tuni	11.27	R&B Department called for tenders in April 2007 and entrusted the work in June 2007, without completion of land acquisition and shifting of utilities, and even the communication of the combined estimate by the Railways (November 2007). In fact, the RCL was not finalised even by 2010. The approaches were completed by March 2010, and held up for want of completion of the bridge proper by the Railways (June 2012).

ROB	Expenditure incurred (as reported by Department) (₹ in crore)	Brief Description
ROB at Yerraguntla	15.91	Agreement was concluded in March 2008, before completion of land acquisition. Further, alignment of approaches was modified after opening of tenders. R&B approach portion is completed (except slabs near common piers), while the Railway portion was still incomplete (November 2011). However, a link road for one of the approaches (Proddatur side) facilitating movement of heavy traffic is not yet taken up (October 2012).
ROB at Bhalabhadrapuram	13.20	The bridge proper and ROB are complete, but the ROB is not usable due to non-shifting of HT Transmission Lines of 220 and 400 KV. As per the electricity authorities, the clearance from the ROB RCL level as 7.13 metres and 7.27 metres for the 220 and 400 KV lines, against the stipulated minimum clearances of 7.926 metres and 8.84 metres. However, the ROB records showed clearances of 9.005 metres and 9.476 metres respectively (June 2012).
ROB at Bonakal Yard	15.27	Two spans on Jaggaiahpetta side are obstructed by a 132 KV HT Transmission line, which is crossing the ROB slabs without minimum clearance over RCL. Consequently, part of the work was stopped for want of shifting of HT line (February 2012).
ROB at Anaparthi	9.87	Originally, the ROB was to be constructed at LC 413T as per RWP. Subsequently, the ROB was shifted to LC 412T (1km away) on grounds of difficulties with acquisition of land and structures in a heavily built-up area; this was accepted by the Railways with the proviso that both LCs – 412T and 413T – would be closed. However, despite completion of the ROB, the LC at 413T has not been closed (April 2012).
ROB at Lankelapalem	23.28	Although the work was entrusted in July 2006, the site was physically handed over only in April 2007; this was due to delay in the land acquisition process. Although the ROB was finally completed and opened for traffic (August 2010), the LC was not closed; reasons were not available on record (July 2012).

Annexure - 4.4
(Reference to paragraph 4.2 page 85)

Details of sugar factories under the cooperative sector

Sl. No.	Name of the CSF
1	The Kadapa Co-operative Sugars Limited, Kadapa
2	NVR&ADR Co-operative Sugars Limited, Guntur
3	The Chittoor Co-operative Sugar Limited, Chittoor
4	The Kovur Co-operative Sugars Limited, Nellore
5	The Anakapalle V.V.Ramana Co-op. Sugars Limited, Anakapalle
6	The Nizamabad Co-operative Sugars Factory Limited, Nizamabad
7	The Thandava Co-operative Sugars Limited, East Godavari District
8	Sri Venkateswara Co-operative Sugars Factory Limited, Chittoor
9	Sri Vijayarama Gajapati Co-operative Sugars Factory Limited, Vizianagaram District
10	Chodavaram Co-operative Sugars Factory Limited, Visakhapatnam
11	Etikoppaka Co-operative Sugars Factory Limited, Visakhapatnam

Annexure – 4.5
(Reference to paragraph 4.2 page 86)

Details of loans sanctioned by GoAP to Cooperative Sugar Factories

Sl. No.	Name of the CSF	Yearly Details of Loans taken by CSFs (₹ in lakh)						Total Loans	Re-payment
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12		
1	The Kadapa Co-operative Sugars Limited, Kadapa	700.00	502.56	-	-	-	-	1202.56	Nil
2	NVR & ADR Co-operative Sugars Limited, Guntur	-	-	-	-	749.00	-	749.00	Nil
3	The Chittoor Co-operative Sugar Limited, Chittoor	-	-	-	-	350.00	2356.63	2706.63	Nil
4	The Kovur Co-operative Sugars Limited, Nellore	-	-	-	-	688.00	962.63	1650.63	Nil
5	The Anakapalle V.V.Ramana Co-op. Sugars Limited, Anakapalle	-	-	-	-	30.22	609.71	639.93	Nil
6	The Nizamabad Co-operative Sugars Factory Limited, Nizamabad	-	-	-	-	558.00	-	558.00	Nil
7	The Thandava Co-operative Sugars Limited, East Godavari District	-	-	-	-	-	373.52	373.52	Nil
8	Sri Venkateswara Co-operative Sugars Factory Limited, Chittoor	-	-	-	-	-	1333.37	1333.37	Nil
	Total Amount	700.00	502.56	-	-	2375.22	5635.86	9213.64	Nil

Annexure – 4.6
(Reference to paragraph 4.2 page 87)
Statement showing Profit and Loss of
Cooperative Sugar Factories from 2007-08 to 2011-12

(₹ in lakh)

Sl. No.	Name of the C.S.F	2007-08	2008-09	2009-10	2010-11	2011-12	Accumulated losses as on 31 March 2012
1	The Kadapa Co-operative Sugars Ltd, Kadapa	(-) 699.42	(-) 48.94	(-) 150.50	(-) 165.40	---	2801.12 (31.03.2011)
2	NVR & ADR Co-operative Sugars Limited, Guntur	(-) 456.01	(-) 341.87	(-) 45.93	(-) 180.39	---	2982.90 (31.03.2011)
3	The Chittoor Co-operative Sugar Ltd. Chittoor	(-)1252.04	(+)285.67	(-) 667.93	(-)1711.88	(-) 936.00	9365.50
4	The Kovur Co-operative Sugars Limited, Nellore	(-)1938.81	(-) 345.02	(-) 611.14	(-)1187.04	(-) 681.00	9920.70
5	The Anakapalle V.V.Ramana Co-op. Sugars Ltd.,Anakapalle	(-) 151.12	(-) 46.97	(-) 296.36	(-) 304.23	(-) 450.33	3977.19
6	The Nizamabad Co-operative Sugars Factory Ltd, Nizamabad	(-) 943.09	(-) 261.68	(-) 353.42	(-) 454.33	---	6281.30 (31.03.2011)
7	The Thandava Co-operative Sugars Limited, East Godavari District	(-) 688.20	(+)365.90	(+)129.66	(+) 28.16	---	2338.75 (31.03.2011)
8	Sri Venkateswara Co-operative Sugars Factory Ltd, Chittoor	(-)1115.48	(+)760.20	(-) 90.81	(-) 811.65	---	5274.92 (31.03.2011)
	Total						42942.38

Glossary

ADB	:	Asian Development Bank
AEE	:	Assistant Executive Engineer
ANR	:	Assisted Natural Regeneration
APCOB	:	Andhra Pradesh State Cooperative Bank
APFDC	:	Andhra Pradesh Forest Development Corporation Limited
APIA	:	Andhra Pradesh Infrastructure Authority
APIDE Act	:	Andhra Pradesh Infrastructure Development Enabling Act, 2001
APIIC	:	Andhra Pradesh Industrial Infrastructure Corporation Limited
APSEB	:	Andhra Pradesh State Electricity Board
APSFR	:	Andhra Pradesh 'State of Forest' Report
APSRTC	:	Andhra Pradesh State Road Transport Corporation
AR	:	Artificial Regeneration
BG	:	Bank Guarantee
BM	:	Bituminous Macadam
BOST	:	Build, operate, share and transfer
BT	:	Black Top
CA (as in Chapter-2)	:	Concession Agreement
CA (as in Chapter-3)	:	Compensatory Afforestation
CAMPA	:	Compensatory Afforestation Management and Planning Authority
CC	:	Cement Concrete
CCF	:	Chief Conservator of Forests
CCO	:	Chief Controlling Officer
CE	:	Chief Engineer
CFM	:	Community Forest Management
COD	:	Commercial Operations Date
COS	:	Commissioner of Sugar & Cane Commissioner
COT	:	Commissionerate of Tenders
CSC	:	Cabinet Sub Committee
CSF	:	Cooperative Sugar Factories
D&P Wing	:	Designs and Planning Wing, R&B Department
DC	:	Deputy Commissioner
DD	:	Demand Draft
DEE	:	Deputy Executive Engineer
DFO	:	Divisional Forest Officer
DLC	:	District Level Committee

DoP	:	Director of Ports
DOWA	:	Director of Works Accounts
DPR	:	Detailed Project Report
ECEPL	:	East Coast Energy Private Limited
ECV	:	Estimate Contract Value
EDC	:	Eco Development Committees
EE	:	Executive Engineer
EMD	:	Earnest Money Deposit
ENC	:	Engineer-in-Chief (R&B) Administration & National Highways, R&B Department
EoI	:	Expression of Interest
EP	:	Eucalyptus Plantation
FDA	:	Forest Development Agency
FRO	:	Forest Range Officer
FSI	:	Forest Survey of India
GAD	:	General Arrangement Drawing
GoM	:	Group of Ministers
GPL	:	Gangavaram Port Limited
GSB	:	Granular Sub-Base
HoFF	:	Head of Forest Force
HT Transmission lines	:	High Tension Transmission lines
I&CAD	:	Irrigation and Command Area Development Department
IFMS	:	Intensification of Forest Management Scheme
IRR	:	Internal rate of return
ISFR	:	India 'State of Forest' Report
IT return	:	Income Tax return
IT&C	:	Information Technology and Communication
JFMC	:	Joint Forest Management Committees
KDWP	:	Kakinada Deep Water Port
KPCL	:	Krishnapatnam Port Company Limited
KSPL	:	Kakinada Sea Port Limited
LA	:	Land Acquisition
LC	:	Level Crossing
LOC	:	Letter of Credit
MDF	:	Moderately Dense Forest
MGA	:	Minimum Guaranteed Amount
MoRTH	:	Ministry of Road Transport & Highways, Government of India

MoU	:	Memorandum of Understanding
MTPA	:	Million Tonnes per annum
NABARD	:	National Bank for Agriculture and Rural Development
NAP	:	National Afforestation Programme
NH	:	National Highway
NPV	:	Net Present Value
OF	:	Open Forest
OMST	:	Operate, maintain, share and transfer
PA	:	Protected Area
PAO	:	Pay and Accounts Office
PCCF	:	Principal Chief Conservator of Forests
PMU	:	Project Monitoring Unit
PO	:	Port Officer
POL	:	Petrol, Oil and Lubricants
PPP	:	Public Private Partnership
PSU	:	Public Sector Undertaking
QC	:	Quality Control
R&B	:	Roads and Buildings Department
R&R	:	Relief and Rehabilitation
RA	:	Revised Agreement
RBI	:	Reserve Bank of India
RCC	:	Reinforced Cement Concrete
RCL	:	Road Crest Level
RFP	:	Request for Proposal
RFQ	:	Request for Qualification
RIDF	:	Rural Infrastructure Development Fund
ROB	:	Road Over Bridge
ROFR (as in Chapter-2)	:	Right of First Refusal
ROFR (as in Chapter-2)	:	Recognition of Forest Rights
RSW	:	Railway Safety Works
RUB	:	Road Under Bridge
RVP	:	River Valley Project
RWP	:	Railway Works Programme
SA	:	Supplementary Agreement
SBC	:	Safe Bearing Capacity
SBM	:	Single Buoy Mooring
SDBC	:	Semi-Dense Bituminous Concrete

SDLC	:	Sub- Divisional Level Committee
SE	:	Superintending Engineer
SEZ	:	Special Economic Zone
SPS Nellore	:	Sri Potti Sriramulu Nellore District
SPV	:	Special Purpose Vehicle
SSR	:	Standard Schedule of Rates
TMT Steel	:	Thermo Mechanically Treated Steel
TR&B (P)	:	Erstwhile Transport, Roads & Buildings (Ports) Department
TVU	:	Train Vehicle Units
UC	:	Utilization Certificate
UGD	:	Under Ground Drainage
VANPIC	:	Vadarevu & Nizampatnam Ports & Industrial Corridor
VAT	:	Value Added Tax
VDF	:	Very Dense Forest
VGTMUDA	:	Vijayawada, Guntur, Tenali and Mangalagiri Urban Development Authority
VSS	:	Vana Samrakshana Samithies
WBM	:	Water Bound Macadam
WLM	:	Wild Life Management
WLS	:	Wild Life Sanctuary
WMM	:	Wet Mix Macadam
WPI	:	Wholesale Price Index