

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)