

# Chapter III

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## **Compliance Audit**

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## Municipal Administration and Urban Development Department

### 3.1 Protection and Conservation of Lakes in Hyderabad Metropolitan Area

Lakes are standing water bodies in natural or constructed valleys bound within embankments that catch rainfall that drains down the land slopes in the catchment areas. Urbanisation, however, has led to a steady reduction in the number and area of the lakes, besides unregulated solid waste dumping has drastically changed their physical and chemical character. There are 3,132 lakes (as of June 2018) spread over seven districts in Hyderabad Metropolitan Area.

*(Paragraph 3.1.1)*

Audit was conducted to assess the impact of State Government's efforts in preservation and conservation of lakes. Audit reviewed the institutional mechanisms in the State for such integration in lake protection.

*(Paragraphs 3.1.1.1 & 3.1.2.2)*

Major findings are as detailed below:

- The work on survey of lakes, their notification was incomplete with only five *per cent* (165) of the lakes being notified as of June 2018, even after lapse of three years after the work was entrusted to the consultant and after incurring an expenditure of ₹12.62 crore as of September 2018. Even though the lakes were notified, the survey numbers of the Full Tank Level (FTL) area and the buffer zone were not notified in the Gazette.
- The list of 3,132 lakes enumerated was not comprehensive and excluded 146 lakes.
- Delays in reconciliation of the survey results with the records of the Irrigation and Revenue Departments led to the delays in final notification. In the lakes that were finally notified and were supported by memoirs of Irrigation Department, it was noticed that the FTL notified was less than that in the memoirs by 120.895 acres.

*(Paragraph 3.1.3)*

- The Lake Protection Committee (LPC) did not have statutory powers to enforce its decisions. Lake Protection Committee could not ensure coordination between multiple agencies and failed to ensure implementation of its decisions which led to continuing pollution and deterioration of lakes.

*(Paragraph 3.1.2.3)*

- Hyderabad Metropolitan Development Authority (HMDA) had submitted an action plan for conservation and beautification of 258 lakes to State Government. Neither approval nor release of funds was received from Government, as a result of which the action plan could not be implemented. HMDA did not spend any amount on conservation/protection of lakes, except an amount of ₹12.62 crore on survey of lakes during last five years i.e., 2013-18.

- State Government accorded administrative sanction to HMDA for development and beautification of 20 lakes with HMDA funds of ₹120 crore. In respect of 11 out of these 20 lakes, there were no pre-feasibility reports. The selection of lakes for development was not based on detailed study. Only two of these 20 lakes were finally notified.
- Although, Greater Hyderabad Municipal Corporation (GHMC) had budgeted ₹287.33 crore during 2014-18 on lakes, it spent only ₹42.14 crore on protection and beautification works, construction of idol immersion ponds for Ganesh festival, Bathukamma festival arrangements, etc.
- State Government, under its Mission Kakatiya (Phase IV), accorded administrative sanction for ₹282.63 crore towards restoration and comprehensive development of 19 urban lakes falling under GHMC area in Hyderabad, Medchal and Rangareddy districts for the year 2018-19. For a downstream lake to be healthy, the water quality of the upstream lake needs to be conserved failing which, the pollution would continue downstream with the inflows. The selection of these lakes based on Assembly constituencies, as per the guidelines of Mission Kakatiya, resulted in selection of lakes without taking into consideration the priority along a chain of lakes.

*(Paragraph 3.1.2.4)*

- In order to identify lakes for availing funding under National Plan for Conservation of Aquatic Eco-systems (NPCA), State Government prioritised 30 lakes for pre-feasibility study from which, DPRs were prepared for 19 lakes with a proposed outlay of ₹310.60 crore. However, it was observed that the proposals were not approved by GoI as of August 2018 due to ambiguity in the rates adopted for DPR, incorrect estimates, etc. Thus the DPRs were forwarded without ensuring accuracy of estimates resulting in their non-approval, so far, by GoI and resultant non-availment of funding under NPCA.

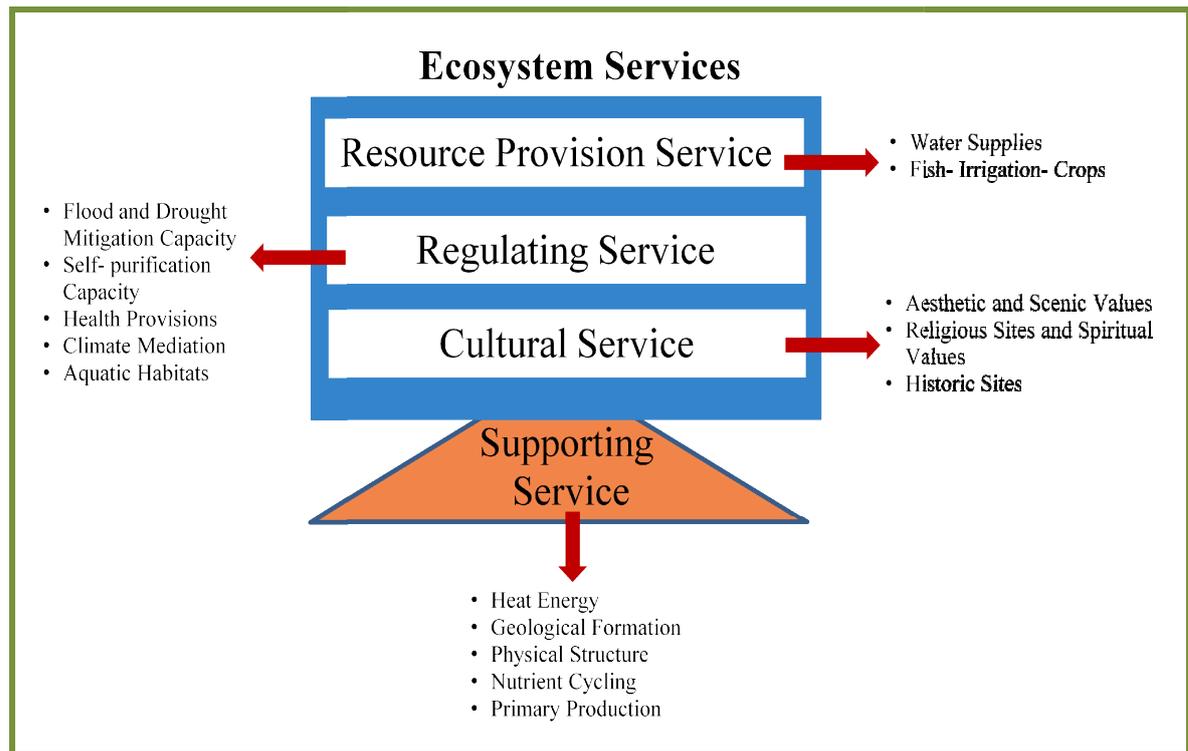
*(Paragraph 3.1.2.5)*

- Continuous encroachments in the catchment, buffer area and the FTL of lakes coupled with inaction on the part of the Revenue Department to remove encroachments resulted in deterioration of lake health and threatened the very existence of the lake.

*(Paragraph 3.1.4.2)*

### **3.1.1 Introduction**

Lakes are standing water bodies in natural or constructed valleys bound within embankments that catch rainfall that drains down the land slopes in the catchment areas. Ecologically, urban lakes play a key role in balancing the local environment (Figure-3.1).



**Figure-3.1: showing the Ecosystem Services provided by an urban lake**

*Source: "ILEC 2007 Integrated Lake Basin Management: An Introduction" by International Lake Environment Committee (ILEC) Foundation, Japan*

The topography and natural drainage patterns of Hyderabad, located on Deccan Plateau, allowed construction of series of ‘Chain Link Lakes<sup>1</sup>’, locally known as Cheruvus<sup>2</sup>. These water bodies acted as water storage reservoirs for irrigation, drinking and groundwater recharge. Urbanisation has, however, led to a steady reduction in the number and area of the lakes, unregulated solid waste dumping has drastically changed their physical and chemical character. There are 3,132 lakes<sup>3</sup> (as of June 2018) spread over seven districts<sup>4</sup> of State of Telangana.

### 3.1.1.1 Audit Framework

Audit was conducted to assess the impact of State Government’s efforts in preservation and conservation of lakes. The audit criteria include Government orders and Guidelines of National Lake Conservation Plan (NLCP) issued (May 2008) by Government of India (GoI). Audit scrutinised (April-September 2018) records for the period 2014-18 of the Hyderabad Metropolitan Development Authority (HMDA<sup>5</sup>), Greater Hyderabad Municipal Corporation (GHMC<sup>6</sup>), Revenue Department, Irrigation Department, Telangana State Pollution Control Board (TSPCB) and Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS&SB).

<sup>1</sup> Lakes connected by streams/drains where outflow of upstream lake forms inflow for downstream lake

<sup>2</sup> Cheruvu is the local word to signify a lake. Many big lakes were built by the Qutub Shahi rulers (1534-1724 A.D.) and later by the AsafJahi rulers (1724-1948 A.D.) in and around Hyderabad city

<sup>3</sup> Greater Hyderabad Municipal Corporation (GHMC)-185 lakes and Hyderabad Metropolitan Development Authority (HMDA)-2,947 lakes

<sup>4</sup> Hyderabad, Medak, Medchal-Malkajgiri, Rangareddy, Sangareddy, Siddipet and Yadadri-Bhuvanagiri

<sup>5</sup> HMDA: urban planning agency

<sup>6</sup> GHMC: local civic body for Hyderabad city

Out of the 3,132 lakes identified in HMDA, 50 lakes (*Appendix-3.1*) were selected using the stratified random sampling technique based on various key parameters<sup>7</sup> for examination. Audit was, however, hampered due to non-production of records by Irrigation Department, HMDA and GHMC in respect of the selected lakes. Out of the 50 lakes in the audit sample, joint physical verification was conducted for 18 lakes (*Appendix-3.1*) along with Irrigation Department officials. In view of multiple departments that work in the area of lake protection, an Entry Conference was held on 4 May 2018. Exit Conference was conducted on 15 March 2019 to discuss the audit findings with Government/Departments.

In the absence of laid down water policy or a policy for protection and conservation of lakes, Audit relied upon good practices followed across the country in respect of protection and conservation of lakes.

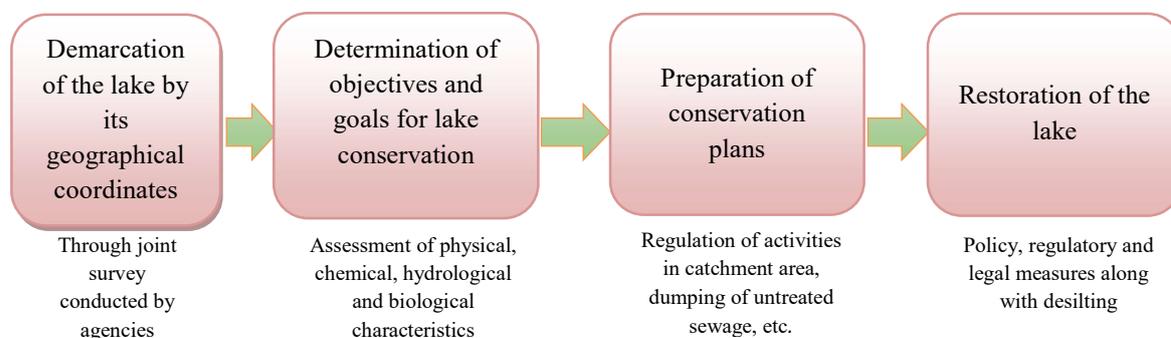
We acknowledge the valuable guidance received from Shri B.V. Subba Rao, Advisor, Centre for Climate Change, Engineering Staff College of India, Hyderabad in audit planning and implementation.

### 3.1.2 Audit Findings

#### 3.1.2.1 Institutional structures: Lack of coordination

The following steps invariably form part of conservation efforts on a lake:

*Chart-3.1: Steps in conservation of a lake*



Source: "Conservation and Management of lakes: an Indian Perspective". Can be accessed at [http://www.moef.nic.in/sites/default/files/nlcp/Lake\\_Conserv-Manage\\_India.pdf](http://www.moef.nic.in/sites/default/files/nlcp/Lake_Conserv-Manage_India.pdf)

#### 3.1.2.2 Multiplicity of agencies

Several State Government Departments/agencies are involved in protection and conservation of lakes (Figure-3.2). The roles and responsibilities of these Departments/agencies are listed in *Appendix-3.2*.

<sup>7</sup> Full Tank Level (FTL) area (refers to the level beyond which a lake cannot retain water any more), Adverse media reports, Pollution levels, Encroachments, Geographical location, Chain of lakes, etc.

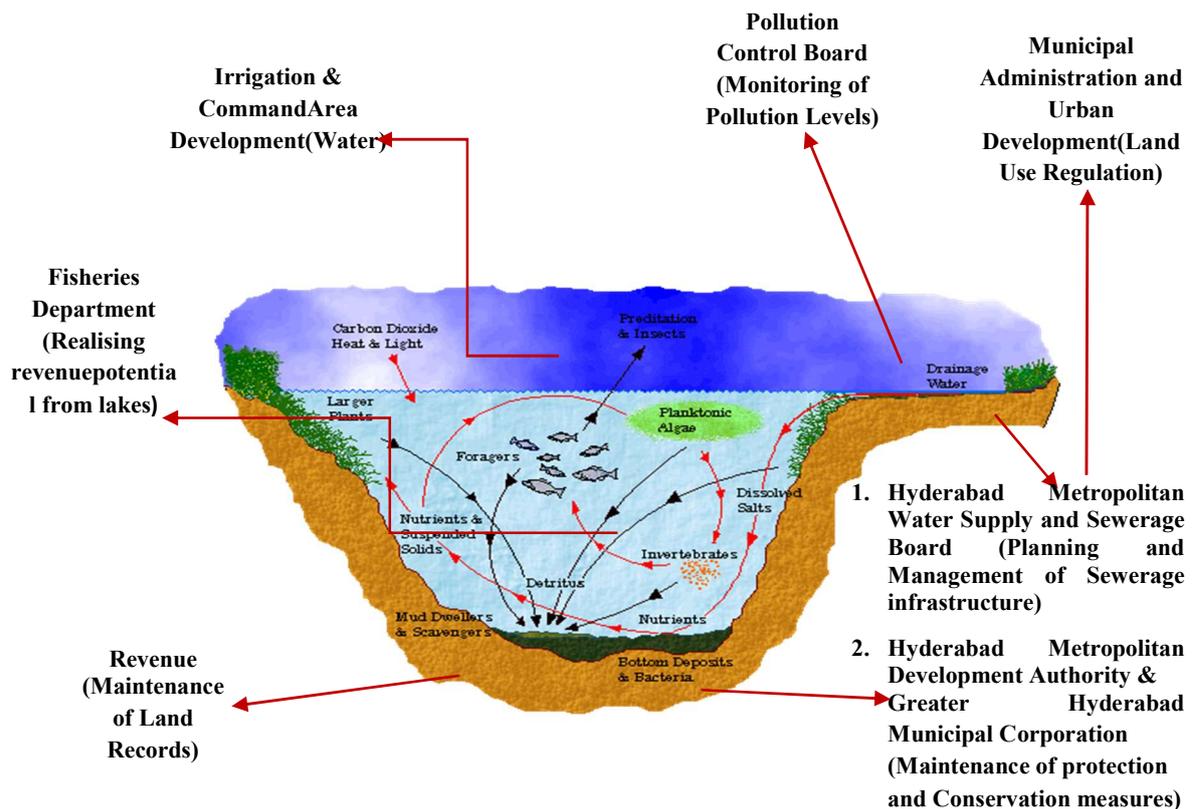


Figure-3.2 : Multiplicity of Departments involved in Conservation and Protection of lakes along with their responsibilities

Ministry of Environment and Forests (MoEF), Government of India (GoI) in its report titled “*Conservation and Management of lakes: an Indian Perspective*” noted that institutional mechanisms are required for coordination between different water agencies and concerned organisations, and for stakeholders participation in conservation and management. The institutional mechanisms in the State for such integration in lake protection were reviewed. Findings are detailed below:

### 3.1.2.3 Lake Protection Committee

#### *Role of Lake Protection Committee*

Taking cognisance of the need for coordination among multiple agencies towards protection of lakes, the erstwhile Hon’ble High Court of State of Andhra Pradesh constituted (April 2010) the Lake Protection Committee (LPC) pending enactment of separate legislation for constitution of Lake Protection Authority (LPA). The 18-member LPC is chaired by Metropolitan Commissioner of HMDA; its members are drawn from all concerned agencies listed at *Appendix-3.3*.

#### *Effectiveness of LPC: 2010-18*

Functioning of the LPC since its formation was examined. The following observations are made that indicate want of commitment to the objective of LPC among its constituent members and the State Government:

- Government order (April 2010) on formation of LPC stipulated that the Chairman (Metropolitan Commissioner, HMDA) would submit periodical reports to

the Government. The order did not mention the essentials of the periodical report such as content, format or periodicity. HMDA confirmed (July 2018) that periodical reports to Government were not submitted.

- The LPC in its first meeting (April 2010) resolved to hold regular meetings on 3<sup>rd</sup> Friday of each month. Accordingly, 101 meetings should have been held till September 2018. LPC, however, did not meet every month as resolved. Only 16 meetings were held till September 2017<sup>8</sup> after which no meetings were held till date (September 2018). Chairman, LPC attributed the non-conduct of regular meetings to pre-occupation of officials of Irrigation and Revenue Departments in implementation of their flagship programmes.
- The LPC was not vested with powers or authority to direct the implementation of its decisions by its constituent members. In 16 meetings spread over eight years, although, LPC took several decisions, it could not ensure timely implementation of those decisions. Table-3.1 detailed status of some of its important decisions and action taken there against:

**Table-3.1: Decisions of LPC not implemented**

Sl. No.	Decision	Date of decision	Action & Status
1.	Identifying the debris dumping sites	March 2012	No action taken by HMDA. It was observed that debris were being dumped in 13 out of the 18 physically verified lakes (Paragraph 3.1.5 refers)
2.	Construction of Full Tank Level (FTL) pillars along with the work of FTL boundary fixation	October 2012	FTL pillars not fixed even in case of finally notified lakes (Paragraph 3.1.4.2 refers)
3.	PCB to assess water quality of all lakes	October 2012	Only 19 lakes tested regularly out of the 3,132 lakes
4.	Removal of all encroachments from Himayatsagar and Osmansagar lake areas	April 2013	HMDA replied (July 2018) that action would be taken after fixation of FTL pillars on completion of the survey. Survey of the lakes was not completed even after lapse of more than four years from date of agreement with consultant
5.	Adopt a Lake scheme <sup>9</sup>	September 2013	Though, LPC forwarded (June 2014) the proposals to State Government, no action was initiated for introduction of the scheme. LPC also did not pursue the State Government for the approval of its proposals

- GoI advised (February 2012) the State Government to set up LPA to be eligible to receive financial assistance for conservation of polluted/degraded lakes and wet lands under the Scheme “National Plan for Conservation of Aquatic Eco-systems (NPCA)”.

<sup>8</sup> upto 2013-14: 9 meetings; 2014-15: 2 meetings; 2015-16: 3 meetings; 2016-17: 1 meeting and 2017-18: 1 meeting

<sup>9</sup> Under the scheme, a lake protection group would be formed with the local Resident Welfare Associations as lead partner and other stakeholder groups like Corporate bodies, NGOs, etc., as secondary partners. The lake protection group would adopt a particular lake which would enable involvement of the local stakeholders in protection and conservation of lakes

Further, Chief Secretary to State Government also instructed (March 2016) Municipal Administration & Urban Development (MA&UD) Department to notify HMDA as LPA for the HMDA area to access funds under NPCA. No action was, however, taken to issue such a notification as of July 2018. The HMDA replied (July 2018) that the action for formation of LPA was pending with the State Government.

- Draft guidelines were forwarded by HMDA (December 2013) to Government assigning roles & responsibilities to various agencies including that of District Collectors (DCs). State Government sought (June 2016) updated information from HMDA. Guidelines could not be approved by Government (September 2018) as HMDA did not furnish the updated information even after a lapse of two years.
- The State Government notified<sup>10</sup> Ameenpur lake as a “Biodiversity Heritage Site” as it had variety of flora and fauna. One of the important aspects of lake protection is to improve habitat for aquatic biodiversity by reducing sullage<sup>11</sup> and non-point sewage<sup>12</sup> impact. The illegal constructions and encroachments around the lake, affecting its bio diversity, was brought to the notice (December 2017) of the HMDA by the Director General, Telangana Special Protection Force who was also the Convenor, Biodiversity Heritage Site Management Committee. Despite this, Metropolitan Commissioner, HMDA (as chairman of LPC) had not taken (as of December 2018) any action to curb illegal constructions and encroachments, even though he is responsible for removal of encroachments in lake FTL and buffer zones as well as all other activities that would be incidental to protection and improvement of lakes and their catchments.

***Case Study 1: Durgam Cheruvu – LPC Decision not adhered to***

Durgam Cheruvu at Raidurg village in Krishna basin, which was a source of water supply to Golconda fort during Qutub Shahi rule, was restored in 1970. It is a part of a chain of lakes. The lake area was covered (April 1986) under the notified Kukatpally Zonal Development Plan.



***Figure-3.3: Durgam Cheruvu Ring Bund (11 October 2018)***

Over a period, buildings came up in and around the lake area, with the layouts being duly approved by Hyderabad Urban Development Authority<sup>13</sup> (HUDA). Three of such approved six layouts were cancelled after the flash floods in 2000<sup>14</sup>. HUDA, however,

<sup>10</sup> G.O.Ms. No. 70, Environment, Forests, Science & Technology (FOR.II) Department dated 15 November 2016

<sup>11</sup> Waste water from household sinks, showers and baths but not waste liquid or excreta from toilets

<sup>12</sup> Non-point sewage occurs due to pollution through many diffused sources like runoffs, precipitation, drainage, seepage, etc.

<sup>13</sup> The jurisdiction of HUDA was increased and renamed as HMDA as per G.O. Ms No. 570 dated 25 August 2008 issued by MA&UD

<sup>14</sup> According to the case study on urban flooding in Hyderabad published by the Global Institute for Research & Education, the property and other losses during the floods in the year 2000 were as follows: Property loss/ Worth- 35,693 homes/₹1.35 crore, Human lives lost-26, Population affected-2 lakh

did not take any decision on cancellation of the remaining three layouts. An area of 156.16 acres had been demarcated as FTL in 2005 by the Irrigation Department. Of this, Revenue Department found (September 2010) that an area of 31.16 acres had been commercially<sup>15</sup> developed.

As per the lake memoir<sup>16</sup>, the bund<sup>17</sup> of the lake was 213 metres. Ring bund<sup>18</sup> was constructed by GHMC around the lake, which reduced the FTL area. A cycling track and walking track at a cost of ₹48 lakh was constructed by a Corporate body in 2017. Though, LPC instructed (September 2013) GHMC to remove the ring bund, the same was not implemented. The reasons for non-implementation of LPC decision was not on record. Construction of permanent structures within the lake, especially in the context of non-finalisation of lake boundaries and encroachments in the FTL and buffer area would result in permanent reduction of FTL area.

*Thus, LPC could not ensure coordination between multiple agencies and failed to ensure implementation of its decisions.*

*More specifically, the lack of coordination had the following impact:*

- *Out of 3,132 lakes identified in Hyderabad, only 165 (GHMC: 48; HMDA: 117) were finally notified to enable identification and removal of encroachments (Para 3.1.3 refers);*
- *No action plans were finalised and implemented to regulate the activities in the FTL areas of all finally notified lakes;*
- *Encroachments continued in the lakes (Para 3.1.4.2 refers).*

### ***Corrections to Master Plan without ascertaining FTL of Lakes***

As per provisions of HMDA Act, 2008, HMDA is mandated with planning, coordinating, supervising, promoting and securing planned development of the Hyderabad Metropolitan Region. Any change in land use is only permissible after the finalisation of the Master Plan. The Master Plan (although finalised in 2013) did not factor in the actual extent of the lakes. In the absence of survey and finalisation of FTL area of lakes, HMDA stated that corrections on land use were made in the Master Plan. It would however, be improper to change the land use without ascertaining the FTL of the lake. In this context, it was observed that layouts which were earlier approved by HUDA were cancelled after flash floods as part of the layouts had encroached into FTL (*Case study 1 refers*).

### ***Role of Stakeholders in lake protection***

The erstwhile State of unified Andhra Pradesh evolved a State Water Policy (February 2009) for effective participation of users by way of mandatory development and management of water resources with involvement of primary stakeholders. Any

<sup>15</sup> 222 residential and commercial structures were identified (June 2012) in the FTL area

<sup>16</sup> A memoir of a lake is a historical document detailing the geographical and hydrological particulars of the lake

<sup>17</sup> Bund is a manmade earthen embankment of a tank which can be natural water retaining storage like lakes, ponds are artificially constructed water storage structures like dams

<sup>18</sup> A ring bund is a bund which runs around the entire perimeter of the lake. It is a way to combat floods and is usually built in localised areas which have great danger potential and yet it is not economically feasible to have basin protection

evidence about its adoption by State of Telangana subsequent to its formation (June 2014) was, however, not furnished by the Government.

While lake protection suffered due to lack of coordination between multiple agencies, there was no effort by the LPC or the State Government to include an important stakeholder in the activity i.e., the citizen. In respect of urban lakes, such stakeholders would be fishermen and residents of areas around the lake. Evidence of user groups being involved in the conservation of lakes by HMDA/GHMC was not found.

***Case Study 2: Assignment of lake to private agencies without guidelines leading to legal dispute***

LPC decided (March 2011) to consider giving lakes for adoption to Corporate/Private Sector for development and maintenance. Although, HMDA forwarded (June 2014) these proposals to State Government, no action was initiated for introduction of the scheme. LPC also did not pursue the State Government for the approval of its proposals.

Meanwhile, a private Corporate approached (August 2017) the Government expressing interest to adopt two lakes, i.e., Nallagandla lake and Malkam Cheruvu under Corporate Social Responsibility (CSR). The Corporate body committed funds to the extent of ₹12 crore and ₹10 crore for Nallagandla lake and Malkam Cheruvu respectively. The proposal contained a generic list of activities<sup>19</sup> and was not supported by any detailed plan. The Standing Committee of GHMC, however, approved (March 2018) the proposal of the Corporate body for one lake viz., Malkam Cheruvu. Subsequently, on a Public Interest Litigation (PIL<sup>20</sup>) Hon'ble High Court of Andhra Pradesh and Telangana (High Court) stayed (April 2018) the works within the limits of Malkam Cheruvu, till further orders.

Similarly, development and beautification of Durgam Cheruvu was entrusted to another Corporate group<sup>21</sup>, under CSR.

***As LPC was not vested with powers or authority to direct the implementation of its decisions by its constituent members, it failed to ensure implementation of its decisions. Corrections were made to the Master Plan by HMDA without finalising the actual extent of lakes leading to cancellation of approved layouts post flash floods in 2000. There was no effort by the LPC or the State Government to include an important stakeholder in the activity i.e., the citizen. Lake was assigned to private agencies without guidelines leading to legal disputes.***

### **3.1.2.4 Funding streams**

#### ***State Government Funding***

State Government, under its scheme Mission Kakatiya Phase IV, accorded (April 2018) administrative sanction for expenditure of ₹282.63 crore towards restoration and comprehensive development of 19 urban lakes falling under GHMC area in Hyderabad, Medchal and Rangareddy districts for the year 2018-19. There are 26 series of lakes in

<sup>19</sup> cleaning, desilting, formation of cycle tracks, landscaping, construction of grill fence, etc.

<sup>20</sup> alleging that the Corporate was constructing huge structures along with stone walls within the FTL, thereby blocking the inflow and outflow of the lake

<sup>21</sup> M/s K Raheja IT Park (Hyderabad) Ltd

GHMC area, each of which is a part of a set of chain linked lakes. For a downstream lake to be healthy, the water quality of the upstream lake needs to be conserved failing which, the pollution would continue downstream with the inflows. The selection of lakes based on Assembly constituencies, as per the guidelines (March 2015) of Mission Kakatiya, resulted in selection of lakes without taking into consideration the priority along a chain of lakes.

### **Urban Local Body Funding**

An action plan was submitted (November 2013) by HMDA for conservation and beautification of 258 lakes<sup>22</sup> to State Government wherein it proposed funds to the extent of ₹64.50 crore to be met from the budgetary support of HMDA (₹20 crore), GHMC (₹32 crore) and Irrigation Department (₹12.50 crore). Neither approval nor release of funds was received from Government, as a result of which the action plan could not be implemented. HMDA did not spend any amount on conservation/protection of lakes, except an amount of ₹12.62 crore on survey of lakes during last five years i.e., 2013-18.

Further, State Government accorded (June 2018) administrative sanction to HMDA for development and beautification of 20 lakes with HMDA funds of ₹120 crore. It was noticed that, in respect of 11 out of these 20 lakes, there were no pre-feasibility reports<sup>23</sup>. It was also observed that the lakes were selected without considering the priority along the chain of lakes. This indicates that the selection of lakes for development was not based on detailed study. Incidentally, only 2 of these 20 lakes were finally notified. Entering into agreements for development of lakes which are not finally notified is fraught with the risk of the exercise not yielding expected results as lake FTL area is not identified.

Although, GHMC budgeted ₹287.33 crore during the period 2014-18 on lakes under its jurisdiction, it spent only ₹42.14 crore on protection and beautification works, construction of idol immersion ponds for Ganesh festival, Bathukamma festival arrangements, etc. The specific break up of expenditure proposed out of the budgeted fund of ₹287.33 crore was not furnished.

### **3.1.2.5 National Plan for Conservation of Aquatic Ecosystems (NPCA)**

National Lake Conservation Plan (NLCP), a Centrally Sponsored Scheme of MoEF, GoI was launched (February 2002) to be funded jointly in the ratio 70:30 by the Central and the concerned State Government. The objective of the scheme was to restore and conserve the urban and semi-urban lakes degraded due to waste water discharge into the lake through an integrated ecosystem approach. It was subsequently subsumed into NPCA w.e.f 01 April 2012.

In order to identify lakes for availing funding under NPCA, State Government prioritised (June 2017) 30 lakes for pre-feasibility study from which, Detailed Project Reports (DPRs) were prepared for 19 lakes with a proposed outlay of ₹310.60 crore. The

<sup>22</sup> HMDA-80 lakes, GHMC-128 lakes and Irrigation-50 lakes

<sup>23</sup> viz., survey of lakes, FTL demarcation, establishment of Base Maps and Boundary Pillars, Morphometry of lakes and catchment study, tests of wastewater and sediment samples, proposed conceptual plans for renovation, preparation of line estimates and prioritisation of lakes for DPR

GoI directed (August 2017) the State Government to revise the proposals due to budgetary constraints. Accordingly, revised proposals with two DPRs were resubmitted (December 2017) with a projected outlay of ₹17.71 crore.

It was however, observed that the proposals were not approved by GoI as of August 2018 due to ambiguity in the rates adopted in the DPR, incorrect estimates<sup>24</sup>, etc. Thus, the DPRs were forwarded without ensuring accuracy of estimates resulting in their non-approval, so far, by GoI and resultant non-availment of funding under NPCA.

### 3.1.2.6 Hussainsagar Lake Catchment Area Improvement Project

Hussainsagar lake holds iconic importance in the city of Hyderabad. Constructed in the year 1562 by Nizam to provide drinking water to the city, it originally had an area of 576.23 hectares. The supply of drinking water from the lake was, however, stopped from the year 1930 and the area has been reduced to 479 hectares over the period with developments coming around the lake. Lack of sewerage network and treatment facilities in its catchment area resulted in degradation of water quality in the lake.

With an objective to improve water quality in lake, Hussainsagar Lake Catchment Area Improvement Project (HCIP) was taken up (February 2006) at a cost of ₹370 crore. The project was to be mainly funded by loan from Japan International Cooperation Agency (JICA) to the tune of ₹310 crore; the balance fund of ₹60 crore was the share of State Government. The project was closed in July 2016 after incurring an expenditure of ₹296.43 crore with only four out of nine major components completed (*Appendix-3.4*). Work relating to sewerage network in catchment area was not prioritised and remained mainly incomplete.

It was observed that the pollution levels, though brought under control as on the date of closure of JICA project, had increased thereafter (*Appendix-3.5*). The increase in the pollution levels in the lake subsequent to closure of HCIP was due to discharge of sewage into the lake. Thus, failure to factor future changes in the character of the inflows rendered the project executed at a cost of ₹296.43 crore unsustainable.

***Thus, selection of lakes based on Assembly constituencies under Mission Kakatiya, resulted in selection of lakes without taking into consideration the priority along a chain of lakes. HMDA did not spend any amount on conservation/protection of lakes, except an amount of ₹12.62 crore on survey of lakes during last five years i.e., 2013-18. Although, GHMC budgeted ₹287.33 crore in 2014-18 on lakes under its jurisdiction, it spent only ₹42.14 crore on protection and beautification works, construction of idol immersion ponds for Ganesh festival, Bathukamma festival arrangements etc. Forwarding of DPRs by State Government without ensuring accuracy of estimates resulted in non-approval of DPRs by GoI and non-availment of funding under NPCA. Failure to factor future changes in the character of the inflows into Hussainsagar rendered the HCIP executed at a cost of ₹296.43 crore unsustainable.***

<sup>24</sup> No estimate was given for the Interception & Diversion (I&D) works and Sewage Treatment Plant (STP) in the summary of the cost estimate, non-adherence to the condition of NLCP regarding restriction of cost for Lake Front Development activities to 25%. In the Summary of the Proposal, it is written that the Schedule of Rates (SOR) followed is of 2015-16 but in the summary of the Cost Estimates, it is mentioned that the rates are as per IRR: SOR 2014-15 and Buildings SOR 2014-15, etc.

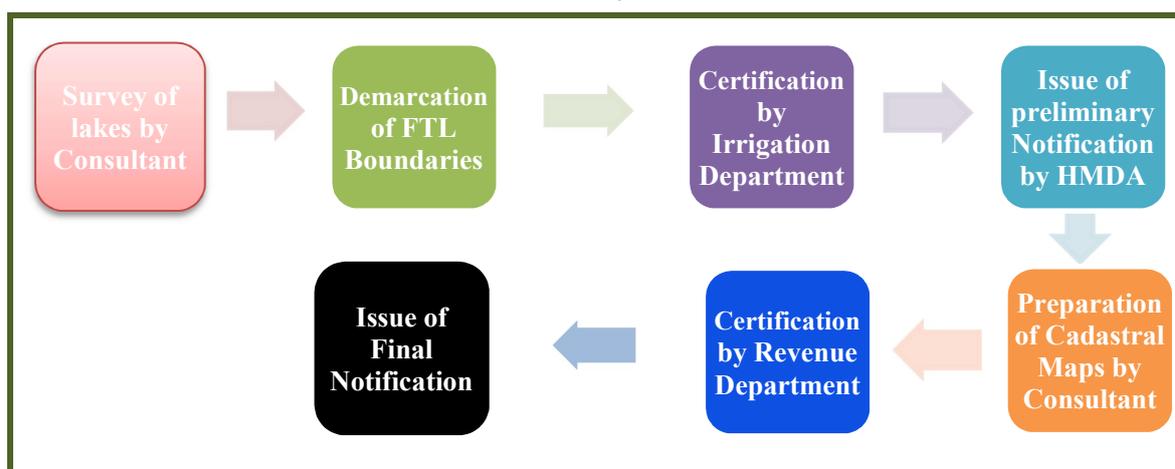
### 3.1.3 Survey and Notification of Lakes

The LPC directed (April 2010) Revenue and Irrigation Departments to prepare a comprehensive database of the lakes in HMDA<sup>25</sup> area. Accordingly, with the assistance of National Geophysical Research Institute (NGRI), 3,132 lakes were identified during 2010-16. It was decided by LPC (March 2012) to appoint a consultant<sup>26</sup> for fixing boundaries of the 3,132 lakes. The work was to be completed in four stages, viz.,

- I. Prepare Screening reports i.e., identification of geographical location through topographical survey with its latitude-longitude coordinates and the status of appurtenant structures<sup>27</sup>. The Screening Report was to be followed by detailed study using Differential Global Positioning System (DGPS) in order to demarcate FTL and boundaries of buffer zone<sup>28</sup> and finally prepare base map of each lake;
- II. Prepare Pre-feasibility Report (PFR) for selected lakes with layout plans, line estimates, etc.
- III. Prepare DPR for the lakes including water analysis, survey and improvements of lakes, etc.
- IV. Manufacture, supply and installation of precast Reinforced Cement Concrete (RCC) FTL pillars.

The FTL map prepared by the consultant was to be verified and certified by the Irrigation Department with reference to the memoirs available or as per its guidelines issued in September 2013. After certification, preliminary notification was to be issued by HMDA which was to be displayed on the website and notice boards of HMDA and Collectorates, inviting objections and suggestions, if any. Cadastral<sup>29</sup> map of the lake would be prepared by the Consultant by superimposing revenue survey numbers of relevant part of the village map and forwarded to Revenue Department through HMDA for certification. On verification by the Revenue Department after considering the objections received, the final notification was to be issued.

**Chart-3.2: Process flow from Survey to Final Notification of a lake**



<sup>25</sup> Database of lakes to be prepared of HMDA area also included the lakes falling under the jurisdiction of GHMC

<sup>26</sup> M/s Aarvee Consultants

<sup>27</sup> Appurtenant structures of the lake are bund, surplus weir, sluice gate, inlet channels, outlet channels, etc

<sup>28</sup> 30 metres for lakes with area of 10 Hectares and more and nine metres for other lakes

<sup>29</sup> A cadastral map is a map defining land ownership showing all registered and geospatial data relating to registered plots

The following was observed on enumeration and survey of lakes:

- The list of 3,132 lakes identified by LPC did not include 50 lakes of erstwhile Rangareddy district which were listed (October 2001) in the State Government Gazette<sup>30</sup> issued by Revenue Department. Another 24 lakes which were identified by GHMC were also not included in the list. Further, 72 lakes available in the records of Revenue Department were also not included. No specific reasons were furnished for non-inclusion of these lakes in the database. The fact that the database on lakes was not complete was accepted (June 2018) by HMDA. Thus, the database available with HMDA was neither complete nor accurate and excluded 146 lakes<sup>31</sup>.
- The Consultant was to complete all stages of the work relating to 3,132 lakes within 18 months from the date of agreements<sup>32</sup>. Though, the entire work was to be completed by September 2015, screening reports (Part I) of the work was still not complete as of September 2018. Part I stage was prepared for 2,653 lakes (85 per cent) as of June 2018.

### ***Case Study 3: Bomrukund Dowla lake***

Bomrukund Dowla lake provided drinking water during Nizam rule. Its outlet joins Mir Alam Tank through a filter bed. During an inspection conducted (February 2014) by HMDA, it was noticed that the lake had no surplus weir and the sluice was choked with dumped materials. Thus, the absence of outlet rendered the upstream colonies vulnerable to the risk of floods during rainy season. Though, HMDA constructed a compound wall to protect the lake from encroachments, from an examination of the records of HMDA, it was noted that a portion on the south-west side of the lake was left open and thus the issue of dumping of materials was not addressed fully.

It was stated (February 2014) by HMDA that demarcation of FTL was necessary to identify the encroachments in the lake area. It was informed (April and August 2018) by GHMC that the survey was completed, preliminary notification was pending and encroachments existed in the lake.

- It was further noted that Hon'ble High Court of Telangana had directed (July 2016) to complete the survey of all lakes by the end of December 2016. As the Revenue and Irrigation Departments did not adhere to the deadline, LPC directed (September 2017) them to complete the work by December 2017. Only 165 lakes were, however, finally notified as of June 2018 (*Chart-3.3*). Thus, even after lapse of three years since the work was entrusted to the consultant and after incurring an expenditure of ₹12.62 crore (September 2018), final notifications were issued in respect of only five per cent of the total lakes.

<sup>30</sup>vide Gazette Notification no.403 dated 6 October 2001 (G.O.Ms. No. 647 dated 3 October 2001 of Revenue (Registration-I) Department)

<sup>31</sup> 24 + 50 +72 lakes

<sup>32</sup> May 2013 and March 2014 (total contract value: ₹32.22 crore)

Revenue Department being the owner of Government lands including water bodies was responsible for survey, demarcation of lake area and removal of encroachments in lake bed area. It was noted that the Department failed in its responsibilities relating to conducting surveys and removing encroachments in lakes despite having mandate for the same.

Delay in certification was attributed (July 2018) by HMDA to pre-occupation of Irrigation and Revenue Departments with other State Government programmes and re-organisation of districts.

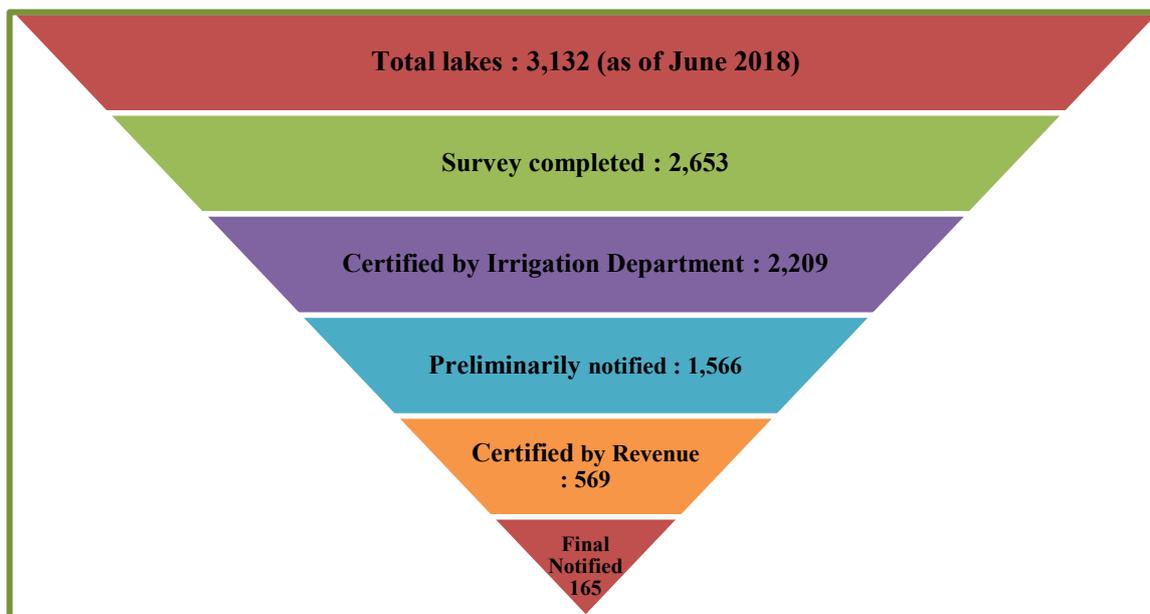


Chart-3.3 : Number of Lakes surveyed and notified

**Key finding: Objectives of notification lost**

It was decided in the first meeting (April 2010) of the LPC that building/construction/layout permission should not be granted in the lake FTL area including buffer zone. Accordingly, DCs were requested (March 2011) to direct the Sub-Registrars not to register lands in the survey numbers falling within FTL/buffer zones. In order to do so, it was necessary to notify the survey numbers of the lake FTL area and buffer zone. It was however, observed that, in respect of all nine lakes selected as sample (out of 165 lakes finally notified) the survey numbers of the lake FTL area and buffer zone were not notified in the official Gazette as *prohibited properties*. Such a notification would have prevented registrations of these survey numbers. Absence of such a notification in the Official Gazette resulted in defeating the very purpose of issuing the lake notifications. It was also in contravention of the decisions taken by the LPC in its first meeting which was reiterated in 7<sup>th</sup> meeting held in April 2013 and was thus fraught with the risk of further litigations, as encroachments of FTL/Buffer Zone in the inspected lakes were observed. Thus, despite the notification of the lake, activities such as construction of buildings and other structures in the FTL and buffer area, could not be prevented. HMDA replied (June 2018) that DCs were addressed to issue instructions for necessary action.

- Analysis of the survey work revealed that delays occurred in reconciliation of the data collected in the survey with the records of the Irrigation and the Revenue Departments. Wherever differences were noticed in FTL area between Irrigation and Revenue Departments, HMDA referred back to Revenue Department for re-certification. A comparison of the initial certification and re-certification indicated that in 37 out of 301 test checked lakes, the variation ranged from (-)59 acres to 58 acres. Further, it was also noticed that these re-certifications did not match the Irrigation data, thus delaying the final notifications.

While reviewing the activities of LPC, Chief Secretary directed (March 2016) to adopt and notify the area as certified by the Irrigation or Revenue Department, whichever is larger. The Revenue Department was also directed to expedite the certification of cadastral maps to sort out the discrepancies of FTL area certified by the Irrigation Department. The LPC, however, did not set specific timelines for resolving such discrepancies. As a result, the issue of final notification could not be completed.

Thirty one of the 165 finally notified lakes were notified without attending to the comments of the Revenue Department i.e., FTL not properly superimposed, Cadastral map not matching with village map, etc. Reasons for the same were not on record. Though the reasons for the same were called for, the Department did not furnish any reply (September 2018).

- Since the lakes were originally used for irrigation, the Irrigation Department maintained memoirs in respect of each lake<sup>33</sup>. As per the methodology approved by LPC for determining FTL, the same should be fixed as per the memoirs/original records of Irrigation Department, wherever they were available. It was however, noted that instead of adopting the original FTL as per the memoir, the Departments adopted and notified FTL as certified by the Revenue and Irrigation Departments. This resulted in reduction of FTL area by 120.895 acres (*Appendix-3.6- Table 1*) in the official records in respect of test checked four finally notified lakes.
- Scrutiny also showed that in case of seven finally notified lakes, for which data on Government land was available in the Gazette of erstwhile Rangareddy district, Government land was reduced by 196.825 acres (67 per cent of the area notified in Gazette) (*Appendix-3.6 - Table 2*).

***Thus, the list of 3,132 lakes enumerated was not complete and excluded 146 lakes. The work on survey of lakes and their notification was incomplete with only five per cent of the lakes being finally notified. Even though the lakes were finally notified, the survey numbers of the FTL area and the buffer zone were not published in the Gazette as being prohibited properties. This was important to ensure prevention of registration of the prohibited survey numbers. Delays in reconciliation of the survey results with the records of the Irrigation and Revenue Departments led to the delays in final notification. In all the four lakes that were finally notified and were supported***

<sup>33</sup> In 2005, lakes under Panchayat Raj Department were transferred to Irrigation Department. There was a constraint in respect of availability of memoirs of these transferred lakes

by Irrigation Department memoirs, it was noticed that the FTL notified was less than that in the memoirs by 120.895 acres. Similarly, the extent of Government land was reduced by 196.825 acres in the final notifications of seven lakes compared to the Government order issued by Revenue Department in October 2001.

### 3.1.4 Results of physical verification

Appurtenant structures of the lake are bund, surplus weir, sluice gate, inlet channels, outlet channels, etc. The bund is essential to maintain the integrity of the lake while other structures like weir and sluices help maintain optimum hydrological pressure on the bund. Weir acts as a barrier to the water stored in the lake and allows overflow of surplus water beyond the full lake storage capacity. This structure helps in protecting the integrity of the bund and thereby the lives and property of the people staying around the lake. Water overflows over the weir only in case of surplus and Sluice gate helps in releasing the water from the lake to the desired extent. An adequate inlet ensures water inflows required to fill the lakes and replace water lost by evaporation and seepage. Outflow from an upstream lake forms the inflow for the downstream lake. This means that, if the outlet of an upstream lake is damaged, the inflows of downstream lake would also be affected.

Some of the lakes in GHMC/HMDA jurisdiction were in chains i.e., outflow of one lake forms inflow for another. Fifteen out of the eighteen physically verified lakes belonged to lake chains while the remaining were independent lakes. Scrutiny revealed that, the chain link had been disturbed over the years. For instance, Nallacheruvu which was at 8<sup>th</sup> position in a series of nine lakes was closed and the outflow was diverted to Musi river directly instead of the downstream Peerjadiguda lake<sup>34</sup>, thus impacting both Nallacheruvu and Peerjadiguda lakes.

#### 3.1.4.1 Status of appurtenant structures

During the joint physical verification of 18 lakes, the physical status of lake's appurtenant structures was verified and the following was observed:

**Table-3.2: Physical Status of appurtenant structures**

Sl. No.	Name of the Lake	Bund	Inlet	Weir/Outlet	Sluice
1	Neknampur - Pedda & Chinna Cheruvu	●	●	●	●
2	Rangadhamuni Lake	●	●	●	○
3	Yellama Cheruvu	●	●	●	●
4	Nalla cheruvu	●	●	●	○
5	Raisamudram Lake	●	●	●	●
6	Sarooranagar Lake	●	●	●	●
7	Ramanthapur Cheruvu	●	●	●	○
8	Durgam Cheruvu	●	●	●	●
9	Malkam Cheruvu	●	●	●	●

<sup>34</sup>Last in the chain

Sl. No.	Name of the Lake	Bund	Inlet	Weir/Outlet	Sluice
10	Fox Sagar	●	●	●	●
11	Nallagandla Lake	●	●	●	○
12	Chakalvani Cheruvu	●	●	●	○
13	Oora cheruvu Kapra	●	●	●	●
14	Mukkiddi cheruvu	●	●	●	●
15	Mir Alam Tank	●	●	●	●
16	Suddhavani Kunta	●	○	○	●
17	Kotha Cheruvu	●	●	●	○
18	Nagula Kunta	●	○	○	○

● Bad condition     
● Good Condition     
● Partially Good     
○ Structure did not exist

As could be seen from the above, most of the appurtenant structures of the lake (other than the bund) were either in bad condition or were only partially good. Irrigation Department, during the joint physical verification (August 2018) exercise, certified the observations regarding the physical conditions of the appurtenant structures. This signifies the need for strengthening the physical structures of the lake and restoring them.

#### Case Study 4 : Mukkidi Cheruvu

Though the memoir of Mukkidi Cheruvu indicated existence of weir, in the preliminary survey and final notification, it was found otherwise i.e., that there was no weir to the lake. Physical verification, however, showed that a weir, shorter than that mentioned in the memoir, was available. The error was not rectified during the preliminary or



Figure-3.4 : Shortened weir at Mukkidi Cheruvu (23 August 2018)

final notification by either Irrigation or Revenue officials. The DPR prepared by the same consultant, however, mentioned in Chapter 3 that there were two surplus weirs. These indicate the errors in survey and preparation of DPR.

#### 3.1.4.2 Status of encroachments

Constitution of India vide Article 51 requires every citizen of India to protect and improve the natural environment including lakes. Section 23(1) of Andhra Pradesh Water, Land and Trees Act, 2002, adopted by Telangana State, requires demarcation of the lake boundaries and also prohibits encroachments in lakes. Rule 27 of the Andhra Pradesh (Telangana Area) Land Revenue Rules, 1951 prohibits grant of patta<sup>35</sup> in lake bed land. Rule 30 *ibid* states that even though the lake bed land was given for cultivation, all the crops should be completely removed by 31 May so as not to obstruct free flow of rain

<sup>35</sup> Patta, basically a revenue record, is an extract of the Register of land holdings and is issued in the name of the person or persons in whose name the records relating to the holdings are maintained

water during monsoon or cause silting. Further, the provisions of A.P. Land Grabbing (Prohibition) Act, 1982<sup>36</sup> prohibit the activity of grabbing of any land whether belonging to the Government, local body, religious and charitable endowment or private person without lawful entitlement with a view to prevent illegal possession or construction of unauthorised structures for sale, etc.

As per the provisions of Andhra Pradesh Building Rules, 2012, adopted by the State of Telangana subsequent to its formation, building/construction activity was not allowed in either the FTL of the lakes or their buffer zone.

An area of 571.400 Acres was reported (October 2014) by the DCs of erstwhile districts (Hyderabad, Medak and Nalgonda) to be under encroachment in and around 669 lakes. It was further observed that, though there were instances of encroachments in other lakes (noticed by the Irrigation wing of GHMC), the area encroached upon and action taken by the Revenue Department was not on record.

Pursuant to urban flooding (2016), a draft Disaster Management Plan was prepared by GHMC and submitted to Government wherein the areas that formed part of the areas below FTL of the lakes susceptible to urban flooding were identified. Thus, it is evident that even Government is aware of the encroachments of the FTL areas of the lakes and its impact on flooding.

Joint physical verification with the Irrigation Department officials to assess the encroachment of FTL/Buffer zone of selected lakes showed that encroachments existed. The status of encroachments in the physically verified lakes was as below:

**Table-3.3: Status of Fencing of lakes and encroachments in lake FTL/Buffer zone**

Sl. No.	Name of the Lake	Fencing to Lake	Encroachment in FTL	Encroachment in Buffer zone
1	Pedda & Chinna cheruvu			
2	Rangadhamuni Lake			
3	Yellama Cheruvu			
4	Nalla cheruvu			
5	Raisamudram Lake			
6	Sarooranagar Lake			
7	Ramanthapur Cheruvu			
8	Durgam Cheruvu			
9	Malkam Cheruvu			
10	Fox Sagar			
11	Nallagandla Lake			
12	Chakalvani Cheruvu			
13	Oora cheruvu Kapra			
14	Mukkiddi cheruvu			

<sup>36</sup> As per the clause 6 of G.O. Ms. No. 45 dated 01 June 2016, all the Acts which were in existence as on 02 June 2014 but not adapted as on this G.O. date (01 June 2016) were deemed to be adapted to the State of Telangana

Sl. No.	Name of the Lake	Fencing to Lake	Encroachment in FTL	Encroachment in Buffer zone
15	Mir Alam Tank			
16	Suddhavani Kunta			
17	Kotha Cheruvu			
18	Nagula Kunta			

	Religious Structure		Sewage Treatment Plant		Roads
	Buildings				Ring Bund
	No fencing to Lake		Fencing Damaged		Fencing in Good Condition <sup>37</sup>

As could be seen from the data above, it was observed that roads existed in the FTL area of eight lakes, while buildings were noticed in FTL of 11 and Buffer Zone of 17 physically verified lakes respectively.

Further analysis showed that:

- The LPC, in its 6<sup>th</sup> meeting directed (October 2012) the members to take up the construction of FTL pillars along with the work of FTL boundary fixation. Further, LPC (September 2013) instructed to fence the lake areas to avoid further encroachments and to take action (July 2014) for removal of encroachments.

It was informed (July 2018) by HMDA that, the encroachments in each lake FTL area would be assessed only after the lake is finally notified and after fixing of FTL pillars. Analysis of records showed that FTL pillars were, however, fixed in only 16 out of 3,132 lakes of which only one Veeranna Kunta was a finally notified lake. No action plan was developed by HMDA for conservation of Veeranna Kunta (finally notified lake) other than fixing FTL pillars. This indicates that the LPC directions for fixing FTL pillars were not followed even in respect of finally notified lakes.

#### Case Study 5: Boin Cheruvu

Boin cheruvu is spread over the Hasmathpet and Boinpally villages of Medchal and Hyderabad districts respectively. During the preliminary notification (June 2014), an FTL of 68.557 acres was demarcated by Irrigation Department. On the basis of the complaints/ representations received, a re-survey (May 2018) of the lake was done by GHMC in coordination with their Revenue and Town Planning wing and FTL was arrived at 76.375 acres. Upon verification of



Figure-3.5: Boin Cheruvu: Fencing after leaving the open layout

<sup>37</sup> The lakes were fenced only to the extent not encroached. The observation is limited to the physical condition of such fencing

FTL boundary map, Directorate of Enforcement, Vigilance and Disaster Management, GHMC found (September 2018) that the fencing erected by the Irrigation Department during the years 2016-18 at a cost of ₹63.85 lakh was not according to FTL boundaries. A part of a newly formed layout falling in the FTL of the northern side of the lake was excluded from the fencing (*Figure-3.5*). This indicates that the protection measures implemented by the Irrigation Department were deficient and the risk of encroachment of the lake FTL area persisted.

Thus, continuous encroachments in the catchment, buffer area and the FTL of lakes coupled with inaction on the part of the Revenue Department to remove encroachments resulted in deterioration of the health of the lake and threatened the very existence of the lake. It was observed that eight lakes had lost their characteristics and had been converted into various structures, encroachments, etc. Details of the eight lakes and their current status are indicated in *Appendix-3.7*.

### 3.1.5 Water quality in lakes

The Water (Prevention and Control of Pollution) Act<sup>38</sup>, 1974 defined pollution to mean such contamination of water or such alteration of the physical, chemical or biological properties of water or such discharge of any sewage or trade effluents or of any other liquid, gaseous or solid substance into water (whether directly or indirectly). Pollution in lakes leads to eutrophication<sup>39</sup>. It also leads to ground water contamination causing loss of habitat.

#### Key finding: Sources of pollution in lakes

Sewage is the major source of pollution in all the lakes test checked. It was observed that 1,972 Million Litres per Day (MLD) of water was being supplied by the HMWS&SB. Out of this, 80 *per cent* was generated as waste water (as per standards laid down by the CPHEEO<sup>40</sup>) i.e., 1,578 MLD. Sewage Treatment Plant (STP) capacity available was only 735 MLD which indicates that the remaining sewage was discharged into lakes untreated. This does not include the sewage generated from ground water extracted for various purposes. STPs were available for only four lakes<sup>41</sup> out of the 18 physically verified lakes. The flow of water from one lake to another without any treatment, led to increase in the water nutrient load affecting the characteristics of the lakes downstream.

Although various Acts including Building Rules, 2012, etc., prohibited permanent constructions in the lake FTL and Buffer zones, three<sup>42</sup> of these four STPs were constructed on the lake bed itself thus further reducing the FTL area while one<sup>43</sup> more STP was constructed in buffer area. To avoid dumping of Construction and Demolition waste into lakes, LPC directed (March 2012) GHMC and HMDA to identify



*Figure-3.6 : Debris Dumps in Rangadhamuni Cheruvu FTL (16 August 2018)*

<sup>38</sup> Section 2(e) of the Act

<sup>39</sup> A process where water bodies receive excess nutrients that stimulate excessive plant growth like water hyacinth

<sup>40</sup> Central Public Health & Environmental Engineering Organisation

<sup>41</sup> Rangadhamuni lake, Durgam cheruvu, Saroornagar lake and Mir Alam Tank

<sup>42</sup> Rangadhamuni lake, Durgam cheruvu and Mir Alam Tank

<sup>43</sup> Saroornagar lake

dump sites for debris. While HMDA did not take any action thereon, GHMC identified four locations but did not finalise (May 2018) the same. HMDA had not identified any location for dumping of debris. This indicated non-implementation of LPC decision even after six years. During joint physical verification of 18 lakes, debris dumps were observed in 13 lakes<sup>44</sup> (Figure-3.6). Dumping of the debris in the lake not only affects the quality of the lake but also leads to shrinkage of the area of the lake.

The quality of water *prima facie* is an indicator of health of a lake. The same is indicated, *inter alia*, in terms of Dissolved Oxygen (DO), Biological Oxygen Demand (BOD), Total Coliform (TC), Total Dissolved Solids (TDS) and fluoride. The DO is important for aquatic life depending on aerobic respiration and its shortage leads to decrease in life under water. Increased BOD is the result of sewerage discharge into the lake waters; it leads to increased plant growth such as water hyacinth. The TC count indicates the sanitary condition of lake waters by measuring the extent of bacteria found in human or animal waste and the TC beyond norms would lead to health issues.

As per the NLCP guidelines, quality of water in lakes needs to be maintained at minimum class B<sup>45</sup> out of the five categories approved by Central PCB (CPCB). Accordingly, the levels for various parameters<sup>46</sup> have been prescribed<sup>47</sup>.

Scrutiny revealed the following:

- State PCB was assessing water quality of only 19 lakes in HMDA jurisdiction, i.e., less than one *per cent* of identified 3,132 lakes, though LPC decided (October 2012) that, they were to assess water quality of all lakes. PCB neither furnished specific reply for non-testing of the water quality in the remaining 3,113 lakes nor furnished any proposed action plan to cover the remaining lakes.
- Water quality in PCB tested lakes, other than Himayatsagar and Osmansagar, were continuously categorised as class E or below E since 2015 which indicates that there had been no improvement in the quality of water for last three years.

State PCB was analysing and reporting on water quality of 15 lakes (out of the 50 sampled lakes). Observations of foam and weed during the physical verification and analysis of the PCB results for the month of August 2018<sup>48</sup> are tabulated below:

**Table-3.4: Water Quality as per PCB analysis and physical verification**

Sl. No.	Name of the Lake	DO	BOD	Total Coliform	TDS	Fluoride	Foam <sup>49</sup>	Weed/ Hyacinth
1	Neknampur Cheruvu	●	●	●	●	●	●	●
2	Rangadhamuni Lake	●	●	●	●	●	●	●
3	Nalla cheruvu	●	●	●	●	●	●	●

<sup>44</sup> except Durgam cheruvu, Kotha cheruvu, Oora cheruvu, Rayasamudram and Suddavani kunta

<sup>45</sup> outdoor bathing (Organised)

<sup>46</sup> DO ≥ 5 mg/ litre; BOD ≤ 3 mg/ litre; TC ≤ 500 MPN/ 100 ml; TDS ≤ 500 mg per litre and fluoride ≤ 1.0 mg/ litre

<sup>47</sup> by Bureau of Indian Standards (IS 10500:2012) and CPCB

<sup>48</sup> data for Nalla cheruvu lake (Sl. No. 3) was not available for August 2018 as the lake was closed and water flow was diverted to Musi river directly. Hence, last available data for May 2018 was adopted for Sl. No. 3

<sup>49</sup> The lakes at Sl. Nos. 1 to 8 were physically verified. As such, foam and weed/hyacinth in those lakes only were commented upon

Sl. No.	Name of the Lake	DO	BOD	Total Coliform	TDS	Fluoride	Foam <sup>49</sup>	Weed/ Hyacinth	
4	Saroornagar Lake	●	●	●	●	●	●	●	
5	Durgam Cheruvu	●	●	●	●	●	●	●	
6	Fox Sagar	●	●	●	●	●	●	●	
7	Oora cheruvu Kapra	●	●	●	●	●	●	●	
8	Mir Alam Tank	●	●	●	●	●	●	●	
9	Noor Mohd. Kunta	●	●	●	●	●	-	-	
10	Hussainsagar Lake	●	●	●	●	●	-	-	
11	Himayatsagar Lake	●	●	●	●	●	-	-	
12	Hasmatpet Lake	●	●	●	●	●	-	-	
13	Nadimi Cheruvu	●	●	●	●	●	-	-	
14	Amber Cheruvu	●	●	●	●	●	-	-	
15	Pedda Cheruvu, Nacharam	●	●	●	●	●	-	-	
●	Beyond norms of CPCB/ BIS			●	Yes				
●	Within norms of CPCB/ BIS			●	No				

Source: State PCB data

As seen from the Table-3.4 above, Himayatsagar was the only lake where parameters such as DO, BOD, TC, TDS and fluoride were within permissible norms. In respect of the remaining 14 lakes, DO and BOD were beyond the permissible norms. Except Nalla cheruvu and Mir Alam Tank, TC was beyond permissible norms in 12 out of the 14 lakes. In nine of the lakes fluoride content exceeded the norms. Instances of foaming were observed in two lakes while weed/hyacinth was observed in eight lakes.

#### **Case Study 6: Osmansagar and Himayatsagar lakes**

Osmansagar and Himayatsagar were constructed during 1912 and 1927 respectively for supplying drinking water to the Hyderabad city. In order to protect the catchment areas of these lakes and to protect the raw water channel, State Government issued (March 1996) instructions prohibiting polluting industries and other specified establishments in the catchment of the lakes up to 10 kms from their respective FTLs. To comply with these instructions, 90 per cent of 84 villages covered in this area were earmarked by HMDA (March 1996) as bio-conservation use zone in the Master Plan. Though HMDA did not permit any developments in the zone, unauthorised constructions have come up. Notices were issued (February 2016) by HMDA to respective local bodies for removal of these unauthorised constructions. Scrutiny of records revealed that, although survey of the lakes was entrusted to M/s Aarvee Consultants in March 2014, the consultant has not completed survey even after four years. It was also observed that works were not taken up to protect the lakes from encroachments.

### **3.1.6 Grievance Redressal Mechanism**

An effective grievance redressal mechanism would enable citizens to voice their demands and engage public participation in lake related activities. There was no specific helpline number for recording such grievances. Similarly, there was no single window agency to address the issues and grievances of public in lake related matters.

### **3.1.7 Conclusion**

*Lakes, which are sources of fresh water, help in maintaining the micro-climate and are micro-ecosystems in themselves. Though identification and demarcation of lake boundaries is the first step necessary for conservation, the survey of lakes was yet to be completed with only five per cent of the identified lakes finalized over a period of more than four years. The Lake Protection Committee (LPC) did not have statutory powers to enforce its decisions. As a result, it failed in its role as a nodal agency and did not engage in long term sustainability planning for conservation and restoration of lakes. This resulted in deteriorating quality of water, foaming, formation of weed and hyacinth. Encroachments were also found in the lakes FTL and Buffer areas that resulted in reduction in the lake areas and change in topography of catchment areas. Thus, State Government's efforts in preservation and conservation of lakes did not yield the desired results.*

### **3.1.8 Recommendations**

- (i) Action should be initiated to evict encroachers and reclaim the encroached portion of land belonging to the lakes.
- (ii) Effective measures should be initiated to prevent flow of sewage into the lakes or to ensure its treatment before it flows into the lakes.

The above points were reported to Government in October 2018 and reminded in December 2018. Their reply is awaited.

### 3.2 Non-achievement of objectives of Information System Improvement Plan

**Hyderabad Metropolitan Water Supply and Sewerage Board despite incurring expenditure of ₹one crore failed to meet the project deliverables. Non-achievement of the deliverables led to non-release of Central assistance of ₹2.77 crore to the Board. Besides, Board had to commit an additional amount of ₹3.64 crore out of its own funds for installation of AMR meters**

Government of India (GoI), sanctioned<sup>50</sup> (March 2010) 'Implementation of Information System Improvement Plan (ISIP) for the city of Greater Hyderabad (Project)' as a pilot project at a cost of ₹6.93 crore. Three interim deliverables (initiatives) of the project were to be implemented<sup>51</sup> by the Hyderabad Metropolitan Water Supply and Sewerage Board (Board) within a period of 12 months as tabulated below.

**Table-3.5**

Description of initiative	Timelines for completion <sup>52</sup>	Amount allocated (₹ in lakh)	Current status of the work
<u>Initiative 1:</u> Undertaking a comprehensive household survey for water supply, sewerage & Solid Waste Management	May 2010	200	Not completed
<u>Initiative 2:</u> Installation of Automatic Meter Reading system	November 2010	443	Not completed
<u>Initiative 3:</u> Development of a water quality monitoring protocol	September 2010	10	Completed
	<b>One year</b>	<b>653</b>	

Source: Information/Data furnished by the Board

Department of Municipal Administration & Urban Development (Department) was to coordinate the project and funds were to be routed through Andhra Pradesh Urban Finance and Infrastructure Development Corporation (Corporation).

GoI while sanctioning the project had laid down certain pre-requisites in project implementation which includes *inter alia* that:

- i) A detailed action plan consisting of deliverables, timelines in respect of each components to be submitted by the State Government to GoI by end of April 2010.
- ii) Amounts to be released<sup>53</sup> by GoI in stages, were subject to fulfilment of certain conditions. In case of non-implementation of all the activities within one year, the extra cost was to be borne by the State Government.

<sup>50</sup> vide Ministry of Urban Development, F.N-11025/21/2010-UCD, dated 30 March 2010

<sup>51</sup> The 4<sup>th</sup> initiative on installation of weigh bridges was to be implemented by GHMC by November 2010 for which ₹40 lakh was allocated

<sup>52</sup> GoI in its communication (D.O.No.N-11025/33/08-UCD, dated 6 October 2010) addressed to the Municipal Commissioner, GHMC

<sup>53</sup> 30 per cent: approval of proposal by Sanctioning Committee; 30 per cent: three months after release of first instalment subject to satisfactory achievement of deliverables; 30 per cent: three months after release of second instalment subject to satisfactory achievement of deliverables; 10 per cent: completion of all activities and achievement of outcomes and after evaluation of the impact of the project

iii) A Steering Committee was to be formed by the State Government to oversee implementation of all activities.

Scrutiny of records (August 2018) in the Board relating to implementation of the three initiatives revealed the following:

- Government of India released (March 2010) an amount of ₹2.08 crore towards first instalment of the project funds. Of this, an amount of ₹1.68 crore was released to the Board (May 2010) by the Corporation. Utilisation Certificate (UC) in respect of this amount was furnished by the Board to the Corporation only in September 2015.
- The erstwhile Government of Andhra Pradesh through Andhra Pradesh Urban Finance & Infrastructure Development Corporation Limited (APUFIDC) had furnished<sup>54</sup> (February 2011) a progress report intimating GoI that substantive progress was achieved in implementation of the project. On the basis of this progress report furnished, GoI had released the second instalment (March 2011) of ₹2.08 crore to the Corporation. This amount was, however, not released to the Board by the Corporation due to non-achievement of the deliverables under the Initiatives. Government of India did not release the balance funds of ₹2.77 crore to the Corporation due to non-completion of the Comprehensive Household Survey work by the Administrative Staff College of India (ASCI) and consequent non-submission of the UC.

The status of the project under each initiative was as under:

- ***Initiative 1: Conducting a comprehensive household survey***

The primary purpose of this comprehensive household survey was to reduce illegal connections and Unaccounted For Water (UFW<sup>55</sup>). This work<sup>56</sup> was entrusted (November 2010) through a work order to ASCI five months after receipt of the sanctioned amount. Board took another five months to enter into an agreement (April 2011) with ASCI for ₹two crore of which an amount of ₹one crore was paid to ASCI towards mobilisation advance.

In a letter (8 September 2015) addressed to the Director General, ASCI, the Chief General Manager (CGM) (Revenue) observed that the results of the intermediate data relating to illegal connections furnished by ASCI to the Board were found unreliable with “false alarms” leading to conflicts with consumers and a dent on the Board’s image. Out of 5,608 connections identified as illegal Customer Account Numbers (CANs) by ASCI, the Board claimed to have cross verified 4,234 connections, of which 2,574 CANs were found legitimate; in 231 cases Houses could not be traced and in respect of 85 cases there was no water supply connection. Only 1,221 connections being 22 *per cent* of the illegal connections reported by ASCI were actually found to be illegal by the Board.

<sup>54</sup> vide Lr. No. 13542/JnNURM/Correspondence, dated 24 February 2011

<sup>55</sup> Unaccounted For Water consists of two losses: Real loss (Transmission and distribution losses, storage losses and service connection losses) and Apparent loss (metering inaccuracies and illegal consumption). These losses indicate that the water is neither accounted for nor for which billing is done by the Board

<sup>56</sup> of undertaking a comprehensive House Hold Survey for Water Supply, Sewerage & Solid Waste Management (stipulated period of completion: four months)

The final comprehensive survey report of households was, however, not submitted to the Board by ASCI as of October 2018. The delay in completing the survey was attributed by ASCI to operational challenges particularly related to identifying illegal connections and measuring service level, etc. There was no further progress in the initiative thereafter.

- **Initiative 2: Installation of Automatic Meter Reading System**

Installation of Automatic Meter Reading (AMR) System was to be completed by November 2010 with an objective to improve accuracy in meter reading and to reduce UFW.

Board proposed (August 2013) replacement of 1,977 AMR meters at a cost of ₹17.11 crore which was to be met from funds allocated by GoI (₹4.43 crore), collections made from consumers (₹6.55 crore) and from Boards own revenue (₹6.13 crore). Only ₹1.68 crore was received from GoI for ISIP (26 per cent of the funds envisaged), of which ₹0.79 crore was expended towards installation of 1,954 AMR meters. As a result, the Board committed ₹3.64 crore in excess of the projection from its own resources.

It was noted that Board utilised only an amount of ₹0.79 crore of earmarked GoI funds to install the 1,954 AMR meters<sup>57</sup>. Prudence demanded that the Board incur expenditure from the funds earmarked for this activity by GoI, especially in view of the fact of its precarious financial position<sup>58</sup>.

The condition of sanction from GoI was that release of subsequent instalments would depend on satisfactory achievement of deliverables within a year. Non-achievement of the deliverable led to non-release of Central assistance of ₹2.77 crore to the Board. Further, the second instalment of ₹2.08 crore received by the Corporation (March 2011) was not transferred to the Board (January 2019). The Corporation attributed (January 2019) the delay to its inability to trace the records pertaining to the above funds.

- **Initiative 3: Development of water quality protocol**

Development of water quality protocol, was also entrusted to ASCI (April 2011) for ₹10 lakh with a timeline of two months. The water quality protocol had been completed and the drinking water quality protocol report was submitted to Board. Final payment in this regard had been made to ASCI in May 2012.

Government confirmed (November 2018) the above audit observations.

**Thus, major objective of the project initiatives remained unachieved by the Hyderabad Metropolitan Water Supply and Sewerage Board despite incurring an expenditure of ₹one crore. Non-achievement of the deliverables led to non-release of Central assistance of ₹2.77 crore to the Board. Therefore, Board had to commit an additional amount of ₹3.64 crore out of its own funds for installation of AMR meters.**

<sup>57</sup> ₹10.10 crore was spent on installation of 1,954 AMR meters

<sup>58</sup> Refer PA on HMWS&SB in Para 2.1.7.2 about accumulated losses of the Board being ₹966.89 crore as of March 2017 and its inability to cover even its operational expenditure

### 3.3 Construction of sewerage main - non-achievement of objective

**Poor contract management by Hyderabad Metropolitan Water Supply and Sewerage Board led to delays and gaps in the construction of sewage pipeline (costing ₹67.81 crore). The intended objective of diversion of 90mld sewage flowing into River Musi also remained unachieved**

A project for Abatement of Pollution of River Musi received administrative approval<sup>59</sup> and technical sanction (February 2007) for ₹339.08 crore. The project envisaged diversion of sewage from 18 nalas<sup>60</sup> through five<sup>61</sup> conveying mains for sewage treatment, which would be treated in four<sup>62</sup> Sewage Treatment Plants before flowing into River Musi.

One of the project components was Duplicate A Main for conveying<sup>63</sup> 90 MLD<sup>64</sup> of sewage. State Government approved<sup>65</sup> adoption of trenchless technology<sup>66</sup> (on trial basis) to minimise disturbances during laying of pipeline in narrow congested areas with heavy vehicular traffic. As per the above order of the Government, the Board was aware that the area along alignment of proposed pipeline was rocky and would involve trench excavation at a depth of more than four metres.

Technical sanction was accorded<sup>67</sup> for the above work for ₹75.41 crore. Work<sup>68</sup> was entrusted<sup>69</sup> (August 2008) by the Hyderabad Metropolitan Water Supply and Sewerage Board (Board) under Engineering, Procurement and Construction (EPC) system scheduled for completion by August 2010. The work included manning, operation and maintenance of sewer main for a period of 24 months, i.e., till August 2012. Periodical extensions<sup>70</sup> of time were sanctioned on various grounds<sup>71</sup> by the competent authority up to 31 August 2016 without imposing liquidated damages.

<sup>59</sup> by Lr. No. M-11018/7/06, NRCD-II, dated 23 February 2007 of Ministry of Environment and Forests, Government of India under National River Action Plan Assistance

<sup>60</sup> nalas are sewage pipeline for transmitting the dry weather flows from the various parts of the city to Sewage Treatment Plant

<sup>61</sup> i.e. (a) Duplicate A main (b) Duplicate NIS Main (c) Duplicate SIS Main (d) Jaguda Main and (e) Old Ramanthapur Main

<sup>62</sup> Amberpet (339 mld); Nagole (172 mld); Nallacheruvu (30 mld) and Attapur (51 mld)

<sup>63</sup> from Municipal Corporation of Hyderabad Office complex, Liberty junction to Nimboliadda outfall sewer

<sup>64</sup> Million Litres per Day

<sup>65</sup> vide G.O.Ms.No.477 MA of Municipal Administration and Urban Development(W) Department dated 5 July 2007

<sup>66</sup> Trenchless technology is a form of underground construction that requires the use of few or no trenches at surface or street level. It uses new techniques and equipment to install or replace underground infrastructure without causing disturbance to the ground above

<sup>67</sup> vide Memo No. HMWSSB/DP/NRCD/Dup-A-Main/2007-08/41, dated 23 August 2007

<sup>68</sup> construction of drive pits, manholes, shifting of other utility services if any falling under the alignment, carting away surplus excavated earth, refilling and restoration of roads including field testing and commissioning of sewer lines etc.

<sup>69</sup> vide Agreement No.10/DB1/CGM(E)/PCC-1/1800 mm-Dup.A. Main Sew/Trenchless Tech./2008-09, dated 14 August 2008 to M/s Vishwa Infrastructures and Services Private Limited, Secunderabad (Joint Venture with M/s United Gulf Construction Company-WLL, State of Kuwait) for an agreed value of ₹76.44 crore with excess tender percentage of 1.425 on Estimated Contract Value of ₹75.36 crore

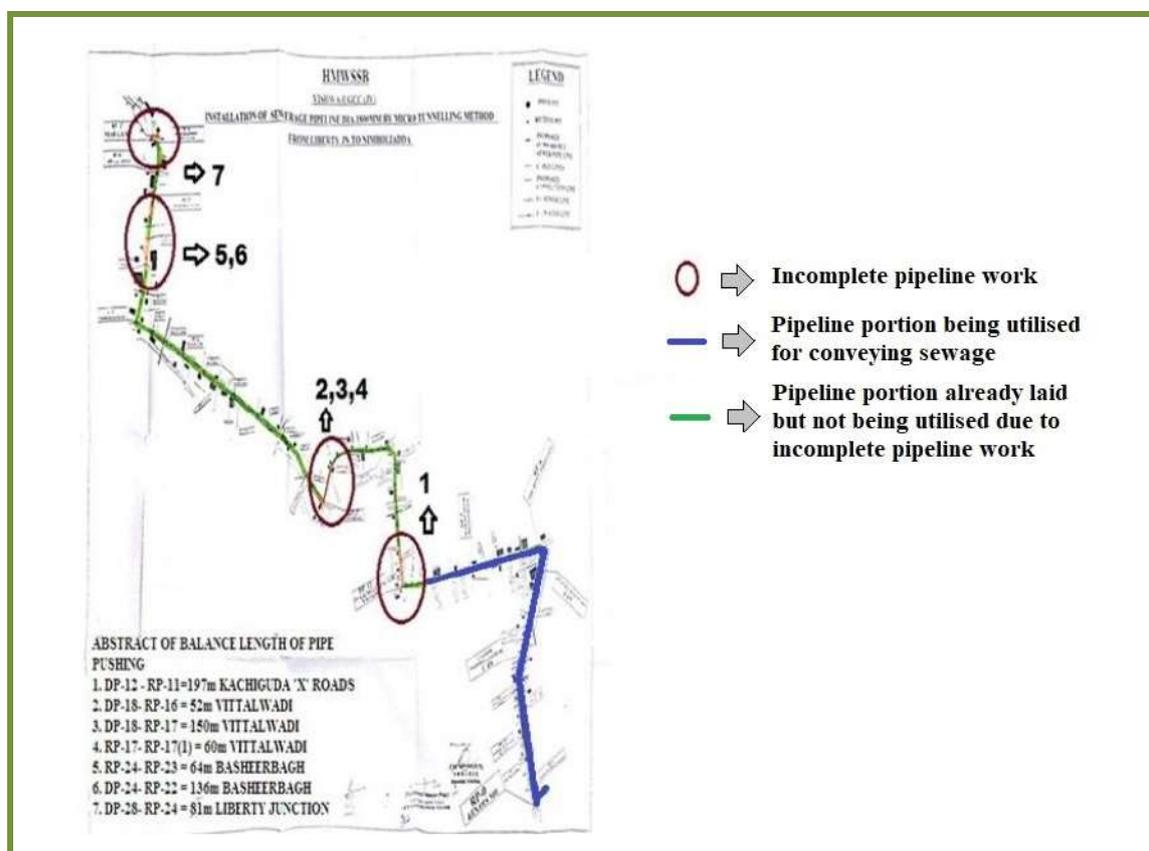
<sup>70</sup> upto February 2011; up to 13 August 2012; 31 December 2014 and finally up to 31 August 2016

<sup>71</sup> i) Due to the General Elections, the GHMC authorities have given permission for cutting the road in the July 2009 and subsequently they have obtained traffic regulatory permissions from Hyderabad Traffic Police Department (ii) Tunnel Boring Machine procured from Kuwait after obtaining all permissions from Customs in the month of August 2009, due to GHMC elections and festivals like Ganesh Chaturthi, Dassera, the work of shifting and erecting the machine at site and Jacking of pipes has started from 3 October 2009 (iii) In rocky area, the blasting permission was not given by the Police Department, jacking of pipes in rocky area is also consuming more time. Due to heavy traffic, the shifting of machinery from one drive pit to another and assembling the same with heavy crane is taking lot of time and (iv) Carting of excavation is also not permitted in daytime by the Traffic Police Department

Under the EPC system of contracting, the contractor was fully responsible for entire execution of entrusted work. The tender process was to establish the competence of the agency in this regard. Further, the contract required the agency to survey and test sub-surface ground conditions (clauses 7.4 to 7.7) along the pipeline route and identify suitable machinery (clause 6.2) before commencement of work.

Audit of Board (March–August 2018) showed that the contractor began to execute the work in 2008. Although 4.3 km out of 5 km was completed by December 2018, there were gaps in the entire stretch along the pipeline. *Chart-3.4* illustrates these gaps in pipeline work. The balance work was held up at four locations reportedly due to presence of hard dense rock/granite and big size boulders<sup>72</sup>. The total value of work done and measured<sup>73</sup> was ₹67.81 crore.

**Chart-3.4: Proposed sewerage pipeline indicating progress of work**



In view of the delays in work, Board requested (January 2018) the services of Geological Survey of India (GSI) for investigation of soil strata at the locations where work was held up (*Chart-3.4*). The test results of the soil strata samples revealed that, the strength of rock (i.e. Uniaxial Compressive Strength) varied between 800 to 2,000 Kgf/Cm<sup>2</sup>. It was also found that the cutters employed by the agency in the work were designed to cut rock of N value upto 200 Kgf/Cm<sup>2</sup> only and there were breakdown of parts of the Tunnel Boring Machine (TBM).

<sup>72</sup> of 'N' value between 200 to 400Kgf/Cm<sup>2</sup> (Kilogram force per Square Centimetre)

<sup>73</sup> upto LS 21<sup>st</sup> & part bill and payment made to the contractor (vide Cheque Nos. 053605 and 053606 dated 24 March 2016 (vide M.B.No.04/PD-III/Trenchless/EPC/2013)

Thus, it is evident that the contractor did not conduct proper site investigation prior to execution of the work and did not employ appropriate equipment for the work. This was in violation of clauses<sup>74</sup> 6.2 and 7.4 to 7.7 of the agreement. The Board also did not ensure that the contractor fulfilled the conditions of the agreement.

On the ground that the site conditions were beyond the control of both the parties, the contractor requested (June 2018) the Board to invoke the “Force Majeure<sup>75</sup>”. The Board, however, issued notice (31 July 2018) to the agency for the non-completion of the work. The agency was also intimated that the balance portion of work was being deleted<sup>76</sup> from the scope of the work. The provision to get the balance work executed at the risk and cost of the agency was invoked. Further, the clauses relating to responsibility of maintenance of sewer main (for 24 months period) was retained so as to ensure that work on the sewer main was not affected.

Accepting that the trenchless technology had failed in the portion of the pipeline, the balance work was proposed<sup>77</sup> (June 2018) to be executed on open cut method. Government approval to the proposal was awaited (September 2018). Audit also observed that although balance work was retendered<sup>78</sup> twice (August 2018 and September 2018), work could not be entrusted due to non-response to the tenders.

Government replied (January 2019) that the pipeline to the extent of 4.3 km length (out of 5 km) had been laid, of which 1.86 km had been put into operation. The pipeline constructed was conveying around 52 mld of sewage flow to the outfall sewer at Nimboliadda. No evidence was, however, submitted to support the claim.

***Thus, poor contract management by Hyderabad Metropolitan Water Supply and Sewerage Board led to delays and gaps in the construction of sewage pipeline (costing ₹67.81 crore). The intended objective of diversion of 90mld sewage flowing into River Musi also remained unachieved.***

<sup>74</sup> **Selection of pipe jacking equipment (Clause 6.2):** The contractor shall be responsible for the selection of a suitable pipe jacking equipment and tools capable of pushing the pipes and excavating the materials including rock and mixed ground that may be encountered at the site; **Site investigation (Clause 7.4):** The contractor shall clearly understand the importance of establishing the subsurface ground conditions and their range of variability along the pipeline route well before embarking on the actual works; **Subsurface investigation (Clause 7.5):** The subsurface investigation shall include study of all existing geological and geotechnical information for the area including information pertaining to the project and the location maps of all the services in the area from the utility companies/authorities for initial planning; **Geological and geotechnical evaluation (Clause 7.6):** The contractor is deemed to have obtained, studied and evaluated all the geological and geotechnical data for the sites and must supplement this information possessed by him with appropriate geotechnical investigation prior to selection of appropriate excavation and jacking equipment; **Borelogs and ground probing (Clause 7.7):** Sufficient number of borelogs shall be done by the contractor, and also carry out simple probing techniques at closer interval to reaffirm the types of soils

<sup>75</sup> constitutes an exceptional events or circumstances which are beyond the control of both the parties, which could not have been reasonably provided against while entering into contract, which has arisen and could not have been overcome and which is not substantially attributable to any of the party

<sup>76</sup> under clause 60 (c) of Andhra Pradesh Detailed Standard Specifications

<sup>77</sup> Based on the recommendations of the Senior Engineers Committee of Board

<sup>78</sup> At a cost of ₹10.24 crore

### 3.4 Collection of Sewerage cess from consumer

#### **Failure of the Hyderabad Metropolitan Water Supply and Sewerage Board to enter into a revised agreement with International Crops Research Institute for Semi-Arid Tropics (ICRISAT) resulted in non-levy of Sewerage cess of ₹1.18 crore**

Hyderabad Metropolitan Water Supply & Sewerage Act, (Act <sup>79</sup>) empowers <sup>80</sup> the Hyderabad Metropolitan Water Supply & Sewerage Board (Board) to levy and revise tariffs. The tariffs are levied to provide sufficient revenues to cover its operating expenses, as well as project related expenses. The tariffs included Water cess and Sewerage cess<sup>81</sup> which was to be levied on water consumption. Board envisaged<sup>82</sup> collection of Sewerage cess in respect of all consumers within Municipal limits of the Greater Hyderabad Municipal Corporation (GHMC).

Audit scrutiny of records for the period from April 2013 to July 2018 relating to collection of Sewerage cess by Board revealed the following:

- i) Board had provided (December 2002) water connection<sup>83</sup> to International Crops Research Institute for the Semi-Arid Tropics (ICRISAT). An agreement to this effect was also entered into by the Board with ICRISAT on 18 December 2002 for supply of 181.84 kilo litres of water per day under the category of bulk consumers<sup>84</sup>.
- ii) At the time of agreement, ICRISAT did not come under the Municipal limits of GHMC. Consequent upon re-organisation of the GHMC jurisdiction (April 2007), however, the property of ICRISAT came under GHMC.
- iii) As per Clause 6 of the original agreement, the levy of Sewerage cess was not applicable in respect of ICRISAT. Consequent upon the revision of tariff by the Board (2011), however, Board had envisaged charging of Sewerage cess in respect of all consumers within GHMC area.
- iv) Board, however, did not enter into any revised agreement with the ICRISAT for levying of Sewerage cess as envisaged<sup>85</sup> in the agreement that entitles the Board to revise water tariff and conditions for water supply. This could have been done by duly notifying to the consumer either individually or through notification in News papers/through Gazette notification. As a result of this inaction on the part of the Board, it had forgone a revenue of ₹1.18 crore towards Sewerage cess for the period from April 2013 to July 2018.

State Government in its reply (October 2018) stated that Board had levied the Sewerage cess on ICRISAT for the period April 2013 to July 2018 to the extent of ₹1.18 crore in the month of October 2018. The sewerage cess levied is yet to be realised from ICRISAT (as of January 2020).

***Thus, failure of the Board to enter into a revised agreement resulted in non-levy of Sewerage cess of ₹1.18 crore.***

<sup>79</sup> and the water supply rules issued there under

<sup>80</sup> Section 8 read with Section 22 of the Hyderabad Metropolitan Water Supply & Sewerage Act

<sup>81</sup> to be charged @ 35 per cent of the water consumption charges

<sup>82</sup> vide its proceedings (duly notified in the State Gazette) stipulate the Sewerage cess to be collected as a percentage of water cess from time to time (i.e. May 2002, December 2006, November 2011 and March 2014 (latest)

<sup>83</sup> Consumer Account Number (CAN) 082000019

<sup>84</sup> Any consumer consuming more than 50 kilo litres per day is considered as a bulk consumer

<sup>85</sup> in sub-clauses q and r of clause 4 of the agreement

### 3.5 Irregular payment towards desilting works

#### Failure of Greater Hyderabad Municipal Corporation in exercising due diligence on desilting works resulted in irregular payments of ₹53.56 lakh

Section 290 of Greater Hyderabad Municipal Corporation (GHMC) Act, 1955, stipulates that all municipal drains are under the control of Commissioner. He, along with his staff<sup>86</sup> of Engineering Division shall maintain all drains and ensure their cleansing<sup>87</sup> time to time. Cleansing/desilting works include (i) Excavation and removal of silt from canal bed and (ii) Carting of excavated silt to dumping yard. These works are to be check measured<sup>88</sup> by Engineering staff while inspecting the works under their control. Manual of Role and Responsibilities of various functionaries in Urban Local Bodies stipulates that Executive/Deputy Executive Engineer should inspect, monitor and check measure all the works under their control.

Corporation executed (2015-17) 766<sup>89</sup> desilting works, of which 207 works were of value more than ₹5lakh each. Audit test checked (August 2017) 21<sup>90</sup> desilting works as given in *Appendix-3.8*. Audit found that there was evidence of check measurement of works in the Measurement Books (MBs). Irregularities were, however, noticed in all the test checked desilting works as detailed below:

- i. Motor Vehicles Act, 1988<sup>91</sup> stipulates that while issuing goods carriage permit<sup>92</sup>, the State Transport Authority shall mention the maximum gross vehicle weight<sup>93</sup> of the vehicle used in the permit and may impose restrictions on limits of weight<sup>94</sup>. Accordingly, it was stipulated in State Motor Vehicles Rules, 1989, that no goods vehicle shall be deemed to have contravened the laden weight restrictions, if the excess weight is not more than five *per cent* of the permitted laden weight. Transport Department maintains the details of all the registered vehicles in the State.

Details of vehicle numbers recorded in the MBs of test checked works were verified as per records of Transport Department. In 20<sup>95</sup> out of 21 test checked works, it was observed that silt reported to be carted through 133 vehicles (1,326 trips) was more than the maximum capacity of the weight permitted to be carried by these vehicles. ₹43.91 lakh was incurred towards desilting works of 13,206 MT (Metric Tonne) of silt in excess of the maximum capacity of the weight permitted by the vehicles. In 15<sup>96</sup> out of 21 test checked works, it was also observed that in respect of 227<sup>97</sup> out of

<sup>86</sup> Chief Engineer, Superintending Engineers, Executive Engineers, etc.

<sup>87</sup> flushed, cleansed and emptied

<sup>88</sup> Measurements of work done in a contract are recorded in the Measurement Book by Assistant Executive Engineer/Assistant Engineer (in-charge of the work) and these recordings are verified by the Deputy Executive Engineer/Executive Engineer depending on the value of the work

<sup>89</sup> 398 works in 2015-16 and 368 works in 2016-17

<sup>90</sup> 10 *per cent* of 207 works valued for more than ₹ 5 lakh

<sup>91</sup> Central Act 59 of 1988

<sup>92</sup> Section 79 of Motor Vehicles Act, 1988

<sup>93</sup> Total weight of vehicle, which includes both unladen (weight of a vehicle including all equipment ordinarily used with the vehicle when working, but excluding the weight of a driver/goods) and laden weight (means gross weight of the vehicle minus unladen weight)

<sup>94</sup> Section 113 of Motor Vehicle Act, 1988

<sup>95</sup> Except work indicated at S.No.12 of *Appendix-3.8*

<sup>96</sup> Works indicated at S.No.1, 3, 4, 7, 8, 9, 10, 11, 13, 14, 16, 17, 18, 20 and 21 of *Appendix-3.8*

<sup>97</sup> In 198 trips excess load ranged from 101 to 500 *per cent* and in 29 trips excess load was more than 500 *per cent*

1,326 trips (17 per cent), excess load carried was more than the 100 per cent of the maximum permitted load of the vehicle.

Government accepted (July 2018) that material was loaded without weighing at the site to complete the works in speedy manner; carting of semi-solid material<sup>98</sup> and probability of loading boulders and stones lead to increase in the overall load of the excavated material. Reply was explaining the reasons for overload of material. Government, however, did not furnish specific reply relating to permissibility or possibility of carting of excess load of more than the 100 per cent of the maximum capacity of the vehicle.

- ii. In respect of two<sup>99</sup> out of 21 test checked works, on cross-check of the transport vehicle numbers recorded in the MBs with the records of Transport Department, it was observed that these vehicles were registered as passenger vehicles (Passenger Auto Rickshaw). 1,346 MT of silt was reported to be carted through two passenger vehicles (59 trips) and ₹3.92 lakh was incurred towards the same.

Government stated (July 2018) that identification of vehicle number might have been due to human error, and that carting was done through the vehicles provided by Contractor and not by auto rickshaws or two wheelers. It was noted from the MB that the passenger vehicle with same registration number<sup>100</sup> was used in one work<sup>101</sup> for carting of silt for 22 days. Similarly, in another work<sup>102</sup> the passenger vehicle with same registration number<sup>103</sup> was used for 12 days. Thus, it cannot be accepted as human error.

- iii. In respect of five<sup>104</sup> out of 21 test checked works, it was observed that nine vehicle numbers recorded in the MBs did not feature in the data base of the vehicles maintained by Transport Department. 1,327 MT of silt was reported to be carted through these vehicles (53 trips), and ₹5.73 lakh was incurred towards the same.

Government stated (July 2018) that tractor trailers were used in small/by-lanes and registration number of these vehicles were different. Therefore, it was not possible to verify the registration numbers. Audit observation was with regard to vehicles used for carting of silt to dumping yard and were cross-verified with the data of Transport Department.

The above observations were noticed in respect of test checked desilting works. Consequently, the genuineness of execution of desilting works as reported by GHMC was doubtful. These cases are based on test-check and GHMC should verify all the cases and initiate action with regard to the irregularities found, if any.

***Thus, failure of Greater Hyderabad Municipal Corporation in exercising due diligence on desilting works resulted in irregular payments of ₹53.56 lakh.***

<sup>98</sup> which weighs 25 per cent more than dry silt

<sup>99</sup> works indicated at S.No.10 and 12 of Appendix-3.8

<sup>100</sup> Passenger Auto Rickshaw with registration No.AP28TB5333

<sup>101</sup> Pre-monsoon desilting of Dwarakadasnala, Prakash nagar Extension nala (beside Church) and Old Customs nala in 148-Begumpet Corporator division (under Division-18A)

<sup>102</sup> Pre-monsoon desilting of Picket nala from SP road to STP Plant in 148-Begumpet Corporator division (under Division-18A), Secunderabad, GHMC for the year 2014-15

<sup>103</sup> Passenger Auto Rickshaw with registration No.AP24W3880

<sup>104</sup> works indicated at S.No.3,4,16,18 and 20 of Appendix-3.8

### 3.6 Avoidable expenditure due to delayed remittances of EPF contributions

**Failure of Karimnagar Municipal Corporation in timely remittance of Employees' Provident Fund contributions resulted in avoidable expenditure of ₹3.83 crore towards damage charges and interest**

As per the provisions of Employees' Provident Funds (EPF) and Miscellaneous Provisions Act 1952, the employer shall remit the recoveries effected from the wages of employees on account of Provident Fund (PF) to the Fund Commissioner within 15 days after the end of the month. Failure to remit such recoveries within the prescribed time attracts damage charges<sup>105</sup> not exceeding the amount of arrears along with interest at the rate of 12 *per cent* per annum.

Audit examined (February 2018) the records of Commissioner, Karimnagar Municipal Corporation (KMC) relating to PF contributions of employees on contract. It was observed that the Fund Commissioner issued (July 2015) proceedings to remit ₹3.83 crore<sup>106</sup> towards damage charges and interest for delayed remittances of the PF contributions<sup>107</sup> by KMC for the period February 2007 to March 2015. Corporation paid ₹3.83 crore between December 2015 and March 2016 to Fund Commissioner towards damage charges and interest from the Municipal General Fund.

It was ascertained (June 2018) from EPF Organization that there were delays<sup>108</sup> in remittances of PF contributions for the period April 2015 to March 2018 also.

Government accepted (February 2019) the observation on delayed remittances of PF contributions and stated that Departmental proceedings were initiated (March 2018) against charged officers of the Corporation. Further, Government stated that instructions were issued to Municipal Commissioners of all the Urban Local Bodies in the State for timely remittance of PF contributions.

***Thus, delay by KMC in remitting EPF Contributions resulted in avoidable expenditure of ₹3.83 core towards damage charges and interest.***

<sup>105</sup> Five *per cent* (for delays less than two months), 10 *per cent* (for delays above two months and less than four months), 15 *per cent* (for delays above four months and less than six months) and 25 *per cent* (for delays six months and above)

<sup>106</sup> ₹2.56 crore towards damage charges and ₹1.27 crore towards interest

<sup>107</sup> Details of amount due towards PF contributions for period February 2007 to March 2015 were not furnished despite specific request

<sup>108</sup> Fund Commissioner stated that initial enquiry is yet to be taken up

### 3.7 Rain water harvesting structures not constructed

**Municipal Corporations collected fee from building owners towards Rain Water Harvesting Structures (RWHS) but incurred no expenditure either as refund to applicants or towards construction of RWHS in the building premises during 2015-18. Thus, they failed to comply with the mandatory provisions on rain water harvesting and the objective of recharge of ground water was defeated**

With a view to conserve ground water, State Government issued (1998/2000/2005) orders for harvesting of rain water in different categories<sup>109</sup> of buildings. Commissioners of Urban Local Bodies (ULBs) were directed to constitute Rain Water Harvesting cell to motivate building owners to construct Rain Water Harvesting Structures (RWHS). The cell was also tasked to educate people on the importance of ground water recharging and rain water harvesting/conservation.

Attention is drawn to Paragraph 3.2.2 of the Report of the Comptroller and Auditor General of India on Local Bodies for the year ended March 2010<sup>110</sup> on conservation of rain water. The Report pointed out the lacunae of ULBs in implementation of Government Orders on Rain Water Harvesting.

Audit of all the five<sup>111</sup> Municipal Corporations under the administrative control of Director, Municipal Administration was conducted between December 2017 and June 2018. Audit noted that in these five Municipal Corporations, the deficiencies pointed out<sup>112</sup> in the Report of 2010 were not addressed. The specific findings are as detailed below:

- i. State Government orders (2005) stipulated that provision for RWHS should be indicated in the building plans submitted to ULBs for approval. If building owners fail to construct RWHS, Commissioners of ULBs concerned should construct and recover the cost incurred.

Audit found that the Corporations were collecting the amount towards RWHS upfront from the applicants while according building permissions. This amount was required to be either refunded to applicant on ensuring construction of RWHS or to be utilised on its construction by the Corporation. The test checked Corporations collected (2015-18) ₹3.74 crore<sup>113</sup> towards RWHS while according building permissions. Karimnagar Municipal Corporation (KMC) maintained a separate account for RWHS. The remaining four<sup>114</sup> Corporations, however, credited the amount collected towards RWHS to the General fund. Further, as per the records<sup>115</sup> of Corporations, no

<sup>109</sup> In 1998, Government made harvesting of rain water in all group housing and commercial mandatory. In June 2000, for buildings constructed in plots measuring 300 sq.mtr. and above. In February 2005, for all the buildings in an area of not less than 200 sq.mtr

<sup>110</sup> of the composite state of Andhra Pradesh

<sup>111</sup> Greater Warangal, Karimnagar, Khammam, Nizamabad and Ramagundam

<sup>112</sup> non-utilisation of the amount collected from the applicants of building permission towards RWHS, non-constitution of Rain Water Harvesting cell, etc.

<sup>113</sup> Greater Warangal: ₹2 crore; Karimnagar: ₹0.32 crore; Khammam: ₹0.83 crore; Nizamabad: ₹0.17 crore and Ramagundam: ₹0.42 crore

<sup>114</sup> Greater Warangal, Khammam, Nizamabad and Ramagundam

<sup>115</sup> Annual accounts

expenditure was incurred (either as refund to applicants or towards construction of RWHS in the building premises by the Corporations) during 2015-18 towards RWHS.

Government did not furnish specific reply on the above observation.

- ii. KMC incurred (2016-17) ₹31.44 lakh towards construction of RWHS in the public places from the amounts collected from the applicants of building permission.

Government stated (February 2019) that KMC constructed the RWHS in the public places and residential houses of willing persons who came forward for construction of RWHS (but not the applicants) with the approval of Council. Audit is of the view that utilisation of the money collected from individual applicants for the purpose other than intended was irregular.

- iii. Building Rules 2012 stipulate that Occupancy Certificate is to be issued on construction of buildings as per the specifications of sanctioned plan. The form prescribed for Occupancy Certificate, however, did not include provision to verify construction of RWHS. Audit observed that there was no mechanism in the Corporation to ensure construction of RWHS in the building premises while issuing Occupancy Certificate.

Government accepted (February 2019) the observation and stated that Director Town & Country Planning was instructed to incorporate a specific provision in the form prescribed for Occupancy Certificate.

- iv. Rain Water Harvesting cell was constituted (2012) in Greater Warangal Municipal Corporation. Information pertaining to remaining four<sup>116</sup> Corporations was not furnished.

Government stated (February 2019) that necessary instructions would be issued to the Municipal Commissioners for constitution of cell immediately, if not constituted previously.

- v. Departmental reports<sup>117</sup> revealed that in May 2018, 168 wells in eight districts<sup>118</sup> were monitored to compare the ground water level with reference to May 2017. It was found that there was fall in water levels of 51 wells (30 per cent). These reports indicate the imperative need for Rain Water Harvesting.

Government stated (February 2019) that for effective implementation of Government orders on conservation and harvesting of rain water, necessary instructions would be reiterated to all the Commissioners of ULBs to implement construction of RWHS scrupulously in the premises of the buildings of the applicants.

***Thus, Municipal Corporations failed to comply with the mandatory provisions despite collecting the amounts from building owners towards construction of RWHS. This resulted in non-achievement of the objective of recharge of ground water.***

<sup>116</sup> Karimnagar, Khammam, Nizamabad and Ramagundam

<sup>117</sup> Ground Water Department conducted analysis of 790 wells in the State to report water level fluctuations in May 2018 with reference to May 2017

<sup>118</sup> These eight districts viz., Medchal-Malkajgiri, Hyderabad, Mahabubnagar, Jogulamba-Gadwal, Rangareddy, Wanaparthy, Yadadri and Warangal Urban received excess rainfall during 2017-18

### 3.8 Loss of revenue

**Greater Warangal Municipal Corporation failed to comply with Government orders on levy and remittance of Environment Impact Fee. This resulted in loss of revenue of ₹35.75 lakh in test checked cases to the Government. Besides, there was non-remittance of ₹74.45 lakh collected towards Environment Impact Fee to the Directorate of Mines and Geology**

State Government issued<sup>119</sup> (June 2015) orders for levy of Environment Impact Fee on buildings with built-up area of more than 10,000 sft<sup>120</sup>, as per the plan approved by the competent authority i.e. Local Bodies. The fee was to be levied in lieu of seigniorage charges on building or construction material. It was to be collected at the rate of ₹3 per sft while sanctioning building plans and remitted into the Treasury<sup>121</sup>.

Greater Warangal Municipal Corporation (GWMC) sanctioned 1,305 building permissions during 2015-17<sup>122</sup>. Audit test checked (April 2018) 193 (15 per cent) cases of building permissions. Of the test checked cases, 50 building permissions were regulated with built-up area of more than 10,000 sft during July 2015 to November 2016. Audit found non/short levy of Environment Impact Fee by GWMC in respect of 47 (94 per cent) out of 50 test checked cases. This resulted in loss of revenue of ₹35.75 lakh to the Government. Further, it was found that:

- i. Environment Impact Fee of ₹34.05 lakh was not levied in 35 out of 47 (74 per cent) test checked cases. There was short levy of fee by ₹1.70 lakh in 12 out of 47 (26 per cent) test checked cases, due to non-consideration of built-up area pertaining to parking and cellar while computing fee. These cases are based on test-check and GWMC should, therefore, verify all the cases and initiate action with regard to the irregularities found, if any.

Government accepted (February 2019) the observation on short levy of the fee but assured that amount would be collected from building owners. It was further stated that while orders for levy of the fee were issued in June 2015, GWMC levied from April 2016 after obtaining Council Resolution. Audit, however, found instances of non-levy of Environment Impact Fee in the test checked building permissions regulated after April 2016 also.

- ii. Director Mines and Geology reported (June 2018) that ₹9.93 crore was received towards Environment Impact Fee from all the Local Bodies in the State during 2015-18. No receipts were reported from Local Bodies of 23 and 26 districts (out of 30<sup>123</sup> districts) in the State for the years 2016-17 and 2017-18 respectively.

Government did not furnish specific reply. It was, however, stated that issue would be examined with the Municipal Commissioners concerned.

<sup>119</sup> G.O.Ms.No.34 of Industries and Commerce (Mines) Department dated 17 June 2015

<sup>120</sup> including area meant for parking, pathway etc.

<sup>121</sup> Head of Account 0853-Non-Ferrous Mining and Metallurgical Industry, 102-Mineral Concessions, fee, etc., SH (03) Royalty on Environment Impact Fee

<sup>122</sup> GWMC did not furnish details of building permissions sanctioned during 2017-18 despite specific request

<sup>123</sup> Information pertaining to Hyderabad district is awaited

- iii. GWMC collected (2015-17) Environment Impact Fee amounting to ₹10.54 lakh in respect of 15 test checked cases. Director, Mines and Geology, however, received only ₹0.38 lakh on this account from Warangal district during 2015-17 and no collections were reported during 2017-18.

Government accepted (February 2019) the observation on poor remittance of Environment Impact Fee and stated that Environment Impact Fee of ₹74.45 lakh<sup>124</sup> collected as of January 2019 would be remitted to the Directorate of Mines and Geology at the earliest.

***Thus, Greater Warangal Municipal Corporation failed to comply with the provisions of State Government orders relating to levy and remittance of Environment Impact Fee resulting in loss of revenue to Government.***

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<sup>124</sup> 2016-17 ₹ 30.49 lakh, 2017-18 ₹ 18.55 lakh and 2018-19 (Upto 15 January 2019) ₹ 25.41 lakh

## Planning Department

### 3.9 Constituency Development Programme

In the combined State of Andhra Pradesh, Government launched (April 2005) 'Assembly Constituency Development Programme' (Scheme) to enable the Members of Legislative Assembly (MLAs)/Members of Legislative Council (MLCs) to initiate developmental works within their constituencies. The scheme initially implemented during 2005-08 was revived in 2010-11 after a gap of two years, as 'Constituency Development Programme (CDP)', a fully State funded scheme. Major audit findings regarding the scheme were as follows:

- Funds to the extent of 36 *per cent* remained unspent in Personal Deposit Accounts in the test checked districts (CPOs); 60 *per cent* of the funds released to executing agencies in test checked districts were not supported by Utilisation Certificates.
- The Department had no mechanism to ascertain whether the unutilised funds were parked in Personal Deposit Accounts or in bank accounts.

*(Paragraph 3.9.3)*

- Works targeted for completion within the year remained incomplete. Sanctioned works which were to be executed within a maximum period of six months were not completed in time and delays ranged from 188 to 1,169 days.

*(Paragraph 3.9.4.1)*

- Instances of ineligible works, deviation from sanctions as well as overlap (indicating possible duplication of work) with other schemes were also noticed.

*(Paragraphs 3.9.4.2 & 3.9.4.3)*

- Important controls through the Constituency Level Development Monitoring System (CLDMS), inspection of works, Social audit, maintaining digitised photographs, etc., were not exercised.

*(Paragraph 3.9.5)*

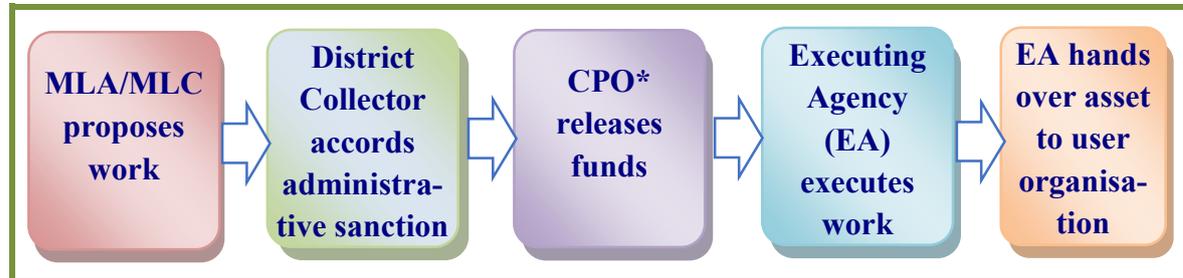
#### 3.9.1 Introduction

##### 3.9.1.1 The scheme

In the combined State of Andhra Pradesh, Government launched (April 2005) 'Assembly Constituency Development Programme' (Scheme). This scheme was launched to enable the Members of Legislative Assembly (MLAs) to initiate developmental works within their constituencies. The scheme initially implemented during 2005-08 was revived in 2010-11 after a gap of two years, as 'Constituency Development Programme (CDP)', a fully State funded scheme. The revived scheme was also extended to Members of Legislative Council (MLCs). There are currently 120 MLA and 40 MLC constituencies<sup>125</sup> in the State out of which 119 MLAs and 34 MLCs were elected and one MLA and six MLCs were nominated by the Governor.

<sup>125</sup> **Graduates Constituency:** three MLCs (in which three erstwhile districts each to two MLCs and four districts to one MLC); **Teachers Constituency:** three MLCs (in which three erstwhile districts each to two MLCs and four districts to one MLC); **Local Authorities Constituency:** 14 MLCs (District-wise allocation); **Assembly Constituency:** 14 MLCs and six MLCs nominated by Governor. Nominated MLCs are permitted to take up works anywhere in the State

The annual allocation<sup>126</sup> (per constituency) of ₹one crore<sup>127</sup> (2006-07) was enhanced<sup>128</sup> by the Government of Telangana (Government) to ₹1.50 crore (2014-15) which was further<sup>129</sup> enhanced to ₹3 crore from the year 2016-17. The scheme is implemented in accordance with the guidelines issued by the erstwhile State of Andhra Pradesh. The procedure for execution of work under the scheme is as follows.



Source: Scheme Guidelines

\*Chief Planning Officer

### 3.9.1.2 Scheme guidelines

Scheme guidelines place an emphasis on creation of durable assets with works of developmental nature selected on local needs. These include construction of roads including approach roads; compound wall for burial grounds; Gram Panchayat buildings; reading rooms; etc. Prohibited under the scheme were works already sanctioned or taken up under the Normal Plan funds. Further, utilisation of funds for maintenance, other non-plan works and as revenue expenditure was specifically not permitted under the scheme.

### 3.9.1.3 Audit Scope and Methodology

Audit of the scheme was carried out (April-July 2018) covering the period from 2 June 2014<sup>130</sup> to March 2018 to seek an assurance that the:

- Scheme was implemented in accordance with the Guidelines which envisaged that *MLAs/MLCs place emphasis on Government priority<sup>131</sup> schemes resulting in creation of durable assets, funds are not used for maintenance works, District Collectors (DCs) draw up priority schemes in each village MLA and MLC Constituency-wise, cases of entrustment of works on nomination basis, etc.*
- Selection and prioritisation of works was transparent and without overlap of works under other schemes.
- Works were executed on time and resulted in creation of civic facilities and infrastructure in the Assembly Constituencies.

Audit examined records of the Government in Planning Department (Department), Directorate of Economics and Statistics and Chief Planning Offices (CPOs) in respect of three<sup>132</sup> out of 10 erstwhile districts. Due to re-organisation of districts (October 2016) in

<sup>126</sup> originally ₹50 lakh during 2005-06

<sup>127</sup> ₹50 lakh under MLA/MLC quota and ₹50 lakh under District in-charge Minister quota

<sup>128</sup> GO.Rt.No.10 Planning (VII) Department, dated 12 January 2015

<sup>129</sup> vide GO.Ms.No.19 Planning (VII) Department, dated 12 May 2016

<sup>130</sup> The date from which a separate State of Telangana came into existence

<sup>131</sup> Drinking water facilities, public health care buildings, sanitation and drainage facilities to public, construction of roads, construction of buildings/facilities belonging to Government or Local Bodies for educational institutions need for classrooms/laboratories/toilets, common shelters for the old or handicapped and electrification/street lighting, etc.

<sup>132</sup> Karimnagar, Khammam and Nalgonda districts

the State, Audit selected a sample of nine<sup>133</sup> out of 31 re-organised districts<sup>134</sup>. Districts to be sampled were selected on the basis of 'Probability Proportional to Size without replacement (PPSWOR<sup>135</sup>)' method<sup>136</sup>. A total of 41 Constituencies (34 MLAs and 7 MLCs) were covered in the sampled districts. Audit proposed to conduct joint physical verification of 10 works in each sampled district. As against this, 104 works<sup>137</sup> were actually selected in the nine sampled districts. These works were selected on the basis of parameters that included monetary value, incidence of delays in work and nature of works<sup>138</sup>.

Audit criteria were Scheme Guidelines and Executive instructions/orders issued by the Government from time to time. Entry and Exit meetings were conducted with the CPOs of the districts concerned. Replies of Department to the audit observations have been considered/incorporated at appropriate places in the report.

### **Audit findings**

#### **3.9.2 Planning**

##### **3.9.2.1 District Review Committee**

*Scheme Guidelines stipulate that while taking up works, advice of the MLA/MLC was to prevail. Wherever it was not feasible to execute a work on technical reasons, the same was to be intimated to the MLA/MLC concerned. Such matters should be brought to the notice of the Chairman<sup>139</sup>, District Review Committee (DRC). The decision of Chairman/DRC was to be treated as final.*

The CPOs of sampled districts informed (April-July 2018) Audit that DRCs were not formed after bifurcation of State in 2014-15. Para 3.9.4.2 of this Report refers to 224 cases (estimated cost: ₹5.55 crore) where works were sanctioned on the advice of the MLA/MLC but were in contravention of the guidelines. These deviations could have been avoided if the DRC was formed and the matter resolved at its level.

Government confirmed (January 2019) that DRCs were not formed in any of the districts after formation of the State of Telangana.

#### **3.9.3 Utilisation of funds**

Utilisation of funds is watched through submission of Utilisation Certificates (UCs) from the Executing Agencies (EAs) to the CPO in the districts who furnishes the consolidated

<sup>133</sup> **Karimnagar:** Jagtial, Karimnagar, Peddapalli, Rajanna-Sircilla; **Khammam:** Bhadradi-Kothagudem, Khammam; and **Nalgonda:** Nalgonda, Suryapet, Yadadri-Bhuvanagiri districts

<sup>134</sup> which were part of the original identified districts

<sup>135</sup> A sampling procedure under which the probability of a unit being selected is proportional to the size of the ultimate unit, giving larger clusters a greater probability of selection and smaller clusters a lower probability

<sup>136</sup> Sampling was done on the basis of number of works in erstwhile districts arranged in ascending order and arrived at the cumulative figure. The cumulative figure was divided by the sample size, i.e. three districts to arrive at Interval. The interval was multiplied by value of random number table and selected first district. The value arrived at for first sample was added to the Interval and selected second district. Similarly third district was selected

<sup>137</sup> **Karimnagar:** Jagtial (17 works), Karimnagar (10), Peddapalli (13), Rajanna-Sircilla (10); **Khammam:** Bhadradi-Kothagudem (14), Khammam (10) and **Nalgonda:** Nalgonda (10), Suryapet (10), Yadadri-Bhuvanagiri districts (10)

<sup>138</sup> under the categories of drinking water, construction of Primary Health Centres/Schools including infrastructure facilities provided if any, laying of roads, sewerage works, providing street lights and other categories of works in public interest

<sup>139</sup> District-in-charge Minister was the Chairman of the DRC

UC to the Government. Under the scheme guidelines, *fresh amounts shall not be released by Government to district authorities unless they furnish UCs for previous releases.*

Audit scrutiny revealed that, as against release of funds of ₹1,462.99 crore to 31 districts during 2014-18, UCs were received from CPOs of only three districts for ₹69.58 crore<sup>140</sup>. Planning Department in its review (August 2018) had commented about the non-receipt of UCs from all districts except Karimnagar. Thus UCs were submitted only for five *per cent* of the funds released; only 10 *per cent* of the CPOs complied with the requirement.

Government confirmed (January 2019) the receipt of UCs from these three districts only and assured that UCs would be obtained from the remaining districts and submitted to Audit in due course.

The CPOs upload data pertaining to the value of the works sanctioned and expenditure incurred thereon on a portal called, ‘Constituency Level Development Monitoring System (CLDMS)’. The Department, however, had no mechanism, other than through UCs, to know the amount of balances lying with CPOs in their Personal Deposit (PD) Accounts. Further, the CPOs also had no mechanism to know about the amount of unspent balances lying with the EAs. As a result, funds are transferred to EAs on fresh works notwithstanding the unspent balances already available with them.

Planning Department replied<sup>141</sup>(April 2018) that funds were released to districts to meet the expenditure during the tenure of the respective MLA/MLC. This, however, is in variance with the scheme guidelines which specify the obtaining of UCs in respect of amounts released by Government before any fresh releases are made.

Government stated (September 2018) that the CPOs of the State were instructed (September 2018 vide email) to furnish the details of year-wise opening and closing balances of funds in respect of their districts.

*Chart-3.5* shows the utilisation of funds along the chain in the nine sampled districts. It showed that out of ₹305.89 crore released by the Government to the CPOs during the period 2014-18, ₹196.92 crore was released by CPOs to the Executing Agencies leaving a balance of ₹108.97<sup>142</sup> crore (36 *per cent*) with the CPOs in their respective PD Accounts. This could partly be attributed to the fact that substantial portion of the funds were released by the Government at the end of the financial year. For instance, in 2016-17, out of ₹652.11 crore released to CPOs by the department, funds of ₹225.65 crore (35 *per cent*) were released in March 2017 through five Government Orders issued from 02 March 2017 to 27 March 2017.

Further, in respect of ₹196.92 crore released by the CPOs to the EAs, UCs were provided in respect of ₹78.49 crore (40 *per cent*) only. UCs for ₹118.43 crore (60 *per cent*) were not furnished by the EAs. Thus, a total of ₹227.40 crore<sup>143</sup> remained either unspent in PD Accounts or was not supported by UCs, representing 74 *per cent* of the funds released during the period 2014-18 providing no assurance of the nature of expenditure.

<sup>140</sup> Karimnagar: ₹68.50 crore for 2014-17; Jayshankar-Bhupalapally: partially to the extent of ₹1.06 crore for 2016-17 and Nirmal: partially to the extent of ₹0.02 crore for 2016-17

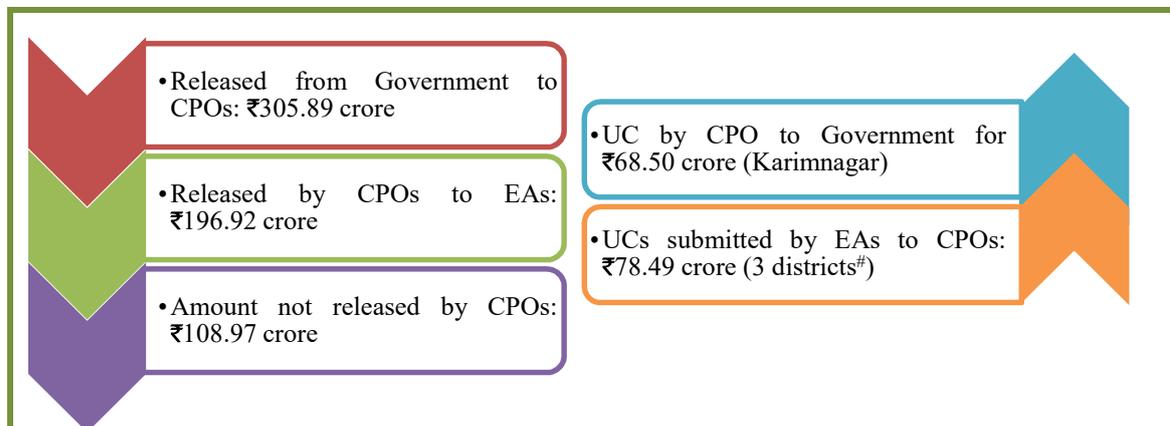
<sup>141</sup> vide its reply Letter No. 3479/CDP/Plg. VII/2017, dated 12 April 2018

<sup>142</sup> 2014-15:(-) ₹11.87 crore; 2015-16: ₹10.11 crore; 2016-17: ₹50.79 crore and 2017-18: ₹59.94 crore

<sup>143</sup> ₹118.43 crore lying with/non-furnishing of UCs by EAs and ₹108.97 crore lying with CPOs

Government stated (September 2018) that the progress of works was being monitored regularly with DCs who were directed to submit UCs along with reasons for slow progress and non-grounding of works (i.e., works not started). Audit was assured that these would be furnished after obtaining the same from DCs.

**Chart-3.5: Release and utilisation of funds in sampled districts**



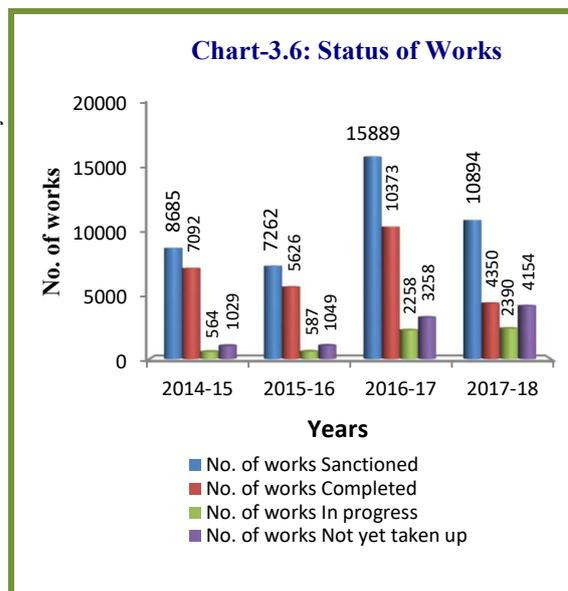
Source: Information furnished by respective CPOs

#Nalgonda: ₹72.78 crore; Rajanna-Sircilla: ₹1.13 crore and Yadadri-Bhuvanagiri: ₹4.58 crore

### 3.9.4 Execution of works

#### 3.9.4.1 Progress of Works

Scheme Guidelines stipulate that *all sanctions for works should be accorded within a period of 30 days from the date of receipt of proposal in the office of the DC. The sanctioned works were to be executed within a maximum period of six months. Chart-3.6 illustrates the status of works. During 2014-18, 42,730 works were sanctioned in the State. Of these, 27,441 (64 per cent) works were only completed, 5,799 (14 per cent) works were in progress and 9,490 (22 per cent) works not yet started as of August 2018.*



Government stated (January 2019) that the district administration of Peddapalli, Bhadradri-Kothagudem and Rajanna-Sircilla had attributed administrative reasons for delays in according sanctions.

As per the position indicated in the CLDMS data there were no cancelled works. Further, there is no specific provision in the CLDMS for exhibition of cancelled works. During physical verification of works in the district of Bhadradri-Kothagudem it was noted that there were two cancelled works. Audit was not in a position to ascertain the State-wide status of the cancelled works. Audit further analysed the time lags in completion/progress

of 104 works (out of 11,968 works) taken up and due to be completed in 2014-18 in the selected districts.

Table-3.6

Sanction	Number of works completed in					Number of works in progress	Total
	within 6 months	6 months-1 year	1-2 years	2-3 years	Total		
Up to ₹5 lakh	36	17	3	1	57	14	71
Above ₹5 lakh and up to ₹10 lakh	4	4	1	1	10	3	13
Above ₹10 lakh and up to ₹20 lakh	6	3	3	0	12	4	16
Above ₹20 lakh and up to ₹50 lakh	2	1	0	0	3	0	3
Above ₹50 lakh and up to ₹one crore	0	0	0	0	0	1	1
<b>Total</b>	<b>48</b>	<b>25</b>	<b>7</b>	<b>2</b>	<b>82</b>	<b>22</b>	<b>104</b>

Source: CLDMS data

The data showed that:

- Most of the works were of value of less than ₹5 lakh only. Some of the larger works were also split to smaller bundles of up to ₹5 lakh to facilitate assigning of works on nomination basis<sup>144</sup>. Audit observed that 14 works were split into 38 works<sup>145</sup> (estimated cost: ₹1.51 crore and expenditure: ₹1.01 crore).
- Of the total 104 works, 82 works (79 per cent) were completed. Only 48 works (46 per cent) were, however, completed within the stipulated time of six months. Delays exceeded one year in respect of nine works.
- 22 works representing 21 per cent of the total, although scheduled for completion, were in progress. Delays ranged from 188 to 1,169 days.

Government attributed (January 2019) the site/local problems for the delay and stated that the DCs were instructing the EAs to complete the sanctioned works within stipulated time limit during the review meetings.

Audit also observed incidence of sanctioned works not started which was particularly high in Rajanna-Siricilla (50 per cent) followed by Peddapalli (49 per cent), Khammam (42 per cent). CPOs of the respective districts attributed the delays to problems at site (Khammam district) and lack of supervision by higher authorities<sup>146</sup>. Chief Planning Officers (CPOs) of Rajanna-Siricilla and Yadadri-Bhuvanagiri districts stated that despite efforts<sup>147</sup>, works took time for actually starting as well as completion by the EAs.

<sup>144</sup> As per guidelines, entrustment of works on nomination basis should be avoided. State Government directed (July 2010) that execution of works up to ₹5 lakh can be entrusted to Village Works Committees (VWCs)/Self Help Groups (SHGs)/User Groups consisting of stake holders

<sup>145</sup> Bhadradi-Kothagudem: nine works (estimated cost: ₹0.42 crore; expenditure: ₹0.23 crore); Karimnagar: nine works (₹0.30 crore; ₹0.30 crore); Khammam: 10 works (₹0.34 crore; ₹0.32 crore); Peddapalli: seven works (₹0.30 crore; ₹0.06 crore) and Suryapet: three works (₹0.15 crore; ₹0.10 crore)

<sup>146</sup> in respect of Bhadradi-Kothagudem, Jagtial and Peddapalli districts

<sup>147</sup> i.e., correspondence, review meeting and video conferences

Delays in completion of works resulted in blocking of scheme funds with the EAs. In the absence of UCs, a close watch at the Departmental and at the level of CPOs, could not be exercised.

Government did not specify any reasons in its reply.

### 3.9.4.2 Ineligible works

Scheme Guidelines stipulate that *the works under the scheme shall be developmental in nature, based on locally felt needs and the emphasis is on creation of durable assets. Works eligible for sanction under the scheme are listed out in Appendix-I of scheme guidelines.* A specific condition that works should be executed only in Government land/area is prescribed by CPOs while issuing administrative sanctions.

Observations in regard to ineligible works in districts selected as sample are detailed hereunder.

Criteria	Audit observation
<i>The works under the Scheme shall be developmental in nature, based on locally felt needs and the emphasis is on creation of durable assets</i>	<p>a) Laying of 151 gravel roads (and hence not of permanent nature) at a cost of ₹3.35 crore were sanctioned in six<sup>148</sup> test checked districts during 2014-18.</p> <p>b) In Khammam district, 61 works of Granular Sub-base<sup>149</sup>(GSB; not of permanent nature) were administratively sanctioned but 'not started' (estimated cost: ₹1.92 crore). Government in its reply (January 2019) stated that the District administration was according sanctions for gravel road works on the basis of needs of rural areas. This however was contrary to the scheme guidelines, where emphasis was on creation of durable assets.</p>
<i>Works which are included in Appendix-I of CDP scheme guidelines should only be executed.</i>	In Jagtial district, nine ineligible works <sup>150</sup> costing ₹17.80 lakh were sanctioned. CPO replied that based on the proposals received from MLAs, the works were examined and sanctioned.
<i>As per Sl.no.9 of the CDP Guideline, maintenance works should not be taken up</i>	In Karimnagar district, Black topping (BT) renewal works at three locations were executed (November 2016) at a cost of ₹9.95 lakh. The CPO stated (July 2018) that works were sanctioned as per the proposals of MLAs/MLCs and District In-charge Minister. Government stated (January 2019) that, the district authorities were instructed not to sanction repairs/maintenance works.

### 3.9.4.3 Overlapping work

Scheme guidelines stipulate that *works proposed should be fully funded without creating any spill over and additional liability to Government.* Audit scrutiny revealed that, a school building at Patha-Kothagudem was sanctioned (November 2016; ₹one crore)

<sup>148</sup> Bhadradi-Kothagudem: 62 (₹1.50 crore); Jagtial: three (₹0.02 crore); Karimnagar: 40 (₹0.88 crore); Khammam: 22 (₹0.58 crore); Nalgonda: 23 (₹0.36 crore) and Yadadri-Bhuvanagiri: one (₹0.01 crore)

<sup>149</sup> well graded unbound material, usually crushed stone, crushed slag, crushed concrete or another inert hard material

<sup>150</sup> Like construction of milk dairy building cattle trough and mini tank, erection of pipeline and motor, replacement of pumpset, construction of new VO building, compound wall to community halls, gravel filling at old well, ground levelling

under Special Development Fund (SDF) in 2016-17. This school was taken up under CDP scheme with a sanction (February 2018) of ₹42 lakh. It was observed that the items of work<sup>151</sup> for which CDP funds of ₹42 lakh released were also included in the estimates under SDF. The EA<sup>152</sup> accepted (June 2018) the overlap but stated that these items would not be executed. The work was in progress.

Government stated that the work of construction of school building was not handed over to user agency pending receipt of completion report from Engineer-in-Chief (ENC) office. Government did not furnish any specific reasons for overlapping work under both the schemes.

***Ineligible and overlapping works represent misutilisation of funds on items that do not fall within the objectives of the scheme, creating additional liability to Government.***

#### 3.9.4.4 Results of joint physical verification

Audit conducted joint physical verification of 10 works in each selected district, thus covering 104 works costing ₹8.46 crore. Infractions were found in respect of 10 works costing ₹0.88 crore as tabulated below:

**Table-3.7**

Nature of irregularity	No. of works	Estimated cost (₹ in lakh)
Asset not used due to faults, disrepair or misuse	3	48.03
Funds not utilised as per sanction	3	23.00
Works not on Government property	2	7.46
Incomplete works	1	5.00
Works not of permanent nature	1	5.00
<b>Total</b>	<b>10</b>	<b>88.49</b>

Further details are furnished below:

Nature of irregularity	No. of works	Estimated cost (₹ in lakh)
<b>1) Asset not used due to faults, disrepair or misuse</b>	<b>3</b>	<b>48.03</b>
<ul style="list-style-type: none"> <li>One of the conditions of sanction order stipulates the maintenance and upkeep of the asset created under the scheme by the department/local body concerned from their department funds. Drains were constructed (April 2017) at Vikalangula Colony, Palvancha (mandal), Bhadradi-Kothagudem district by incurring an amount of ₹17.75 lakh (estimated cost: ₹20 lakh). The drains were filled with mud/sand/metal etc., at three places due to which flow of sewage was obstructed.</li> </ul>		

<sup>151</sup> providing and applying wall putty of white cement of polymer, flooring with nano polished soluble salt porcelain vitrified tiles, providing skirting to internal walls, supply and fixing sliding doors, providing and fixing flush door shutters, aluminium tower bolts, aldrop, fancy handles, door stopper, painting to new walls and electrification of the building

<sup>152</sup> Deputy Executive Engineer, Panchayat Raj Sub Division, Kothagudem

- Vegetable Market <sup>153</sup> constructed (April 2017) by incurring an expenditure of ₹8.01 lakh (estimated cost: ₹10 lakh) was kept idle due to poor response of customers and the vegetable vendors moving to other places and thus could not be used for the intended purpose. Further, it was misused by keeping some wooden logs and scrap material by some unknown persons. Government assured corrective action in respect of these two issues. Thus, the purpose for which the above two works were executed was defeated and ₹25.76 lakh became infructuous.



Figure-3.7: Vegetable market constructed was kept idle

(22 June 2018)

- DGPS<sup>154</sup> equipment (costing ₹22.27 lakh<sup>155</sup>) could not be used for land regularisation in the district due to close proximity to town. The instrument did not work properly under the roof (while recording geo reference points) in town area with Reinforced Cement Concrete (RCC) buildings. Thus the equipment expected to be used in settling applications relating to regularization of town lands, could not be used.

Government stated (January 2019) that the instrument was being used in Government Hospital survey and Gurukul schools. The objective for which the equipment was procured was, however, not met.

## 2) Funds not utilised as per sanction

3

23.00

- Sanction was given for construction of indoor shuttle stadium at Nakrekal, Nalgonda district (estimated cost: ₹5 lakh), but the funds were utilized for painting and land-scaping of existing stadium.
- Sanction was accorded (April 2015) for the work 'Construction of Reading room and Library near Zilla Parishad Office, Nalgonda'. Further, no photos before commencement of work were available in file. As per Measurement Book, funds (estimated cost: ₹5 lakh) were utilized (₹4.75 lakh) for painting, wood work and other miscellaneous works which were not included in the sanction. The CPO stated that replies to the observations would be obtained from the EA (DPRE<sup>156</sup>) concerned.
- In the work (estimated cost: ₹13 lakh), 'Construction of additional class rooms (two nos.) at Primary school, Isthapuram', instead of 'flooring with polished shabad stones (Thandur blue variety)' as per sl.no.13 of Specification Report, rough shabad stones were laid. Moreover, stones were laid unevenly causing inconvenience to primary school children. When this issue was brought to the notice of the authorities concerned (June 2018), it was replied that the reasons for the change in the scope of work would be called for from the EAs. Further reply in this regard had not been received till date.

Government did not furnish any specific reply to these issues.

<sup>153</sup> in front of Rajiv Gruhakalpa at Ward No.23 in Kothagudem Municipality

<sup>154</sup> Differential Global Positioning System to settle the pending applications relating to regularization of lands at the office of Assistant Director of Survey & Land Records, Bhadradi-Kothagudem

<sup>155</sup> ₹10 lakh from CDP funds and ₹12.27 lakh from Crucial Balance Fund

<sup>156</sup> District Panchayat Raj Engineer

**3) Works not on Government property**

2

7.46

- As per sanction condition 11 of the work, no works are allowed to be taken up in a private land/ territory; it is to be ensured that the site of construction as well as the created asset is owned by the Government. A work was sanctioned (July 2017; estimated cost and expenditure: ₹5 lakh) for ‘Construction of Out- Patient block in TKV Rangacharyulu, Ranganayakamma Lions Club Eye Hospital at Miryalaguda town, Nalgonda district’ which was not a Government property. It was also observed, that funds were instead used on items not covered in the sanction<sup>157</sup>.



*Figure-3.8: Construction of OP block in private land (02 May 2018)*

- The CDP work should be executed in Government land. 63 KV transformer, however, at an estimated cost of ₹2.46 lakh was erected inside the compound wall of the Masjid which was not a Government property. Although the CPO was specifically asked the reasons for installing the transformer inside the compound wall of the Masjid, no reasons were furnished.

Government did not furnish any specific reply to these issues.

**4) Incomplete works**

1

5.00

Condition No.6 of administrative sanction for the work stipulates that the site of the construction/creation of the asset must be owned by the Government. No work shall be taken up in private land/territory. If any work is executed in private lands, relinquishment certificate should be obtained in favour of Government well in advance before execution of the works. Scrutiny of the work ‘Construction of Mahila Sangham Building (MSB)’ (estimated cost: ₹5 lakh) at Kajipoor village in Karimnagar district (sanctioned in August 2015)



*Figure-3.9: Incomplete Mahila Sangam building (07 July 2018)*

revealed that the building was still in semi-finished stage (July 2018) with doors & windows panes, flooring and electrification still remaining to be completed (expenditure incurred: ₹4.93 lakh). Further, there was no record to show that the site was Government land. If it was donated, no certificate of relinquishment of ownership was found in records. The EA (DPRE) replied that the necessary certificate would be obtained.

Government did not furnish any specific reply to the issue.

<sup>157</sup> painting, providing sliding window panels, fixing of high polished granites and construction of compound wall

5) Works not of permanent nature	1	5.00
<p>The work (estimated cost: ₹5 lakh) 'Formation of Ghat Road from Indiramma Colony towards Sri Laxminarasimha Swamy Temple Hillock at Rekurthi village, Karimnagar (mandal &amp; district)' was completed (December 2016) incurring an expenditure of ₹5 lakh. The same was damaged due to soil erosion during rainy season and it was covered with small bushes and plants at the starting point. EA accepted the audit observations and stated that it would be rectified by laying a cement paved road. Government did not furnish any specific reply to the issue.</p>		<p><i>Figure-3.10: Formation of ghat road (07 May 2018)</i></p>

### 3.9.5 Monitoring

#### 3.9.5.1 Digitised photographs

Scheme guidelines stipulate that the *district authorities should maintain and submit the digitised photographs of the assets created along with the site photographs before and after the works were carried out.* While according administrative sanction, the CPOs had reiterated the same to the EAs. None of the test checked districts, however, maintained photographs of works before their execution. The CPOs stated that despite clear instructions in administrative sanctions, photographs of before work were not being received from EAs.

Government stated (January 2019) that the DC had issued necessary instructions to all EAs to ensure compliance.

***Thus an important control on utilisation of funds on sanctioned works was lost.***

#### 3.9.5.2 Inspection of works

For effective implementation of works, District officials appointed by the Collector shall visit and inspect at least 10 *per cent* of the works every year. It was also the responsibility of senior officers of EAs of these works to regularly visit all the work spots and ensure that the works are progressing satisfactorily as per prescribed procedures and specifications.

Six CPOs<sup>158</sup> out of nine test checked in audit admitted that no inspections were carried out. They attributed the non-compliance to work pressure; districts being newly formed and because detailed guidelines on inspections were not received. In respect of other CPOs, the inspections were carried out only in few mandals. Details of inspection reports, percentage of works checked, etc., in mandals were, however, not furnished to Audit.

Government attributed the shortfall in inspections to bifurcation of staff (Karimnagar) among newly created districts with the manpower being highly insufficient to inspect

<sup>158</sup> Karimnagar, Khammam, Rajanna-Siricilla, Bhadradi-Kothagudem, Jagtial and Peddapalli districts

the works physically. It was stated that the Special Officers appointed to the mandals (Peddapalli and Nalgonda) had been instructed to inspect the ongoing/completed works. It was also assured that inspection of works would be done hereafter (Bhadradi-Kothagudem).

***In the absence of regular inspections monitoring of works could not be assured.***

### **3.9.5.3 Audit of Annual accounts by State Audit Department**

Scheme guidelines stipulate that *the Annual accounts of each district should be submitted to the Director of Local Fund Audit (State Audit Department) by 15<sup>th</sup> of May of the succeeding year for taking up audit.* Audit found delays in submission of annual accounts by CPOs to State Audit Department as discussed below:

- In four<sup>159</sup> out of nine districts selected as sample, Annual accounts were not prepared since inception (October 2016) of the office.
- CPO, Khammam submitted annual accounts for the years 2014-15 to 2016-17 with a delay of 791, 458 and 241 days respectively.
- CPO, Karimnagar submitted annual accounts for 2014-15 and 2016-17 with a delay of 386 days and 112 days respectively.
- In all the test checked districts, annual accounts for the year 2017-18 were yet to be submitted as of July 2018 by respective CPOs.

Government stated (January 2019) that, the Director, State Audit Department had been directed<sup>160</sup> to conduct audit of annual accounts in all the districts within a period of six months.

***Due to delayed/non-submission of accounts, audit of these accounts are in arrears. As a result, there is minimum possibility of initiating corrective action on areas of concern pointed out in audit. This reflects failure of internal control mechanism.***

### **3.9.5.4 Social audit**

As per the orders issued (July 2010) by the Government, *the DC/CPO shall arrange to conduct Social audit to ensure accountability, quality and transparency in execution of works under CDP.* No Social audit on CDP was, however, conducted in any of the test checked districts.

Government stated (January 2019) that Social audit was not conducted in any of the districts.

***Hence, the envisaged mechanism for accountability, quality and transparency in the execution of works could not be ensured.***

### **3.9.5.5 Quality Control tests**

*As per the instructions of Administrative sanctions, for any work Quality Control (QC) tests have to be conducted by the EAs.* QC Certificate is required for all works before final payment. QC checks had, however, not been conducted by the EAs in two<sup>161</sup> test checked districts and payment had been made without the QC certificate.

<sup>159</sup> Bhadradi-Kothagudem, Jagtial, Peddapalli and Rajanna-Sircilla districts

<sup>160</sup> vide Government Memo No. 3033/CDP/Plg. VII/2017, dated 23 January 2019

<sup>161</sup> Nalgonda and Yadadri-Bhuvanagiri

Government stated (January 2019) that instructions had been issued to the EAs for conduct of QC tests.

### 3.9.5.6 Constituency Level Development Monitoring System (CLDMS)

Constituency Level Development Monitoring System (CLDMS) application software has been developed by National Informatics Centre, Telangana. This software aims to monitor the works of CDP, SDF and Member of Parliament Local Area Development (MPLAD) Scheme. The monitoring is envisaged right from the receipts of proposals from the MPs, MLAs & MLCs to completion of works by the different EAs. Apart from the aforementioned features, providing auto generated statements, custom level reporting, unspent amount available with the EAs etc., are also envisaged.

Audit analysis of CLDMS data revealed that the data is not being captured accurately and updated to reflect the latest status as discussed below:

- Details of unspent balance with EAs are not available in CLDMS.
- In Bhadradi-Kothagudem district, out of 14 works selected for physical verification, the status of seven works was found different from the data made available by the office as detailed in *Appendix-3.9*. CPO replied that Monthly Progress Report (MPR) of CDP works, UCs and expenditure particulars were not furnished by the EAs to the CPO. Thus, actual status of expenditure under the scheme was not available with the office.
- In Jagtial district, as per CLDMS data, 467 works were completed, however, details of actual date of completion were not available. CPO replied that EAs were not furnishing the MPRs regularly, status of completion date and handing over the work to user agency. Further, 856 out of total 1,865 works during 2014-18 were recorded as not reported, not started, and left blank. The Office had, however, not taken any action to know the exact status of works. No action had been taken against the EAs for non-submission of information. It was replied that due to heavy work load and non-availability of sufficient staff, CPO had not pursued the matter.
- In Nalgonda district, data was not matching with the MPR of March 2018 as detailed in Table 3.8.

**Table-3.8**

(Value: ₹ in lakh)

	Sanctioned		Completed		In progress		Not started		Total Expenditure
	No. of works	Value	No. of works	Value	No. of works	Value	No. of works	Value	
CLDMS	3,461	7,458.53	2,509	5,136.48	11	27.50	941	2,232.45	5,163.98
MPR data furnished by the Office to Secretariat	3,248	7,002.61	2,564	5,191.10	13	32.50	671	1,688.33	5,223.50
Variation	213	455.92	-55	-54.62	-2	-5.00	270	544.12	-59.52

Source: CLDMS/department data

CPO replied that due to delay in uploading data at every level the variation exists. Steps would, however, be taken to update the data immediately and mis-match level of data minimized.

- Data furnished by CPO, Karimnagar district upto May 2018, stated that ‘Not started works’ as ‘Zero’ where as the CLDMS data showed that 564 works worth ₹1,370.02 lakh were listed as ‘not yet started’. There was discrepancy in exhibition of ‘not started works’ in the CDP data maintained at Office and CLDMS data.
- As per review of physical and financial progress of the works conducted by the Planning Department and communicated (May 2018) to the Rajanna-Siricilla district, the CDP data in the CLDMS was not updated.

The CPO, Rajanna-Siricilla district replied that the CDP data in the CLDMS was being updated as per the instructions of the Government (July 2018).

Government stated (January 2019) that all the DCs had been instructed to update the CLDMS system every month.

### **3.9.6 Conclusion**

*The budget releases were not supported by utilisation details. 60 per cent of the funds released to Executing Agencies in test checked districts were not backed by Utilisation Certificates. Funds to the extent of 36 per cent remained unspent in Personal Deposit Accounts in the test checked districts (CPOs); The Department had no mechanism to watch unutilised funds parked in Personal Deposit Accounts. Works targeted for completion within the year remained incomplete. Instances of ineligible works, deviation from sanctions as well as overlap (indicating possible duplication of work) with other schemes were also noticed. Important controls through the Constituency Level Development Monitoring System (CLDMS), inspection of works, Social audit, maintaining digitised photographs etc., were not exercised.*

### **3.9.7 Recommendations**

- (i) District Review Committees should be formed to facilitate decision making with regard to ineligible works recommended by the MLAs/MLCs.
- (ii) Submission of UCs must be insisted and a mechanism instituted to keep track of the unspent balances at the State level, district CPOs and EAs.
- (iii) CLDMS data and Monthly Progress Reports should be validated to reflect the reality on real time basis.
- (iv) Inspection and Social audit on the implementation of Constituency Development Programme should be conducted.

## Health, Medical and Family Welfare Department

### 3.10 Strengthening and upgradation of State Government Medical Colleges for increase in PG seats

**The objective of increasing the Post Graduation seats and the commensurate increase in infrastructural facilities in the three identified medical colleges could not be fully achieved as the funds committed were not applied to the project**

Government of India (GoI)<sup>162</sup> launched (November 2008) during the 11<sup>th</sup> plan period (2007-12) a Centrally Sponsored Scheme “**Strengthening and upgradation of State Government Medical Colleges for increase in PG seats**”. Three Government Colleges in Telangana State were identified<sup>163</sup> (April 2011) under the Scheme. These were (i) Osmania Medical College (OMC), Hyderabad (ii) Kakatiya Medical College (KMC), Warangal and (iii) Gandhi Medical College (GMC), Secunderabad.

The objectives of the scheme were to strengthen the infrastructure (buildings, equipment) in the medical colleges in order to facilitate increase in seats for Post Graduation (PG) courses in identified disciplines<sup>164</sup>. Directorate of Medical Education (DME) was the nodal agency for implementation of the Scheme. The civil works and procurement of equipment<sup>165</sup> was to be done through Telangana State Medical Services & Infrastructure Development Corporation<sup>166</sup> (Corporation).

The Scheme was to be jointly funded with the State Government on 75:25 basis, which was later revised (May 2017) to 60:40. The conditions of grant *inter alia* were:

- On release (October 2011) of the first instalment<sup>167</sup> from GoI directly to the Medical colleges, the State Government was also required to release the first instalment of its share.
- Subsequent instalments would be released on receipt of Utilisation Certificates (UCs) on the first instalment, from the Colleges.
- In case the stipulated number of PG seats were not created as envisaged, the funds mis-utilised/un-utilised were to be returned along with interest.
- The permission to increase PG seats was granted on the condition that the State Government would provide budgetary support until all facilities are provided. The State Government would also bear the recurring expenditure on maintenance of the facilities after the plan period.

Later, the Scheme period was extended (May 2018) up to 2018-19.

<sup>162</sup> the Ministry of Health & Family Welfare

<sup>163</sup> State Government submitted proposals to GoI in June 2009 indicating the list of 10 medical colleges in the undivided State of Andhra Pradesh. The proposals were approved by the Empowered Committee of GoI in April 2011

<sup>164</sup> as per the instructions of DME

<sup>165</sup> Equipment which cost less than ₹5 lakh can be procured by Principals of the Medical Colleges as per DME order (August 2012)

<sup>166</sup> prior to bifurcation and de-merger, the Andhra Pradesh Medical Services & Infrastructure Development Corporation (APMSIDC)

<sup>167</sup> OMC: ₹16.45 crore; KMC: ₹3.97 crore and GMC: ₹3.15 crore

Audit conducted (March 2018 - August 2018) in the three Government Medical colleges and in the Office of the DME, revealed the following (*Appendix-3.10* gives further details):

- The 1<sup>st</sup> instalment of ₹23.57 crore was released (October 2011) by GoI but the State Government did not release its matching share despite requests<sup>168</sup> from the colleges.
- GoI intimated (June 2013) that in the absence of release of matching State share, it would not be possible to release further funds. Rupees 17.19 crore was, however, released (September 2018) by GoI as 2<sup>nd</sup> instalment after the extension of the scheme period. The total GoI releases amounted to ₹40.76 crore which was not matched by State share of ₹25.09 crore.
- The infrastructure facilities in the colleges were to be increased commensurate with the increase in PG seats. The Technical Empowered Committee had recommended civil works costing ₹18.70 crore and purchase of equipment worth ₹40.84 crore in the three colleges: a total of ₹59.54 crore on creation of infrastructure. The colleges could spend only ₹14.61 crore being 25 per cent of the total sum approved by the Committee.
- None of the Medical Colleges had spent the amounts released in respect of faculty although there was shortfall in faculty.
- As a result, 36 per cent of the funds received (including the second instalment of GoI) on the scheme were spent. UCs were given to GoI for a total sum of ₹21.01 crore (including interest accrued) by the Medical Colleges.

#### ***Irregularity in submission of UCs***

*Osmania Medical College incurred expenditure of ₹07.78 crore out of ₹16.45 crore released by GoI. UC was, however, furnished for ₹13.91 crore. The college in its reply (November 2018) stated that the UC furnished (June 2018) to GoI was in respect of funds released to the executing agency - Telangana State Medical Services & Infrastructure Development Corporation (TSMSIDC). Audit also observed that an amount of ₹5.28 crore was still available with TSMSIDC. Thus, the college submitted the UC without actually incurring expenditure on the envisaged items of the scheme.*

- The Scheme has not been fully implemented in any of the three identified Medical Colleges. 60 per cent (168 seats) of the envisaged 279 seats were increased in the identified disciplines.

Thus, despite release of entire GoI share of funds for the scheme, non-release of funds by the State Government coupled with inability of the colleges to expend the funds sanctioned led to shortfall in increase (40 per cent) of PG seats to the extent and the commensurate creation of infrastructure.

The matter was reported to Government in August 2018 and reminded in October 2018; their reply is awaited.

<sup>168</sup> (i) Principal, OMC in December 2011, August 2014 and May 2017 (ii) Principal, GMC in April 2013 and (iii) Principal, KMC in February 2015, October 2015 and December 2015

### 3.11 Non-functional Multi-disciplinary Research Units (MRUs)

**Failure to meet the project milestones and pre-requisites as per GOI time schedule coupled with non-release of subsequent funds by GoI resulted in non-functioning of the MRUs. The objective of bridging the gap in the infrastructure in the Medical Colleges and promoting research in non-communicable diseases having impact on public health remained unachieved**

Government of India (GoI) introduced (June 2013) a scheme for 'Establishment of Multi-disciplinary Research Units (MRUs)' in Government Medical Colleges during the 12<sup>th</sup> Plan period. Eighty MRUs<sup>169</sup> were to be established across the country in a phased manner to undertake research in non-communicable diseases and other need based research<sup>170</sup>. The scheme also envisaged bridging the gap in infrastructure in the Medical Colleges. The scheme was to be implemented with the active involvement of State Health Departments in consultation with Department of Health Research (DHR), Ministry of Health, GoI.

Two MRUs viz., Osmania Medical College (OMC) (July 2013) and Gandhi Medical College (GMC) (April 2015) at Hyderabad were sanctioned in Telangana State. Memorandum of Agreement (MoA) was signed<sup>171</sup> between the State Government and DHR, MoH, GoI.

The GoI envisaged funding pattern included, one time financial assistance of ₹5.25 crore (civil works: ₹0.25 crore; Equipment: ₹5 crore). In addition, GoI was also to fund recurring expenditure of ₹34.23 lakh<sup>172</sup> per annum for a period of five years. First instalment of one-time grant of ₹1.25 crore was released<sup>173</sup> after signing of the MoA. Release of subsequent instalments was linked to meeting pre-conditions<sup>174</sup> and achievement of scheme milestones by the Medical Colleges.

The MoA identified the role of the State Government in respect of the following:

- provide the requisite space (free of cost) for establishment of MRU in the Medical College.
- take over of the recurring expenditure liability of the MRU after the project period of five years.
- identification of research priorities and projects, etc., after the establishment of MRU

Scrutiny of scheme records<sup>175</sup> revealed that the MRU was not operational as the scheme was beset with delays and lack of funds. These are detailed as follows:

<sup>169</sup> 2013-14: 35; 2014-15: 45

<sup>170</sup> As recommended by Local Research Advisory Committee constituted for the purpose

<sup>171</sup> OMC: August 2013; GMC: April 2015

<sup>172</sup> contractual staff: ₹19.23 lakh; consumables/training/contingencies: ₹15 lakh

<sup>173</sup> OMC: October 2013; GMC: July 2015

<sup>174</sup> Release of 2<sup>nd</sup> instalment was subject to: (a) completion of civil works (b) Constitution of Local Research Advisory Committee (LRAC) and Development of research projects (c) Placement of orders for procurement of equipment with clear delivery schedule (d) completion of the process of selection of contractual staff. Release of 3<sup>rd</sup> instalment was subject to (a) holding of at least two meetings of Research Committees (b) certification of appointment of contractual staff after release of 2<sup>nd</sup> instalment and (c) review of performance by Indian Council of Medical Research (ICMR) Evaluation Committee

<sup>175</sup> OMC: July 2018; GMC: August 2018

Deliverables	Audit observations
<b>Osmania Medical College</b>	
<b>Civil works: To be completed by 2013-14</b>	<b>Status: Completed</b> with a delay of 20 months due to: <ul style="list-style-type: none"> <li>➤ Delay in entrustment of work: 11 months</li> <li>➤ Delay in completion of work: 9 months</li> <li>➤ Completed in: September 2015</li> <li>➤ Total cost incurred: ₹24.27 lakh</li> </ul>
<b>Procurement of Equipment: To be completed by 2015-16</b> <sup>176</sup> . The procurement process of equipment was to commence simultaneously along with the civil works	<b>Status: Not completed</b> by the Medical College due to: <ul style="list-style-type: none"> <li>➤ Procurement commenced in December 2014 after a delay of 14 months.</li> <li>➤ Utilisation Certificate (May 2018) forwarded to GoI showed purchase of equipment<sup>177</sup> worth ₹one crore of which: <ul style="list-style-type: none"> <li>• Admissible expenditure: ₹60.67 lakh</li> <li>• Inadmissible expenditure: ₹37.16 lakh<sup>178</sup></li> <li>• Unspent balance with OMC: ₹10 lakh (including bank interest)</li> </ul> </li> </ul>
<b>Appointment of contractual staff: The process to engage contractual staff was to commence in the 2<sup>nd</sup> year of sanction i.e., 2014-15</b>	<b>Status: No contractual staff in place in the MRU</b> <ul style="list-style-type: none"> <li>➤ OMC hired (July 2015) contractual staff (Research Scientist and Lab Assistant) utilising funds (₹25.50 lakh<sup>179</sup>) from the one-time grant received (October 2013) for purchase of equipment.</li> <li>➤ Due to non-release of funds either from GoI or State Government towards the salaries, the contractual staff were forced to resign. The lab technicians were also not continued by the college for want of funds.</li> </ul>
<b>Formation of Local Research Advisory Committee (LRAC):</b>	<b>Status: LRAC formed in September 2015.</b> <ul style="list-style-type: none"> <li>➤ Research projects identified: Seven</li> <li>➤ Research projects approved: Five</li> <li>➤ Status of the projects completed: Not made available to Audit</li> </ul>

Principal, OMC stated (September 2018) that the staff were recruited as per the direction of the DHR Inspection team which visited OMC in November 2014. Certain activities had been undertaken by MRU with the staff recruited on contract basis. MRU in OMC, however, remained non-functional since July 2017. OMC attributed (July 2018) the delay in establishment of MRU to State bifurcation issue and the non-functioning of MRU to non-release of 2<sup>nd</sup> instalment by GoI. Incidentally, OMC requested GoI (May 2018) to release the 2<sup>nd</sup> instalment after completion of the Scheme period.

<sup>176</sup> 2013-14: ₹one crore; 2014-15: ₹2 crore and 2015-16: ₹2 crore

<sup>177</sup> 2013-14: Nil; 2014-15: ₹1.57 lakh; 2015-16: ₹46.71 lakh; 2016-17: ₹46.72 lakh and 2017-18: ₹5.82 lakh (excess over rupees one crore was met from interest earned)

<sup>178</sup> purchase of air conditioners, furniture and payment of salaries, etc.

<sup>179</sup> 2015-16: ₹11.35 lakh; 2016-17: ₹14.15 lakh

Deliverables	Audit observations
<b>Gandhi Medical College</b>	
<b>Civil works: To be completed by 2014-15</b>	<b>Status: Completed</b> with a delay of 20 months due to: <ul style="list-style-type: none"> <li>➤ Delay in entrustment of work: 4 months</li> <li>➤ Completed in June 2016</li> <li>➤ Total cost incurred: ₹25 lakh</li> </ul>
<b>Procurement of Equipment: To be completed by 2016-17<sup>180</sup>. The procurement process of equipment was to commence simultaneously along with the civil works.</b>	<b>Status: Not completed</b> by the Medical College due to: <ul style="list-style-type: none"> <li>➤ Tendering process initiated: December 2016</li> <li>➤ Purchases commenced: June 2017 after a delay of 22 months</li> <li>➤ Amount incurred: ₹80.24 lakh <ul style="list-style-type: none"> <li>• Unspent balance with GMC: ₹30.04 lakh (including bank interest)</li> <li>• Equipment <i>Elisa Reader and Washer</i> was not yet procured as of August 2018</li> <li>• Besides, one of the equipment which was purchased for the MRU (5-part Haematology Analyser) was transferred to Central Diagnostic Laboratory under Pathology Department since the project (MRU) was not initiated</li> <li>• The equipment procured was kept idle/uninstalled without utilisation even as of August 2018<sup>181</sup></li> </ul> </li> </ul>
<b>Appointment of contractual staff: The process to engage contractual staff was to commence in the 2<sup>nd</sup> year of sanction i.e., 2015-16</b>	<b>Status: No Contractual staff in place in the MRU</b> <ul style="list-style-type: none"> <li>➤ Process of recruitment of contractual staff: commenced with delay of over three years.</li> <li>➤ Applications for contractual staff scrutinised: 16 applications not finalized for want of funds.</li> <li>➤ Even the equipments procured in connection with the research activities could not be put to use for want of staff.</li> </ul>
<b>Formation of Local Research Advisory Committee (LRAC):</b>	<b>Status: LRAC formed in September 2015.</b> <ul style="list-style-type: none"> <li>➤ Research projects identified: Seven</li> <li>➤ Research projects approved: Three</li> <li>➤ Status of the projects completed: only one which did not require any staff complement and which could be done on lab pro charts in Physiology Department</li> </ul>

GMC attributed (August 2018) the delay in procurement of equipment to (i) non-release of 2<sup>nd</sup> instalment by GoI (ii) prolonged tender process (iii) procurement of high-end equipment from overseas and (iv) delayed constitution of the LRAC. Principal, GMC stated that, the matter of release of 2<sup>nd</sup> instalment was taken up with GoI (July 2017 and September 2017).

The Colleges had, however, not intimated the GoI of the completion of the deliverables pertaining to the Civil works, finalisation of the staff for MRU and the formation of LRAC which would have facilitated the release of further funds. Consequently, no funds were released by GoI as of August 2018.

<sup>180</sup> 2014-15: ₹one crore; 2015-16: ₹2 crore and 2016-17: ₹2 crore

<sup>181</sup> As per the information furnished by GMC dated 13 August 2018

*Thus, failure to meet the project milestones and pre-requisites as per the time schedule intimated by GoI coupled with non-release of subsequent funds by GoI resulted in the MRUs remaining non-functional. The objective of bridging the gap in the infrastructure in the Medical Colleges and promoting research in non-communicable diseases having impact on public health remained unachieved.*

The matter was reported to Government in (August/October 2018); reminded in September/November 2018. Their reply is awaited.

### **Youth Advancement, Tourism and Culture Department National Institute of Tourism and Hospitality Management (NITHM)**

#### **3.12 Four Star Business Class Hotel - a stalled PPP Project**

**Improper project management by National Institute of Tourism and Hospitality Management (NITHM) derailed the PPP project leading to recurring annual loss of revenue of about ₹2.50 crore to NITHM besides depriving employment/training opportunities to its students**

National Institute of Tourism and Hospitality Management (NITHM)<sup>182</sup> decided (2005)<sup>183</sup> construction of a Four Star Business Class Hotel under Public Private Partnership (PPP)<sup>184</sup> mode at Gachibowli, Hyderabad. NITHM issued Request for Proposal (RFP) in 2009 and considered the application of a lone bidder and forwarded the proposal to Government (January 2010). Government approved (July 2010) the proposal. The hotel was to be constructed on a Build, Operate and Transfer (BOT) basis. On completion, the hotel operations were expected to engage over 500 employees besides regular summer jobs, internships and employment opportunities to students of NITHM. Various ‘Leader-in-Training’ programs and practical training for students of NITHM were also envisaged.

After following due process, the project<sup>185</sup> was awarded (September 2010) to a Lead Developer<sup>186</sup> and a Special Purpose Vehicle (SPV)<sup>187</sup>. NITHM entered (November 2010) into two agreements<sup>188</sup> with the Lead developer and the SPV for joint execution of the hotel project. Three acres of land was to be alienated by NITHM for the project. The project was to be completed by May 2013 i.e., after 30 months from the date of delivery of physical possession (Zero date<sup>189</sup>) of the project site.

Following were the Audit criteria, viz., (a) RFP – December 2008 (b) Orders of Government - July 2010 and August 2010 (c) Letter of Award - September 2010 (d) Lease Agreement - November 2010 and (e) Development and Management Agreement - November 2010.

<sup>182</sup> A registered society established by Andhra Pradesh Tourism Development Corporation Limited

<sup>183</sup> 8<sup>th</sup> Governing Council meeting of March 2005

<sup>184</sup> Contained in PPP framework of erstwhile Planning Commission (September 2005)

<sup>185</sup> with a project cost of ₹75.50 crore

<sup>186</sup> in technical collaboration with a foreign firm

<sup>187</sup> SPV was incorporated (October 2010) which was to be the developer as well as a Lessee for the project

<sup>188</sup> (i) Development and Management Agreement (4 November 2010) and (ii) Lease Agreement (24 November 2010)

<sup>189</sup> 04 November 2010

The Hotel project envisaged *inter alia*, the following:

- Over the lease period of 33 years, NITHM would receive as lease rent ₹1.45 crore<sup>190</sup> per annum starting from Zero date. An Additional Development Premium (ADP) of not less than ₹0.62 crore per annum would be payable from fourth year of the lease. Thus, revenue flow of ₹157.44 crore<sup>191</sup> was projected over the lease period.
- While the developer was to obtain the necessary approvals, NITHM was obligated to facilitate the process through the Tourism Department. In case, the approvals were unreasonably delayed for no fault of the developer, the lease period was to be adequately restated to compensate the loss of time. Further, no lease amount was payable for such period.
- NITHM would appoint a Project Coordinator to review and monitor by visiting, inspecting and reporting on various aspects of the project.

Audit scrutiny of records (March/April 2016) and further information obtained and examined (February 2017 and June 2018) of NITHM revealed inadequacies in project management as detailed below:

- (i) NITHM did not appoint a Project Coordinator to monitor the project as provided in the agreement.
- (ii) The Agreement envisaged a role for NITHM as a facilitator which it did not fulfill leading to delays in statutory approvals. Further, it did not restate the lease period to compensate the loss of time due to delays and instead collected lease rentals due for that period also.
- (iii) Construction was completed up to 13 floors (Reinforced Cement Concrete frame), of which brick work for 12 floors was completed (April 2015). The developer requested (February 2016) for 24 months period to complete the project bringing out the constraints faced. These included constraints on smooth handover of the land due to need for re-alignment of land and consequent delays in approvals from authorities. NITHM, however, refused<sup>192</sup> (April 2016) the request for extension, on the ground that the Developer failed to comply with the agreed terms and conditions.
- (iv) The developer obtained credit facilities by mortgaging lease hold rights with Punjab National Bank consortium as per the provisions of the agreement. The bank informed (July 2016) NITHM that the loan accounts of the developer had turned into non-performing asset from June 2016 and that recovery process would begin within 60 days. Pursuant to this communication from bank, NITHM issued termination notice (July 2016). NITHM demanded in the notice, ₹4.03 crore towards outstanding dues and immediate handing over of the project site. Criminal proceedings were envisaged against the Developer, if the alienated land had been mortgaged by the Developer. The construction of hotel which was to be completed by May 2013 was stalled for 43 months (April 2015 to November 2018).

<sup>190</sup> Lease rent calculated at five *per cent* of basic value of land with incremental increase of five *per cent* per annum during the lease period of 33 years

<sup>191</sup> Total Lease amounts receivable for 33 years with progressive increase at five *per cent* per annum ₹116.25 crore + Total Additional Development Premium receivable from 4<sup>th</sup> year of lease to 33<sup>rd</sup> year of lease with progressive increase at five *per cent* per annum ₹41.19 crore

<sup>192</sup> Resolution of the Governing Council of NITHM dated 12 April 2016

- (v) NITHM, being the implementing agency of the project did not make any efforts to amicably settle the dispute as provided in the agreement, before issuing termination notice. The Project was awaiting settlement of the dispute by the Arbitral Tribunal since March 2017.
- (vi) Of the projected revenues of ₹16.03 crore<sup>193</sup> during 2010-18, the project could generate revenue of ₹11.90 crore<sup>194</sup> only. Owing to the stalled project since April 2015 NITHM has been suffering a recurring annual loss of revenue of about ₹2.50<sup>195</sup> crore. Further, the benefits that were to be accrued to the students of NITHM in terms of training and employment opportunities could also not be harnessed.

Government confirmed (November 2018) the above audit observations. Government however stated that, obtaining requisite approvals from GHMC and other authorities was the responsibility of the Developer. This reply of Government was not in consonance with the terms of the agreement and spirit of PPP projects which was to build synergies between the partners to ensure, among other issues, flow of approvals.

Thus, improper management by NITHM of their PPP project ended up in a legal dispute. This resulted in recurring loss of revenue of about ₹2.50 crore per annum to the Institute.

***Thus, improper project management by National Institute of Tourism and Hospitality Management (NITHM) derailed the PPP project leading to recurring annual loss of revenue of about ₹2.50 crore to NITHM besides depriving employment/ training opportunities to its students.***

## Backward Classes Welfare Department

### 3.13 Inadequate planning in construction of Girls Hostel building

**Due to non-provision of compound wall, Girls Hostel building constructed at a cost of ₹86.10 lakh, could not be put to use**

Department of Backward Classes Welfare (Department) accorded<sup>196</sup> administrative sanction (September 2013) for construction<sup>197</sup> of 18 residential hostel buildings<sup>198</sup> for school going girl/boy students. The estimated cost of construction of these hostels was ₹14.40 crore (at the rate of ₹80 lakh each). Of these, six hostels<sup>199</sup> were sanctioned in the districts that formed part of the newly formed State of Telangana. Construction of these buildings stood entrusted<sup>200</sup> to Telangana State Education & Welfare Infrastructure Development Corporation (TSEWIDC).

Of the six buildings, construction of five<sup>201</sup> were completed and taken over by the respective District Backward Classes Development Officer (DBCDO).

<sup>193</sup> Lease Rentals and ADP upto April 2018 ₹12.79 crore + ₹3.24 crore respectively

<sup>194</sup> Lease Rentals ₹10.01 crore + encashed bank guarantee ₹1.89 crore

<sup>195</sup> Lease rental ₹1.85 crore + ADP ₹0.68 crore since 2015-16

<sup>196</sup> in the unified State of Andhra Pradesh

<sup>197</sup> sanctioned by the State Government under regular Plan Budget under the Head “Buildings”

<sup>198</sup> Boys Hostels: 12 and Girls Hostels: 6

<sup>199</sup> VN Nagar, Hyderabad; Mulugu, Warangal; Gallipalli, Karimnagar; Sadasivapet, Medak and Armoor & Nizamabad, Nizamabad (Boys: 3 and Girls: 3)

<sup>200</sup> The construction of Hostels was entrusted (September 2013) to erstwhile Andhra Pradesh Education & Welfare Infrastructure Development Corporation (APEWIDC)

<sup>201</sup> VN Nagar, Hyderabad; Mulugu, Warangal; Gallipalli, Karimnagar and Armoor & Nizamabad, Nizamabad

The Girls Hostel building at Sadasivpet, Medak District<sup>202</sup> constructed<sup>203</sup> at a cost of ₹86.10 lakh<sup>204</sup> was, however, not taken over by the Department as of August 2018.

Audit scrutiny (February/March 2018) of records of DBCDO, Sangareddy and further information collected revealed that, the land for the proposed hostel at Sadasivpet was identified (August 2013) by Revenue Department (Tahasildar, Sadasivpet Mandal). The site was handed over to Assistant Backward Classes Welfare Officer (ABCWO), Sangareddy in January 2014. ABCWO after clearing the site from encroachments handed over the site to TSEWIDC in December 2014 after a delay of 10 months. The construction was entrusted (March 2014) at a cost of ₹74.03 lakh, to be completed within a period of nine months from the date of the agreement/date of handing over of site.

Audit found that, the newly constructed Girls Hostel building was not taken over by the DBCDO as of August 2018 because of the following reasons:

- (i) Although the construction was completed<sup>205</sup> in September 2015, certain amenities (included in original estimates) like toilet blocks and borewell were not done by the contractor. Additional funds of ₹6.10 lakh for these amenities was provided in February 2017. There was a delay of nearly one and half years in taking up the work relating to these amenities.
- (ii) The hostel building was located at the outskirts of Sadasivpet town due to which threat of safety to the girls was perceived. Construction of compound wall, which is essential for a Girls Hostel, was, however, not envisaged in the original estimates. The estimate for the construction of the compound wall was submitted<sup>206</sup> to DBCDO (March 2018) at a cost of ₹14.30 lakh. The administrative sanction for the estimate was awaited as of August 2018.

The perceived safety threat was also stated by the Assistant Engineer, TSEWIDC during the joint physical verification (September 2018) conducted by Audit.

- (iii) Audit also found that, the delay of 35 months in initiating the work on construction of compound wall could not be attributed to lack of funds. At the time of sanctioning the funds for the project, the Department had instructed District Collectors to mobilise<sup>207</sup>, additionally, funds of other schemes<sup>208</sup>, towards the project. This avenue was however not utilised.

As a result, Girls hostel constructed at a cost of ₹86.10 lakh in June 2017 could not be put to use as of August 2018 and instead, continued to function in a rented<sup>209</sup> accommodation.

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<sup>202</sup> after reorganisation of districts, Sadasivpet is under Sangareddy district

<sup>203</sup> with an intake capacity of 100 students

<sup>204</sup> In addition to ₹80 lakh, amenities viz., toilet blocks, electrification and colouring to building were provided (February 2017) at a cost of ₹6.10 lakh on reimbursement basis from out of Crucial Balancing Fund (CBF) provided by the District Collector

<sup>205</sup> Extension of Time (EoT) given by the Department to the contractor up to 07 September 2015. The sanctioned fund of ₹80 lakh was utilised

<sup>206</sup> by the Executive Engineer, TSEWIDC

<sup>207</sup> at least 10 per cent of the sanctioned amount

<sup>208</sup> MPLADS/CDP/BGF/ZP Funds/CSR or any other discretionary grants from the District

<sup>209</sup> on a monthly rent of ₹7,128

Department during the physical verification (September 2018), expressed apprehensions of encroachments on the new building, if needful steps were not taken.

Government in its response (January 2019) confirmed the audit observations.

***Thus, due to non-provision of compound wall, Girls Hostel building constructed at a cost of ₹86.10 lakh, could not be put to use.***

## Panchayat Raj and Rural Development Department

### 3.14 Short payment to the bereaved families under NFBS

#### Compensation under National Family Benefit Scheme was not paid as per the rate fixed by GoI resulting in short payment of ₹14.26 crore to 13,373 bereaved families

Government of India (GoI) introduced (August 1995) the National Social Assistance Programme<sup>210</sup>, to provide social assistance<sup>211</sup> to poor households. Under this Programme, GoI provides 100 *per cent* Central assistance to States to ensure that social protection to the beneficiaries is made uniformly available all over the country. National Family Benefit Scheme (NFBS) is one of the components of this Programme. NFBS provides lump sum Central assistance of ₹5,000 and ₹10,000 in case of natural death and accidental death respectively to the bereaved families in the event of death of the primary bread winner in the age group of more than 18 years and less than 65 years. The assistance was enhanced to ₹10,000 and ₹20,000 in 1998 and 2012<sup>212</sup> respectively irrespective of natural or accidental death. GoI fixed (November 2012) the numerical ceiling of the number of beneficiaries under the Scheme to the State at 7,794<sup>213</sup> beneficiaries per year. NFBS guidelines stipulated that if the number of beneficiaries exceeded this limit, States may provide assistance at least equivalent to the Central assistance.

Society for Elimination of Rural Poverty (SERP) was the nodal agency for implementation of this scheme in the State. Audit examined (February 2018) the records of SERP pertaining to implementation of NFBS for the period 2014-18. It was observed that State Government fixed (July 2003) the rate of assistance at ₹5,000 as against ₹10,000 fixed by GoI. Following revision of rate by GoI (2012), State Government revised (November 2013) the rate of assistance to ₹10,000 as against ₹20,000 fixed by GoI. It was clarified that beneficiaries assisted under Aam Aadmi Bima Yojana and Apathbandhu schemes would not be considered for assistance under NFBS. Subsequently, the rate of assistance was enhanced (April 2017) to ₹20,000 as per norms fixed by GoI. Assistance provided under NFBS during 2015-18 is tabulated in Table 3.9.

<sup>210</sup> it comprises social welfare benefit schemes, *viz.*, National Old Age Pension Scheme, National Family Benefit Scheme, National Maternity Benefit Scheme

<sup>211</sup> in case of old age, death of the bread winner, etc.

<sup>212</sup> eligible age was revised from 18 - 65 years to 18- 59 years

<sup>213</sup> GoI fixed (November 2012) the numerical ceiling of beneficiaries as 18,700 for combined State of Andhra Pradesh (Population of State X Poverty Ratio X Proportion of age group in total population X Age Specific mortality in the age group); after bifurcation of State, 7,794 beneficiaries were allocated to Telangana State (41.68 *per cent*)

Table-3.9

(₹ in crore)

Year	No. of beneficiaries fixed by GoI per annum	No. of beneficiaries to whom assistance was provided				Percentage of beneficiaries to whom assistance provided	Assistance to be provided at the rate of ₹ 20,000	Actual assistance provided	Short payment
		₹ 5,000 <sup>214</sup>	₹ 10,000	₹ 20,000	Total				
1	2	3	4	5	6	7 (Percentage of Col.6/Col.2)	8 (Col.6* ₹ 20,000) (₹ in crore)	9 (₹ in crore)	10 (Col.8-Col.9) (₹ in crore)
2014-15	7,794	726	761	0	1,487	19	2.97	1.12	1.85
2015-16	7,794	682	4,190	0	4,872	63	9.74	4.53	5.21
2016-17	7,794	220	4,100	0	4,320	55	8.64	4.21	4.43
2017-18	7,794	164	2,530	840	3,534	45	7.07	4.30	2.77
<b>Total</b>	<b>31,176</b>	<b>1,792</b>	<b>11,581</b>	<b>840</b>	<b>14,213</b>	<b>46</b>	<b>28.42</b>	<b>14.16</b>	<b>14.26</b>

Source: Information furnished by SERP

Audit observed that:

- i. The response to the NFBS (with scaled down compensation) was poor. 15,799 number of applications were received during 2014-18, of which 14,213 (90 per cent) received the benefit. Rejection of applications were on account of benefits received from other schemes viz., Aam Aadmi Bima Yojana<sup>215</sup>, Apathbandhu<sup>216</sup>, etc., where the compensation amount was more than NFBS.

Government accepted (December 2018) the audit observation on poor response to the NFBS.

- ii. State Government took the decision to reduce the rate of assistance (contrary to GoI guidelines) with an expressed intent to reach out to larger number of beneficiaries. Coverage of beneficiaries during 2014-18, however, ranged between 19 per cent and 63 per cent of the numerical ceiling fixed by GoI. While conducting (January 2014) review of the Scheme, GoI expressed dissatisfaction on the lower rates adopted by the State Government. State Government, however, enhanced the rate in April 2017 after three years. 13,373<sup>217</sup> (94 per cent) out of 14,213 beneficiaries were extended (2014-18) assistance of less than the rate of ₹20,000 fixed by GoI, which resulted in short payment of ₹14.26 crore.

Government stated (December 2018) that GoI provided requisite flexibility to the States in choice and implementation of schemes viz., Old age pension, Family benefit or free food grains. Accordingly rate of assistance to be provided to NFBS beneficiaries was reduced to cover more number of beneficiaries. Audit observed that as per provisions of NFBS guidelines<sup>218</sup>, GoI while allocating the funds to the States on welfare schemes viz., Old age pension, Family benefit or free food grains stated that funds could be utilised by taking one or two or all the three schemes in accordance with the priorities and needs of the State. Further, States may increase the rate of assistance or number of beneficiaries, however additional funds needed for

<sup>214</sup> reasons for short payment of benefit against ₹10,000 fixed by State Government was not on record

<sup>215</sup> Assistance under Aam Aadmi Bima Yojana is ₹30,000 for natural death and ₹75,000 for accidental death

<sup>216</sup> Assistance under Apathbandhu is ₹50,000 for accidental death

<sup>217</sup> Assistance of ₹5,000 and ₹10,000 was given to 1,792 and 11,581 beneficiaries respectively

<sup>218</sup> Guidelines issued in 2005

enhancement would need to be supplemented by the State Government funds. Thus the flexibility provided was about the schemes and not the rate of assistance as approved for the schemes. Further, GoI expressed dissatisfaction on the lower rates adopted by the State Government in its review meeting conducted in January 2014.

- iii. 1,628 beneficiaries were extended (2014-17) the assistance of ₹5,000 as against ₹10,000 fixed (November 2013) by State Government. Further, 2,694 (76 per cent) out of 3,534 beneficiaries were extended (2017-18) the assistance of ₹5,000 and ₹10,000 as against ₹20,000 fixed (April 2017) by State Government.

Government did not furnish specific reply to the audit observation.

- iv. As of February 2018, ₹17.15 crore was lying in the bank account of NFBS. In the Utilisation Certificates (UCs) submitted to GoI, however, State Government certified (February 2018) that all the funds released up to February 2018 were utilised and unspent balance was 'Nil'.

Government stated (December 2018) that unspent balance was reported as 'Nil' due to non-completion of audit of accounts. It was, however, observed from Bank statements that ₹17.15 crore was lying in the bank account of NFBS as of February 2018. Thus incorrect UCs were furnished to GoI.

- v. Chief Executive Officer, SERP informed (February 2018) that there was no proposal to pay balance assistance to the beneficiaries. Government did not furnish reply to this observation.

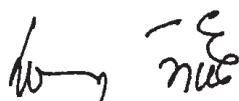
Thus, compensation under NFBS was not paid as per the rate fixed by GoI resulting in short payment of ₹14.26 crore to 13,373 bereaved families.

Hyderabad  
The

  
(SUDHA RAJAN)  
Accountant General (Audit)  
Telangana

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New Delhi  
The

  
(RAJIV MEHRISHI)  
Comptroller and Auditor General of India

