

## Overview

This Report contains findings of audit from a test-check of accounts and transactions of eight Departments<sup>1</sup> of Government of Andhra Pradesh during 2019-21. Significant results of audit that featured in this Report are summarised below:

### 1. Development of Capital City Amaravati, Andhra Pradesh

In compliance with the Andhra Pradesh Reorganisation Act, 2014 (Central Act No. 6 of 2014), the State of Andhra Pradesh has been bifurcated into two successor States viz., Telangana and Andhra Pradesh with effect from 02 June 2014 and Hyderabad shall continue to be the common capital for both the States for a period not exceeding ten years. However, GoAP decided to develop a green-field Capital namely Amaravati on the south of River Krishna in Guntur District. In order to assess whether the planning for development of a new Capital City was comprehensive, land pooling & acquisition was implemented in accordance with applicable Rules/ Regulations, assurances to the beneficiaries/land owners & agreements were fulfilled within time and infrastructure was developed in transparent way, Audit was conducted in the Offices of Special Chief Secretary, Municipal Administration & Urban Development (MA&UD); (July 2021), Andhra Pradesh Capital Region Development Authority (APCRDA) in three spells (December 2016, April 2019 and September 2021) and Amaravati Development Corporation Limited (ADCL) (July 2020) and the following observations were made.

The recommendations of Expert Committee were not considered and GoAP opted to acquire 70 per cent of total land required for the capital city through land pooling mechanism, which left huge financial burden in the immediate and future periods. Consultants for preparation of Master Plan of the Capital city were selected on nomination basis without following the procedure. APCRDA and ADCL got into contractual agreements for infrastructural packages for ₹33,476.23 crore without firming up financial plan. As against the requirement of ₹55,343 crore worked out for period 2016-2023, APCRDA could raise ₹11,487.16 crore from all sources. Budgetary support was not provided as per the financial plan brought out nor made any efforts after February 2019. Debt financing from market is taken as the major resource for funding the development of the city. Against the planned mobilisation of ₹33,476.23 crore, APCRDA borrowed ₹8,540.52 crore only. Change in policy on capital city development since May 2019 resulted in uncertainty over 55 packages that are still open contracts and require ₹28,047.82 crore for completion. APCRDA spent ₹2,244.94 crore, on Land Pooling Scheme (LPS) and the land pooled was lying idle without development (July 2022). Thus, the objective of the LPS was not achieved. Out of the proposed works on development of LPS infrastructure worth ₹13,802.75 crore, ₹183.04 crore was only spent (September 2021). Only four out of 16 packages achieved physical

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<sup>1</sup> Health, Medical & Family Welfare; Higher Education; Labour, Employment, Training & Factories (IMS); Municipal Administration & Urban Development; Panchayat Raj & Rural Development; School Education; Social Welfare and Environment, Forest, Science & Technology

progress of 10 to 18 *per cent*. The remaining 12 packages were still under preliminary stage. Trunk Infrastructure packages came to halt (May 2019) after making an expenditure of ₹3,213.41 crore. The expenditure incurred ₹270.38 crore towards procurement of pipes, since lying idle without any utilisation, became unfruitful. The cost of selected earth material ₹12.83 crore provided to the contractors for utilisation in various works remained unadjusted from the work bills of the contractors. Expansion of existing four to nine lane road on Seed Access Road (SAR) was taken up in anticipation of traffic study conceptualised based on the 50 *per cent* volume of traffic of National Highways that would ply through SAR. However, the SAR could not be connected to National Highways due to land acquisition problem and the expenditure incurred towards expansion of four to nine lane of ₹44.24 crore is imprudent. Of the 19 packages of Government Buildings worth ₹6,848.58 crore, only two packages worth ₹526.74 crore were completed. Remaining 17 packages achieved a physical progress of zero to 95 *per cent* after spending ₹1,505.22 crore. As all the packages came to grinding halt since May 2019, it is doubtful if these packages would progress and the amount of ₹1,505.22 crore already spent on these packages, thus, became unfruitful. Due to improper planning, the material procured for re-routing of 220 KV underground cables worth ₹208.67 crore was lying idle without any utilisation. Further, the expenditure of ₹60 crore incurred towards re-routing of 400 KV lines had become unfruitful due to stoppage of works. Action of APCRDA to allow construction of grievance cell building unauthorisedly within the water body against the laid rules and subsequent demolition of building had resulted in waste of public money of ₹11.51 crore. An expenditure of ₹6.93 crore out of estimated ₹20.81 crore was made towards the water supply works which remained incomplete (September 2021).

*(Paragraph 2.1)*

## **2. Unfruitful expenditure towards provisioning of Under Ground Drainage System - ₹1.58 crore**

The construction of Under Ground Drainage system taken up at a cost of ₹18.77 crore in Eluru Municipal Corporation remained incomplete as requisite funds were not provided by the Government and the expenditure of ₹1.58 crore incurred (physical progress of 8.75 *per cent*) so far had become unfruitful.

*(Paragraph 2.2)*

## **3. Imprudent expenditure management**

The Urban Local Bodies did not comply with the provisions of different Acts for timely payment/remittance of statutory/obligatory dues viz., remittance of Service Tax, Employees Provident Fund and Employees State Insurance contributions, Current Consumption Charges to the statutory/concerned authorities. The delayed remittance/payments attracted levy of penal charges of ₹14.70 crore by the concerned authorities, which was avoidable.

*(Paragraph 2.3)*

#### **4. Compliance Audit on Management of Mid-Day-Meals during COVID-19 pandemic period in Andhra Pradesh**

On the advice of Government of India (GoI), Ministry of Human Resource Development (MHRD), Department of School Education & Literacy, Government of Andhra Pradesh (GoAP) instructed the Director, Mid-Day Meal to distribute dry ration consisting of rice, eggs, chikkies and dal instead of hot cooked mid-day meal to all the enrolled children as per the number of schools working days during COVID-19 in order to provide prescribed energy and protein on each school day. In order to assess whether the stakeholders complied with the prevalent guidelines to ensure the timeliness and quality of dry ration (*i.e.*, rice, eggs and chikkies) and the eligible students received the ration as per the entitlements, audit was conducted in 20 High schools and 20 Primary/Upper Primary schools belonging to five mandals each from four selected districts.

In test checked schools, Audit observed short supply of rice (8.7 *per cent*), eggs (7.8 *per cent*) and chikkies (23.5 *per cent*) and the entire portion of the red-gram for 100 days was supplied at once after a delay of nine months in test-checked three districts during pandemic period. The eggs pertaining for the period from 12 June 2020 to 31 August 2020 were distributed at one go in October & November 2020 with a delay of more than two months. Quality control committees were not formed to ensure the quality of dry ration supplied/ distributed. Supply/distribution records were not maintained to ensure receipt of dry ration as per entitlement of the students at various levels (*i.e.*, School/Mandal/District). The intended monitoring mechanism was found not functioning in the test checked districts. The stakeholders (DEOs, MEOs and HMs) did not comply with the prevalent guidelines to ensure the timelines and entitlements for ration distribution which led to delay in supply and distribution of dry ration to all the eligible students during pandemic period.

*(Paragraph 2.4)*

#### **5. Compliance Audit on Applicable Environmental Laws in Visakhapatnam District**

Visakhapatnam district was selected for the compliance audit as it was the most polluted city (March 2019) in Andhra Pradesh in respect of hazardous waste and plastic waste generation. In respect of red category industries, bio-medical waste generation and population, it stood in the second, third and fourth places respectively. Audit was conducted (between October and December 2020) to assess compliance with ‘Applicable environmental laws in Visakhapatnam District’ relating to prevention, control and abatement of pollution in air, water and land/ soil. The status of compliance with the applicable environmental laws in Visakhapatnam covering the period from 2017-18 to 2019-20 has been verified in audit and the following observations were made:

The AP Pollution Control Board did not review implementation of Comprehensive Clean Air Action Plan (October 2018) with reference to non-complied issues *viz.*, air

quality and monitoring assessment, industrial pollution, pollution through vehicular emissions, burning of waste in the open, for prevention, control or abatement of pollution in the city of Visakhapatnam. Meagre utilisation of allocated funds against environmental schemes during the three-year period *i.e.*, 2017-20 indicates inadequate attention to pollution control related activities. In Visakhapatnam region, the funds provided and expenditure on environmental schemes showed a downward trend over the three-year period. In 2017-18, budget provision of ₹4.30 crore was made for 16 environmental schemes which came down to ₹0.33 crore during 2019-20. Acute shortage of technical and scientific staff in the Board led to shortfall in mandatory inspections of industries/ units. Though 1,353 inspections were required to be done for the year 2019-20 by the Board, the actual number of inspections conducted were 243 (around 18 *per cent*) only. Further, 70 out of 876 industrial units in Visakhapatnam region are operating without valid consents.

The Board had not taken strict measures against the polluting units which did not comply with the envisaged provisions/ conditions of consent for operation, thus allowing the polluting units to continue operations by granting renewals of consents. The household coverage for collection of solid waste in GVMC was only 42 *per cent* against the service level benchmark of 100 *per cent* indicating non-collection of waste from a sizeable number of waste generators. Greater Visakhapatnam Municipal Corporation has not notified exclusive deposition centres for domestic hazardous waste in its jurisdiction for safe disposal. One-time authorisation for bio-medical waste management was not obtained by non-bedded health care establishments under Government sector which was not insisted upon by the Board as well.

*(Paragraph 2.5)*

## **6. Non-completion of Maternity and Child Health block**

The construction of Maternity and Child Health block at Government General Hospital, Kakinada was stalled after incurring an expenditure of ₹12.99 crore due to non-release of funds timely, which were received under National Health Mission from Government of India (GoI), by Government of Andhra Pradesh. Also, the intended purpose of providing maternity and child health care with requisite facility could not be achieved even after a lapse of seven years from the date of provisioning of funds by GoI and the expenditure made became wasteful.

*(Paragraph 2.6)*

## **7. Infertuous expenditure towards water consumption charges**

Non-laying of dedicated pipelines led to short drawal of water and infertuous payment of ₹three crore by Andhra University.

*(Paragraph 2.7)*

**8. Non-levy of penalty for delayed supply of drugs and dressing material**

Insurance Medical Services, Andhra Pradesh did not invoke the provisions of Rate Contract for delayed supply of drugs and dressing material which resulted in undue benefit to the pharmaceutical firms of ₹2.59 crore.

*(Paragraph 2.8)*

**9. Unfruitful expenditure towards construction of high-level bridge ₹6.18 crore**

Non- extension of agreement time by the State Government resulted in stalling a Project after incurring an expenditure of ₹6.18 crore. Besides, the objective of providing connectivity between two villages remained unachieved and the expenditure incurred so far became unfruitful.

*(Paragraph 2.9)*

**10. Wasteful expenditure due to stalled project**

Stalled construction of Dr. B. R. Ambedkar Smruthi Vanam with a 125 feet Statue of Dr. B. R. Ambedkar along with a Convention Hall, Memorial Hall Auditorium and Meditation Hall in Amaravati, led to unthoughtful and wasteful expenditure of ₹44.61 crore.

*(Paragraph 2.10)*