

CHAPTER

II

Audit Framework



Audit had earlier reviewed the PCSS project in 2011 as a part of the Performance Audit on Jalayagnam. The results of audit appeared in the Report of the Comptroller and Auditor General of India on Jalayagnam (Report No: 2 of 2012).

Keeping in view the re-engineering of PCSS project into two projects, the huge scale of investment and contemplated benefits involved in the Kaleshwaram and Pranahitha projects, a Performance Audit of these two projects had been taken up.

2.1 Audit Objectives

This Performance Audit covers the re-engineering of the PCSS project and the planning and execution of the Kaleshwaram and Pranahitha projects. The objective of this Performance Audit was to seek an assurance as to whether:

- *Re-engineering of the PCSS project was done scientifically and transparently and addressed the deficiencies of the project;*
- *The projects were conceived and planned scientifically with well-defined benefits, sound designs and cost considerations and had received all the statutory approvals in a timely manner;*
- *The projects were implemented holistically, timely, economically and have achieved the intended benefits;*
- *Financial management in the projects was prudent, economic and effective; and*
- *Award of works and contract management was transparent and economical.*

2.2 Scope and Methodology of Audit

This Performance Audit covers the events which occurred during the period from April 2013 to March 2022. Audit was carried out in two phases. Phase-1 of audit was conducted during April – August 2018 with focus on the re-engineering process and planning aspects of the two projects. Keeping in view the progress of works and the substantial expenditure already incurred on these projects, it was later decided to cover the project execution and contract management also under Phase-2 of this Performance Audit. The Phase-2 audit was conducted during August 2021 to March 2022.

Audit methodology included examination of records, issue of audit enquiries/questionnaires and seeking replies in the offices audited as well as field visits to the project sites. The offices visited included the offices of the Special Chief Secretary, 47 out of the 48 project offices/Circles/Divisions of I&CAD Department and the Kaleshwaram Irrigation Project Corporation Limited (KIPCL). Audit also visited/collected relevant information from the offices of other line Departments like Forest

Department, Fisheries Department, Revenue Department, Commissioner (R&R), Telangana Drinking Water Supply Corporation Limited (TDWSCL), Telangana State Power Generation Corporation Ltd. (TSGENCO), Transmission Corporation of Telangana Ltd. (TSTRANSCO), Southern Power Distribution Company of Telangana Ltd. (TSSPDCL) and Northern Power Distribution Company of Telangana Ltd. (TSNPDCL). All the 56 packages under the Kaleshwaram Project and four packages under the Pranahitha project were covered under the Performance Audit.

Audit conducted Entry Conferences in April 2018 (Phase-1) and August 2021 (Phase-2) wherein the Audit objectives, scope, methodology and criteria were discussed with the Special Chief Secretary and other senior officers of I&CAD Department. Exit Conferences at the level of Government was held in February 2019 (Phase-1) and May 2023 (Phase-II) wherein, the major audit findings were discussed. The written replies of the Government (received from I&CAD Department in May and November 2023 and from Finance Department in October 2023) and the responses given during the Exit Conferences have been considered appropriately while finalizing this Report.

2.3 Audit Criteria

Audit used the following sources of audit criteria as benchmarks for this Performance Audit:

- Feasibility Reports and Detailed Project Reports;
- Guidelines of the Central Water Commission (CWC)/Ministry of Environment and Forests (MoEF)/Ministry of Tribal Affairs (MoTA);
- Godavari Water Dispute Tribunal (GWDT) Awards and Inter State Agreements;
- Annual Budgets and Annual Action Plans;
- State Public Works Department Code and State Financial Code;
- Internal Bench Mark estimations;
- Conditions of Tenders/Agreements for respective packages;
- Land Acquisition Act and Rehabilitation & Resettlement policies in force from time to time;
- Guidelines relating to Engineering, Procurement and Construction (EPC) contracts and Government Orders, Memorandums and circulars issued from time to time;
- Quality Control Reports/Vigilance Reports;
- Evaluation / Impact Assessment Reports and Good practices.

2.4 Acknowledgement

Audit acknowledges the cooperation received from the I&CAD Department and other organisations in conducting this Performance Audit.

The audit observations are discussed in the following chapters.