
Chapter VI
Compliance Audit Paragraphs

Compliance Audit Paragraphs

Higher Education Department

6.1 Avoidable expenditure of ₹1.89 crore due to non-revision of Contracted Maximum Demand (CMD)

Failure to assess Contracted Maximum Demand based on actual requirement, review the consumption pattern periodically and seek deration timely resulted in avoidable expenditure of ₹1.89 crore.

Clause 6.4 of Andhra Pradesh Retail Power Supply Tariff Rules, 2021-22¹³⁶ stipulates that the Billing Demand¹³⁷ shall be the maximum electricity consumed during the month or 80 *per cent* of the Contracted Maximum Demand¹³⁸ (CMD), whichever is higher at the rates applicable from time to time.

Clause 5.9.4.2 of General Terms and Conditions of Supply (GTCS) of electricity issued by Andhra Pradesh Electricity Regulatory Commission¹³⁹ states that the consumer can seek reduction of CMD or termination of the HT Agreement by giving not less than one month¹⁴⁰ notice after expiry of the minimum period of one year¹⁴¹ of the Agreement. If for any reason, the consumer chooses to derate the CMD or terminate the Agreement before the expiry of the minimum one year period of the Agreement, the CMD will be derated or the Agreement will be terminated with effect from the date of expiry of the initial one year period of the Agreement or after expiry of one month notice period whichever is later.

Rajiv Gandhi University of Knowledge and Technology (RGUKT), Idupulapaya, Vempalli Mandal had four High Tension (HT) electricity connections¹⁴² viz., CDP-172¹⁴³, CDP-692, CDP-233 and CDP-264 for various purposes such as water supply arrangements, Sewage Treatment, Hostels, Lab Complex Buildings, Offices, Classrooms *etc.*, with CMD agreed 1000 KVA, 1500 KVA, 83 KVA and 450 KVA respectively. For the period November 2013 to June 2022 in respect of four HT connections¹⁴⁴, University paid consumption charges relating to connections ranging from 5.4 to 79 *per cent*, 0 to 5 *per cent*; 0 to 75 *per cent*; 7 to 78 *per cent*. The half yearly average consumption of electricity relating to four HT connections is shown in the **Chart 6.1** below:

¹³⁶ Abstract of Andhra Pradesh Electricity Regulatory Commission (APERC) order on Tariff for Retail sale of Electricity during FY 2021-22 on 25/03/2021

¹³⁷ for High Tension (HT) consumers except Category-I(B):HT *i.e.*, Townships, Colonies, Gated Communities and Villas

¹³⁸ CMD means the maximum demand the consumer intends to put on the system and is so specified in the supply Agreement between the parties

¹³⁹ proceedings No. Secy/01/2006 dated 06/01/2006 read in updated version dated 13/04/2018

¹⁴⁰ modified from earlier three months' notice as per Proceedings No. Secy/01/2006 dated 06/01/2006

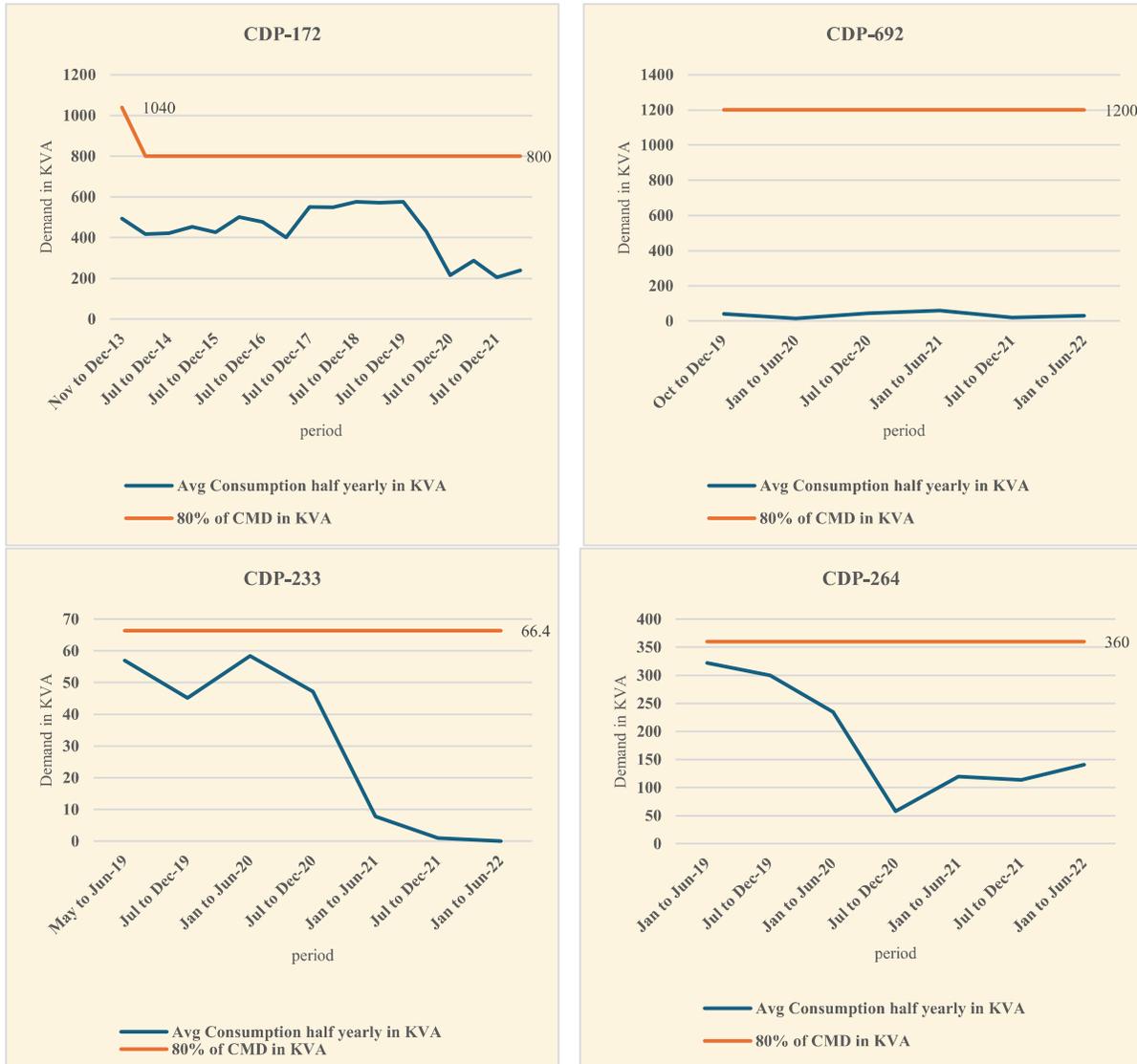
¹⁴¹ proceedings No. Secy/01/2006 dated 06/01/2006 read in updated version dated 13/04/2018

¹⁴² CDP-172 from 11/08/2008, CDP-692 from 18/09/2019, CDP-233 from 20/03/2010, CDP-264 from 12/09/2011

¹⁴³ consumption exceeding its 100 *per cent* in case of two months

¹⁴⁴ consumption range 54 KVA to 800 KVA for CDP-172; 0 to 78 KVA for CDP-692; 0 to 62 KVA for CDP-233; 31 KVA to 350 KVA for CDP-264

Chart 6.1: Chart showing trends in consumption of electricity half yearly basis.



It can be seen from the charts above that the electricity consumed by above four connections during the period November 2013 to June 2022 was actually less than 80 *per cent* of CMD. The University replied (20 September 2022) that the consumption lower than expected CMD was due to idling/non-installation of either equipment or buildings for which HT connections were applied for and other incidentals as detailed below: -

- Service No. CDP 172 was taken to cater to the power requirements of the Academic Block-1, old campus, Messes – 1,2,3,4, Water sump, Boys Hostel-1, Girls Hostel-1 and Guest House. CDP 172 was underutilised as two 1500 ton Chillers, 16 10HP Motors located in air handling units and one Auto Door elevator with eight passengers’ capacity in Academic Block-1 were non-functional since October 2013.

- Service No. CDP 692 was taken to cater to power requirements of the seven new academic buildings & labs, Student Activity Centre (SAC) building, Sewage Treatment Plant (STP), Water Treatment Plant (WTP) and new canteen. CDP 692 was underutilised as the labs in academic buildings and SAC building were not fully installed.
- Service No. CDP 233 was taken to cater to power requirements of the Gandhi water supply Project which consists of four 25 HP motors. Underutilisation was due to corona and therefore the classes were not held from March 2020 to November 2021. Further, in November 2021, Heavy floods of River Papagni completely damaged the service. This service had not been utilised since March 2020 and was disconnected from July 2022.
- Service No. CDP 264 was taken to cater to power requirements of the Academic Block-2, Messes-5-8, Central Library, Boys Hostel-2, Girls Hostel-2, Lab Complex Building, Workshop and Laundry. This service was underutilised as the academic classes were shifted to a different Building.

Buildings and equipment for which the expected consumption was initially estimated in respect of all the four HT connections were neither constructed nor made functional partly or completely. Thus, consumption of electricity below 80 *per cent* of CMD led to an excess expenditure of ₹1.89 crore detailed in **Appendix 6.1**, **Appendix 6.2**, **Appendix 6.3** and **Appendix 6.4** and abstracted in **Table 6.1** hereunder:

Table 6.1: Abstract of Avoidable Expenditure due to underutilisation below CMD

(Amount in ₹)

HT connection	CMD	Avoidable expenditure period	Total avoidable expenditure	Remarks
CDP-172	CMD = 1300 KVA up to January 2014 CMD = 1000 KVA with effect from February 2014	Nov 2013 - Feb 2020 & Dec 2021- June 2022	1,10,09,419	This includes avoidable expenditure after installation of solar plant in Feb 2021 - ₹18,77,699
CDP-233	83	May 2019- Feb 2020 & Dec 2021 - June 2022	2,77,686	
CDP-692	1500	Oct 2019 -Feb 2020 & Dec 2021- June 2022	66,45,014	This includes avoidable expenditure after installation of solar plant in Feb 2021 - ₹38,88,825
CDP-264	450	Jan 2019-Feb 2020 & Dec 2021 - June 2022	10,17,374	
Total			1,89,49,493	

Note : excluded COVID pandemic months March 2020 to November 2021

Though the deration of CMD from 1500 KVA to 1000 KVA in respect of HT connection CDP 692 was approved by Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) with effect from 14 October 2021, the minimum

consumption charges (80 per cent of CMD) was charged on 1200 KVA (i.e., 80 per cent of 1500 KVA) instead of 800 KVA (i.e., 80 per cent of 1000 KVA) from October 2021 to June 2022 (nine months) resulting in excess payment of ₹17,10,000¹⁴⁵. Thus, the excess paid amount of ₹17,10,000 was to be refunded to University by APSPDCL.

University replied (5 July 2022) that the University concluded an agreement with M/s Varshini Exim Pvt. Ltd. and New & Renewable Energy Development Corporation of AP Ltd., (NREDCAP) to establish a grid connected Solar Plant in August 2020 nearby the University to reduce expenditure on power and the Solar Plant required HT connections with CMD not less than 1000 KVA. Thus, the HT connections No. CDP 172 and CDP 692 were being maintained with CMD of 1000 KVA to support Solar Grid. Further, University added that the utilisation of energy from Solar grid which required the supply of 1000 KVA HT connections with effect from February 2021 resulted in savings of ₹85.62 lakh.

The reply that utilising Solar grid and thereby saving as above is not acceptable, as the burden of expenditure has continuously been more or less the same (*Appendix 6.1 & Appendix 6.2*) after February 2021 in respect of HT Service Connections CDP 172 and CDP 692.

Hence, it is evident that failure to assess the CMD realistically duly considering all the equipment, buildings and other requirements in use and review the consumption pattern periodically and seek deration of CMD has eventually resulted in excess payment of ₹1.89 crore towards consumption charges, which was avoidable.

Tribal Welfare Department

6.2 Unfruitful expenditure due to non-resumption of construction of buildings for Sri Alluri Sita Rama Raju Memorial Tribal Museum - ₹75.25 lakh

After incurring an expenditure of ₹34.27 lakh towards consultancy services and ₹41 lakh towards civil works, the construction of building of Sri Alluri Sita Rama Raju Memorial Tribal Museum was stalled due to instructions of the State Government, thereby rendering expenditure unfruitful.

Government of Andhra Pradesh (GoAP) accorded administrative sanction¹⁴⁶ for construction of buildings for Sri Alluri Sita Rama Raju Memorial Tribal Museum at Kapuluppada Village, Bheemunipatanam Mandal, Visakhapatnam District with an estimated cost of ₹15 crore under Education Infrastructure Grant. Initially, a land of four acres site was allotted in survey No 407 of Kapuluppada (V) for construction of buildings. Subsequently, an additional extent of three acres site was also allotted in survey No 407/1 of Kapuluppada for construction of other proposed components such as revolving restaurant, amphitheatre, etc.

¹⁴⁵ ₹51,30,000 (1200*475*9) - ₹34,20,000 (800*475*9) = ₹17,10,000

¹⁴⁶ GO Ms No.43 dated 02/07/2015

GoAP also accorded (April 2015) permission¹⁴⁷ to the Engineer-in-Chief (ENC) (Tribal Welfare) to engage private consultant for preparation of layout plan for finalisation of conceptual drawings, estimates and designs of the Tribal Museum. Accordingly, a Consultant¹⁴⁸ was engaged for finalising designs. As per Clause 7 of Agreement, fee shall not exceed 3.5 *per cent* of the actual cost (excluding establishment charges and payments made for services directly by the Department) of works for which services are rendered, including one *per cent* payable to the Andhra University College of Engineering (AUCE), Visakhapatnam towards structural designs and field inspections of AU Engineers at every stage as and when required by the department. We observed that instead of total payment to the Consultant, Department paid ₹24,47,813¹⁴⁹ towards consultancy charges to the Consultant in two instalments and ₹9,79,200 (December 2018) to AUCE, Vishakhapatnam separately which is not in line with agreement conditions.

Further, an agreement¹⁵⁰ was entered (28 October 2017) with the Contractor¹⁵¹ at the rate of 16.22 *per cent* less than the estimated contract value on tender basis for construction of buildings for Sri Alluri Sita Rama Raju Memorial Tribal Museum with a stipulated completion time of two years *i.e.* before 27 October 2019. As the site was on a hillock and on the suggestion of the consultant, it was decided to level the site by cutting the hill as per provisions made in the estimate as per the levels taken. Accordingly, the contractor grounded the work and executed the cutting of earth to a certain level. However, during execution of the work, presence of a solid rock was noticed. Therefore, a deviation statement was prepared and submitted to the Engineer-in-Chief (TW), Vijayawada for approval. As stated by EE, Tribal Welfare, Paderu, the Contractor was unwilling to execute further work without approval for deviation from the Competent Authority, the work did not progress and meanwhile, agreement period expired. An amount of ₹40,97,772 (March 2018) was paid to the Contractor towards excavation/levelling work done.

Government issued instructions¹⁵² (May 2019) to stop all works for which expenditure incurred was less than 25 *per cent* of estimated cost.

As of 24 March 2018, an expenditure of ₹34,26,813 was incurred towards consultancy charges¹⁵³ and ₹40,97,772 was paid to the Contractor towards the civil work done. We observed that building work was not yet started and it was still at ground level stage only (December 2022).

¹⁴⁷ Memo No.9688/TW.GCC/2014 dated 25/04/2015

¹⁴⁸ Mr Nitish Roy , Consultant Architect, Kolkata

¹⁴⁹ ₹9,79,200 (September 2016) and ₹14,68,613 (October 2017)

¹⁵⁰ Cir.Agt.No. 247/2017-18 dated 28/10/2017

¹⁵¹ M/s Haigreva Infra Tech Projects Ltd.

¹⁵² UO Note Fin/01-FMU0ASD(WR-1)/80/2019 date 29/05/2019

¹⁵³ Nitish Roy Designs and Media, Hyderabad (₹24,47,813) and Registrar, Andhra University, Visakhapatnam (₹9,79,000)

The Department replied (December 2022) that the Engineer-in-Chief requested (August 2019 & Oct 2022) the Government for resumption of the work, for which the orders of the Government are awaited till date.

Thus, the non-resumption of construction of buildings for Sri Alluri Sita Rama Raju Memorial Tribal Museum resulted in unfruitful expenditure of ₹75.25 lakh.

Youth Advancement, Tourism and Culture Department

6.3 Krishna River Wildlife Park with Bird Arena & Sea Lion Park and Marine Mammals at Bhavani Island – Infructuous expenditure of ₹1.33 crore

The expenditure of ₹1.33 crore incurred towards development of Wildlife Park became infructuous due to change in policy of the Government.

The Bhavani Island Tourism Corporation (BITC) proposed "Krishna River Wildlife Park with Bird Arena, Sea Lion Park and Marine Mammals" at Bhavani Island, Vijayawada with an intention to develop an international standard open-air park showcasing a number of fascinating wildlife species and to attract new visitors making it as an international tourist hub. The estimated cost of the project was ₹10 crore. The Project was awarded (May 2018) to M/s Okyanus Akvaryum Infra Pvt Limited, Turkey (Agency) for ₹9.99 crore duly following the tender procedures. As per the Letter of Acceptance (01 June 2018), the project was to be taken up in two parts viz., Services Part and Installation Part as per the estimates as detailed in **Table 6.2:**

Table 6.2: Details of contract value for each part of the project

(₹ in Lakh)

Sl No	Description	Services Part (Detailed design, Project Management, specialist services)	Installation Part (Relating to procurement, transportation and acclimatisation of birds and animals)
1	Bird Show Arena	325	33.20
2	Sea Lion Arena	421	65.20
3	Bird Aviaries	139	15.60
Total		885	114.00

The work commenced with effect from the date of Agreement *i.e.*, from 27 June 2018. As per the payment schedule of the Agreement¹⁵⁴ read with Letter of Acceptance, the BITC made payment of ₹1.33 crore¹⁵⁵ to the Agency (May 2019) on completion of detailed design and acceptance of design documents of the project *i.e.* 15 per cent of services part¹⁵⁶ of the work.

As per payment schedule (vii) of letter of acceptance, 10 per cent Mobilisation payment on acceptance of the proposal under installation part of work was to be paid. Accordingly, Agency submitted (September 2018) a bill for a payment of ₹11,40,000. However, the bill was cancelled (May 2019) before payment due to change in policy of

¹⁵⁴ Execution date 27 June 2018 and expiration of Agreement was 9 months

¹⁵⁵ ₹63,15,000 and ₹69,60,000 including applicable GST

¹⁵⁶ Detailed design, Project Management, specialist services at ₹8,85,00,000

Government that the works grounded but expenditure made less than 25 per cent of originally estimated value, should be reviewed afresh.

However, the Agency did not start the installation part¹⁵⁷ of the work immediately after completion of the designs due to non-release of payments due to them. Further, BITC also did not insist on grounding the work and the project was withdrawn temporarily¹⁵⁸.

The BITC sought AP Tourism Authority (December 2020) to confirm on the continuation of the project. No reply was received (August 2023) from AP Tourism Authority.

Thus, the expenditure of ₹1.33 crore incurred towards development of Wildlife Park became infructuous due to non-review of the work by the appropriate authority (Tourism Department).

Transport, Roads & Buildings Department

6.4 Non-adoption of provisions of Special Hire Bus charges

Failure of Andhra Pradesh State Road Transport Corporation to collect Special Hire Bus Charges for the buses given on hire basis resulted in loss of revenue to the extent of ₹1.66 crore. This also resulted in loss to the Government to an extent of ₹1.57 crore due to non-levy of Goods and Services Tax on the Special Hire bus charges.

As per the provisions of Andhra Pradesh State Road Transport Corporation (APSRTC) Manual of Operations, APSRTC arranges buses on hire basis to the public¹⁵⁹/private parties for the purpose of pilgrimages, marriage, leisure travel, meetings, excursion, etc. under Special Hire Charges. The parties who desire to hire buses shall submit details¹⁶⁰ in advance to the concerned Depot Manager. APSRTC shall collect the estimated amount (EA) plus caution¹⁶¹ deposit of 15 per cent extra on EA in advance from the hirer. A rebate of 10 per cent is allowed in case of buses provided to students of recognised Educational Institutions. Further, GST has to be collected from the hirer at 18 per cent on special hire charges as per circular issued in March 2020.

Scrutiny of records revealed cases of non-observance of the above provisions, as detailed below.

(a) APSRTC had received¹⁶² a requisition for supply of 1,823 buses for transportation of people to attend (July 2022) plenary sessions organised by a political party¹⁶³ from nine¹⁶⁴ districts to Acharya Nagarjuna University grounds, Guntur. The hirer requested for concession, as large number of buses were booked. APSRTC calculated (July 2022)

¹⁵⁷ relating to procurement, transportation and acclimatisation of the birds and animals at ₹1,14,00,000

¹⁵⁸ Lr.No.53/BITC/ED(P&E)/Wildlife Park/2018, date 24/07/2019

¹⁵⁹ Central/ State Government, various departments and to political parties

¹⁶⁰ name and address, type of bus needed, seating capacity, date of journey, distance in Kms,

¹⁶¹ refundable after the completion of the program

¹⁶² without having date and details as per Manual of Operations

¹⁶³ Yuvajana Sramika Rythu Congress Party, a regional political party

¹⁶⁴ West Godavari, Eluru, Krishna, NTR, Guntur, Palnadu, Bapatla, Prakasam and Nellore

EA at normal fare rate which amounts to ₹3.74 crore¹⁶⁵ and further extended concession of 10 *per cent* on EA considering plenary sessions as educational tour. The Vice Chairman and Managing Director (VC&MD) accorded (July 2022) permission for the same and supplied buses. Accordingly, hirer deposited (July 2022) an amount of ₹3.38 crore¹⁶⁶ with APSRTC after completion of the session.

(b) Similarly, in another case, APSRTC had received a requisition from District Administration of respective districts for supply of 1,439 buses for attending Backward Classes Mahasabha convened by elected and nominated representatives to be held (December 2022) at Vijayawada. The District Administration informed that transportation charges would be paid after completion of the meeting. Accordingly, APSRTC supplied buses and collected (March 2023) an amount of ₹3.99 crore towards transportation charges at the instance of audit.

Audit noticed that APSRTC in contravention to the provisions of Manual of Operations, supplied buses without collecting Special hire bus charges advance and details of the program from hirer. Further, instead of fixing and collecting the charges as applicable under Special Hire Charges, APSRTC collected charges at normal fare. In first case, APSRTC extended 10 *per cent* concession on EA to political party's plenary session (meeting) considering as educational tour, which is not appropriate/justifiable. Non adoption of provisions of Special hire bus charges, resulted in short collection of hire charges in both cases as detailed below. Further, Goods & Services Tax (GST) at 18 *per cent* was also not levied from the hirer.

Table 6.3: Statement showing details of Special Hire charges and GST charges

(₹ in crore)

Detail of the Meetings for which buses supplied	Special Hire bus charges to be collected as per the provisions	Actual amount collected by APSRTC	Difference amount (loss of revenue due to short collection)	Non collection of GST (18 <i>per cent</i>) on hire charges
Plenary Sessions at Acharya Nagarjuna University grounds, Guntur (July 2022)	4.13 ¹⁶⁷	3.38	0.75	0.72 ⁹
Backward classes Mahasabha at Vijayawada (December 2022)	4.90 ¹⁶⁸ (audit worked out calculation given in <i>Appendix 6.5</i>)	3.99	0.91	0.85 ¹⁰
Total	9.03	7.37	1.66	1.57

Government replied (October 2023) that buses were supplied as a special case on the amount to be charged per Km at the rate of 100 *per cent* occupancy. The average occupancy of the APSRTC for June 2022 was 77.37 *per cent* with ₹38.34 Earning per

¹⁶⁵ Estimated amount ₹3.61 crore+ ₹0.13 crore

¹⁶⁶ Estimated amount ₹3.61 crore - 10 *per cent* concession on ₹3.61 crore + ₹0.13 crore toll charges

¹⁶⁷ Special hire charges: ₹4.00 crore and Toll charges: ₹0.13 crore: GST on Special hire charges ₹4.00*0.18=₹0.72 crore

¹⁶⁸ Special hire charges: ₹4.74 crore and Toll Charges: ₹0.15 crore: GST on Special hire charges -4.74*0.18=₹0.85 crore

Km (EPK), therefore considering realisation of 90 *per cent* occupancy with ₹49.67 EPK is reasonable in the first case. Similarly in the second case, EPK of the APSRTC for November 2022 was ₹36.42, therefore considering realisation of EPK of ₹38.31 was reasonable. Further, granting 10 *per cent* concession was justified due to operation of buses without conductors by avoiding expenditure to an extent of ₹ eight per km. If buses were not supplied by APSRTC, the hirers would have gone for other modes of transport including private buses and APSRTC would have lost the opportunity of earning ₹7.37 crore. As the buses were not operated on special hire basis, therefore, GST was not collected.

The reply is not justifiable, as supply of buses to private parties for the purpose of meetings should be charged as per the charges fixed under Special Hire Charges and further giving concession to plenary meeting considering it as educational tour does not stand appropriate as per the provisions Manual of Operations. The VC & MD is not authorised as per the delegation of financial powers to change the nature of hiring (special hire charges to ordinary hire charges). There was no documentary evidence in support of the directions of the Government in the record for the second case. Further, GST is to be levied for hiring of transport vehicles by private parties.

Due to non-adoption of provisions of special hire bus charges, APSRTC suffered loss of revenue to an extent of ₹1.66 crore. This also resulted in loss to the Government to an extent of ₹1.57 crore due to non-levy of Goods and Services Tax on the Special Hire bus charges.

6.5 Non-recovery of accidental compensation claims

The Andhra Pradesh State Road Transport Corporation did not invoke the terms of agreement to recover the accidental compensation claim from hire bus owners and deposited ₹1.58 crore with Motor Accidents Claims Tribunal. The non-recovery further resulted in loss of interest of ₹0.76 crore.

The Andhra Pradesh State Road Transport Corporation (APSRTC), in addition to own buses, operates buses on hire¹⁶⁹ basis duly executing a standard agreement with the owners of the hire buses.

As per the terms of agreement¹⁷⁰, “The hire bus owner shall be liable for all claims¹⁷¹ that may arise due to accidents payable under the provisions of Motor Vehicle Act 1988/Rules. The APSRTC shall under no circumstances be made liable or responsible to pay compensation that may be awarded by Motor Accidents Claims Tribunal (MACT) in respect of accidents. In the event of payment of compensation by APSRTC to the injured persons/dependents of deceased persons or to the owners of the property damaged, by any award of the MACT/ order of the Court in cases involving accident to hire buses, the APSRTC shall have the right to recover the said compensation from the hire bus owner.”

¹⁶⁹ as of June 2022, APSRTC hired 2,224 buses

¹⁷⁰ statutory obligations to Hire Bus Owner

¹⁷¹ the APSRTC shall reimburse or facilitate the actual cost of comprehensive insurance premium paid by the hire bus owner

Audit noticed that in respect of 89 hire bus accident cases, the injured/ dependents of deceased/ owners of damaged property appealed (1999-2018) in MACT and claimed ₹4.58 crore as compensation. The MACT awarded (during 2006-2020) compensation amount of ₹2.99 crore for payment by APSRTC. Against the MACT award, the APSRTC appealed (February 2006 to February 2020) in the Hon'ble High Court for stay orders and deposited¹⁷² ₹1.18 crore with MACT. The matter is pending with Hon'ble High Court till to date without any settlement.

In addition to above, in the accounts of APSRTC (as of March 2022), an amount of ₹0.40crore¹⁷³ (as detailed in **Appendix 6.6**) was shown as amount paid¹⁷⁴ to MACT for hire buses pending recoverable. The possibility of recovery is not feasible as APSRTC did not have the details of hire vehicle number, hire bus owner name and Aadhar particulars of the owners.

In a similar case, the Hon'ble Supreme Court had directed/ordered¹⁷⁵ (June 2020) that the “sum awarded by MACT shall be payable only by the Insurance Company”. Further, it was also ordered that in case any payment is made by the Road Transport Corporation (Corporation) in compliance of any order of Court, etc., the Corporation shall be authorised to recover the same. Hence, the Insurance Company is liable to pay the compensation in case of hire bus accidents.

Though the terms of agreement spells out to recover the compensation amounts paid by APSRTC from the hire bus owners, the APSRTC did not initiate any action to recover the deposited amount of ₹1.18 crore from the hire bus owners. This had consequently, resulted in loss of interest of ₹0.76 crore (as detailed in **Appendix 6.7**) by APSRTC. Further, in the light of Hon'ble Supreme Court orders, the Lok Adalat of High Court of Andhra Pradesh awarded (November 2022) judgement pronouncing that the Insurance Company shall deposit the amount already deposited by APSRTC with MACT and MACT shall release the deposited amount on receipt of claims from APSRTC.

The APSRTC replied (February 2023) that the Operation Department had issued instructions to unit offices for recovery of compensation amount of ₹0.40 crore from hire bus owners. Regarding, recovery of ₹1.18 crore, it was stated that the matter was brought to the notice of Hon'ble High Court in the light of Hon'ble Supreme Court order and accordingly one of the Insurance Company¹⁷⁶ had settled 15 cases (November 2022) during the National Lok Adalat and other insurance companies are taking time to come forward.

The reply is not acceptable. The recovery of ₹0.40 crore is remote, as APSRTC did not have the details of the hire bus owners from whom the amount is to be recovered.

¹⁷² Section 173 of Motor Vehicle Act, 1988 stipulated to deposit 50 per cent of amount awarded or ₹25,000 whichever is less of compensation

¹⁷³ as reflected in the accounts (as of March 2022) under Accounting Head 2456: “MACT paid for Hire Vehicle – Recoverable”

¹⁷⁴ Payment of ₹20.21 lakh paid prior to 2017-18 and ₹19.81 lakh paid during 2018-19 to 2021-22

¹⁷⁵ Civil Appeal No. 2526 of 2020 between Uttar Pradesh State Road Transport Corporation and Smt Rajenderi Devi and others

¹⁷⁶ M/s New India Assurance company (NIAC)

Though 15 cases were stated to be settled, APSRTC did not receive the proportionate deposited compensation amount from the Insurance Company and till date ₹1.18 crore remained unrecovered from hire bus owners.

Due to non-invoking of agreement conditions and inaction on the part of APSRTC, an amount of ₹1.58 crore¹⁷⁷ remained unrecovered from the hire bus owners which consequently resulted in loss of interest of ₹0.76 crore.

6.6 Non/short levy of compounding fee

Non-levy of enhanced rates of compounding fee for offences reported in Vehicle Check Reports (VCRs) and non-forwarding of VCRs by the checking officers to the concerned Road Transport Authorities under Motor Vehicle Act, 1988 resulted in short/non-realisation of compounding fee amounting to ₹13.16 crore.

Under Section 200 of the Motor Vehicles (MV) Act, 1988, the Assessing Authority may compound certain offences punishable under the Act by collecting compounding fee in lieu of the penal action as prescribed by the Government. The Government, in its order (G.O.Ms.No.108 Transport, Roads and Buildings (TR1) Department dated 18 August 2011), prescribed minimum rates of Compounding fee for various offences, which was enhanced¹⁷⁸ from October 2020. The Government orders specifies the officers of the Transport Department not below the rank of Assistant Motor Vehicles Inspectors to compound offences¹⁷⁹.

The checking officers of the Transport Department prepare Vehicle Check Reports (VCRs) on the motor vehicles checked by them and in case, compounding fee is not collected, they forward these to the Regional Transport Authorities (RTAs) concerned for taking departmental action against the defaulting permit holders/owners of the concerned vehicles.

Scrutiny of records and analysis of data of the offices of Transport Commissioner (TC) and 10 Deputy Transport Commissioner (DTCs)¹⁸⁰ revealed the following.

- (a) In six DTCs¹⁸¹, 4,445 cases were registered (between April 2020 to March 2022) for various offences as of March 2022. Audit noticed that in these cases, the CF was levied at lesser rates as per pre-revised rates (fixed in August 2011) instead of at enhanced rates as fixed in October 2020. Though VCRs were sent to respective RTAs, action was not initiated to recover the revised CF. This resulted in short realisation of compounding fee of ₹6.47 crore as detailed in **Appendix 6.8**.
- (b) In 10 DTCs¹⁸², 25,002 cases were registered (Between April 2020 to March 2022) for various offences as of March 2022. Audit noticed that CF collected at applicable

¹⁷⁷ ₹1.18 crore plus ₹0.40 crore

¹⁷⁸ G.O. Ms. No. 21, Transport Roads & Buildings (TR-I) Department, dated 21/10/2020. Enhanced from minimum ₹150 to maximum of ₹20,000 depending upon offences committed

¹⁷⁹ for overloading, not producing Driving license and Registration Certificate, carrying more passengers than authorised, alteration of motor vehicle and driving dangerously, etc

¹⁸⁰ Deputy Transport Commissioners: Anantapuramu, Chittoor, Eluru, Guntur, Kakinada, Kadapa, Nellore, Vijayawada, Visakhapatnam and Vizianagaram

¹⁸¹ Deputy Transport Commissioner: Anantapuramu, Chittoor, Eluru, Guntur, Kakinada and Nellore

¹⁸² Deputy Transport Commissioners: Anantapuramu, Chittoor, Eluru, Guntur, Kadapa, Kakinada, Nellore, Vijayawada, Visakhapatnam and Vizianagaram

rates remained unrealised due to non-forwarding of VCRs to respective RTAs. This resulted in non-levy and non-recovery of CF worth ₹6.36 crore as detailed in **Appendix 6.9.**

- (c) In four DTCs¹⁸³, 692 cases were registered (between April 2021 to March 2022) as of March 2022 under section 196 (a) of MV Act, 1988 “plying of vehicles without insurance certificate”. Audit noticed that in these cases, the CF was levied in second and subsequent offence at lesser rates instead of at enhanced rates¹⁸⁴ as fixed in October 2020. Though VCRs were sent to respective RTAs, action was not initiated to recover the compounding fee. This resulted in short realisation of CF of ₹0.14 crore as detailed in **Appendix 6.10.**
- (d) In eight DTCs¹⁸⁵, 1,620 cases were registered cases (between April 2019 to March 2022) as of March 2022 under section Section 86(5) of Motor vehicle Act 1988 read with Government order (November 2008)¹⁸⁶ issued in this regard.

As per above said Government order, the motor vehicles plying “without payment of tax”¹⁸⁷ are liable to pay CF to prevent cancellation or suspension of permit.

Scrutiny of VCRs revealed that the CF was levied at lesser rates than the rates prescribed above in Government order. This led to short realisation of CF of ₹0.19 crore as detailed in **Appendix 6.11.**

In response, DTCs Eluru, Chittoor and Kakinada replied (July/September 2023) that Department initiated action against registered cases and collected difference of CF from some of the owner of the vehicles. The reply from other DTCs is awaited. Thus, overall there was short/non -recovery of Compounding fee of ₹13.16 crore causing loss to exchequer.

The above lapses/mechanism followed indicates that the online system for levying of Compounding Fee was not updated as and when there was enhancement of fees to prevent short/non collection of revenue causing loss to exchequer. The Transport Department should update the online system/software from time to time so that there is prompt realisation of revenue.

¹⁸³ Deputy Transport Commissioners: Chittoor, Eluru, Guntur and Nellore

¹⁸⁴ Of ₹2,000 instead of ₹4,000

¹⁸⁵ District Transport Commissioners: Anantapuramu, Chittoor, Eluru, Guntur, Kadapa, Kakinada, Nellore and Vijayawada

¹⁸⁶ G.O.Ms.No.332, Transport R&B (TR-I) dt. 13.11.2008

¹⁸⁷ Educational Institution buses with seat capacity above 13 are liable to pay ₹2500, Motor Cab to pay ₹1,000, Private service vehicles with seat capacity above 13 seats to pay ₹1,250 and Contract carriage above 13 seats to pay ₹2,500

6.7 Non-monitoring of renewal of Fitness Certificates

The Transport Department did not monitor the renewal of Fitness Certificates of transport vehicles. This had not only resulted in non-realisation of fitness fee of ₹1.45 crore, but also likely to jeopardise road safety.

Section 56 of the Motor Vehicles (MV) Act, 1988, stipulates that registration of a transport vehicle shall not be deemed to be validly registered, unless it carries a Certificate of Fitness (FC) issued by the prescribed authority. As per Rule 62 of the Central Motor Vehicles (CMV) Rules, 1989, the FC in respect of the transport vehicles shall be renewed every year.

Rule 81 of CMV Rules, specifies the fee to be charged for grant or renewal of FC from Transport Vehicles. The Transport Department made amendments¹⁸⁸ under Rule 81 of CMV Rules, 1989 and accordingly revised (January 2017) the Fee for conducting test of a vehicle for grant or renewal of FC.

Analysis of the data provided by Transport Commissioner and five DTCs¹⁸⁹ for the period 2021-22 revealed that the validity of FC in respect of 24,183 transport vehicles, though their status shown as 'active' in the Department's database, had expired and remained un-renewed. This resulted in non-realisation of FC fee of ₹1.45 crore as detailed in the **Appendix 6.12**. Allowing vehicles without FC not only affects revenue but also impacts road safety and environment adversely.

In response, DTC Kakinada replied (September 2023) that out of 625 vehicles, 41 vehicles owner have paid FC whereas in remaining cases DTC Kakinada and DTC Eluru replied (August 2023) that Department cannot compel the Registered owner to apply for FC renewal. DTC, Chittoor replied (July 2023) that whenever the registered owner of the transport vehicles approaches the office for any transactions, no application would be entertained if such vehicles is not covered by valid FC. In spite of voluntary collection of FC fee from the owner of the transport vehicles, however, efforts are being made to conduct special drives for detecting transport vehicles plying without FC. The replies from other DTCs are awaited.

The Department's contentions are not tenable as under section 56 of the MV Act, it is mandatory to renew the FC. Further, Rule 62 of the CMV Rules prescribes that FC in respect of transport vehicles shall be renewed every year. The above lapses indicates that the online system for renewal of FC and realisation of FC fee was not monitored/updated, as and when there was revision of fees to prevent non collection of revenue causing loss to exchequer. Thus, the failure of the Department to ensure checking of fitness of these 'active' vehicles led to non-realisation of fitness fee.

¹⁸⁸ Circular Memo No. 81/R/2017 dated 12/01/2017

¹⁸⁹ Deputy Transport Commissioners: Chittoor, Eluru, Guntur, Kakinada and Nellore

6.8 Non-realisation of quarterly tax and penalty on transport vehicles

Quarterly tax and penalty as stipulated under Andhra Pradesh Motor Vehicle Taxation Act, 1963 was not realised from the owners of transport vehicles within the prescribed time resulting in non-realisation of revenue of ₹6.51 crore.

Section 3 of Andhra Pradesh Motor Vehicles Taxation (APMVT) Act, 1963, stipulates that tax should be levied on motor vehicles used or kept for use in public in the State, at the rates specified by Government from time to time. Section 4 of the Act, specifies that tax shall be paid in advance either quarterly, half yearly or annually on a licence to be taken out within 15 days from the commencement of the quarter, half year or year as the case may be.

Further, as per Section 6 of the Act read with rule 13 of the APMVT Rules, 1963 and Government order (November 2008)¹⁹⁰, penalty of minimum of 50 *per cent* shall be leviable as quarterly tax, if detected for belated payment of tax beyond one month, from the beginning of the quarter.

Scrutiny of records¹⁹¹ (2020-2022) in Transport Commissioner (TC), and eight Deputy Transport Commissioner (DTCs)¹⁹² revealed that quarterly tax amounting to ₹4.06 crore was not paid by 5,164 vehicle owners within the stipulated period. In addition, penalty in 6,578 cases, amounting to ₹2.45 crore was also not collected. This resulted in non-realisation of quarterly tax and minimum penalty worth ₹6.51 crore as detailed in **Appendix 6.13**.

In response, DTC Chittoor replied (July 2023) that quarterly tax was collected up to March 2021 and recovery for further period of 2021-22 is still pending. DTC Eluru replied (August 2023) that they initiated action against 1,336 vehicles owners and collected tax up to 31 March 2022, however, no penalty was collected. DTCs Kakinada replied (September 2023) that out of 88 cases, in 31 cases tax was collected, however, no penalty was collected as of now. DTC Vizianagaram replied (May 2022) that, in 47 cases tax was collected, however, no penalty was collected as of now. Two DTCs¹⁹³ replied that, Show Cause Notices were issued to the owners and action would be taken for collection of quarterly tax with arrears due. The replies from other DTCs are awaited.

Response from Government is awaited.

¹⁹⁰ G.O.Ms.No.318 Transport, Roads & Buildings (Tr. 1) Department, dated 03.11.2008

¹⁹¹ an IT application 'Citizen Friendly Services in Transport Department' (CFST) for providing online services to the public

¹⁹² Deputy Transport Commissioners: Anantapuramu, Chittoor, Eluru, Guntur, Kadapa, Kakinada, Nellore and Vizianagaram

¹⁹³ Deputy Transport Commissioners: Anantapuramu and Kadapa

Home Department

6.9 Fast Interceptor Boats kept idle due to requirement of funds for maintenance and repairs

Non-responsiveness of the State Government in releasing funds for repairs and maintenance resulted in idling of Fast Interceptor Boats (FIBs) since the year 2018, besides compromising coastal security.

Government of India (GoI) approved setting up of six Marine Police Stations (MPSs) in November 2005 at a cost of ₹32.67 crore under 'Coastal Security Scheme' with 100 per cent central assistance. The main objective of the scheme was to provide additional line in coastline defence of the country and to address the critical gap in policing of the coastal waters against infiltration, intrusion and other illegal activities. Under the scheme, GoI had provided (between July 2009 and November 2011) 18 Fast Interceptor Boats (FIBs) at an estimated cost of ₹30 crore to the State Government. The Government deployed these FIBs at six Marine Police Stations¹⁹⁴ for patrolling sea waters and each boat was to be tasked (January 2018) for a minimum of 1,800 hours per year (150 hours per month). The maintenance cost of the FIBs was borne by the GoI up to 19 July 2017 and repeatedly informed (December 2016 and April, May, July, August of 2017) the State Government to make efforts to arrange funds for payment of maintenance cost from their budget. Subsequently, the Director General of Police (DGP), Andhra Pradesh concluded (April 2018) a Memorandum of Understanding (MoU) with the Director of Ports, Kakinada for undertaking repairs of the FIBs.

Audit test checked (September 2020) the records relating to utilisation of the FIBs and the observations are detailed in the subsequent paragraphs.

- (i) The DGP requested (July 2018) State Government for allocation of ₹2.75 crore for repair works of FIBs. The Government however, informed (August 2018) that the cost of repairs has to be borne by the GoI and advised the DGP to approach GoI for extending the maintenance period beyond July 2019.

The stand of the State Government for not providing funds is not justifiable as the responsibility was transferred



FIBs kept idle at Marin Police Station, Visakhapatnam (dated: 17 May 2023)

¹⁹⁴ Kalingapatnam of Srikakulam, Rushikonda of Visakhapatnam, Vakalapudi of East Godavari, Gilakaladindi of Krishna, Suryalanka of Guntur and Dugarajapatnam of SPS Nellore

to the State Government and there were clear instructions from GoI to make arrangement for maintenance with separate budget support. This adversely affected scheduled maintenance and repairs of the FIBs. Consequently, all FIBs became non-operational since August 2018¹⁹⁵.

- (ii) For certifying the suitability of FIBs for coastal operations, the Indian Register of Shipping (IRS) verified and submitted (March 2018) a detailed report duly compiling the deficiencies and informed that fitness certificates would be issued upon rectification of the deficiencies. The Department had paid (March 2018) an amount of ₹44.10 lakh for verification of boats by IRS. Even after lapse of more than three years, the deficiencies were not rectified due to non-release of funds by the Government. Due to inordinate delay in rectifying the deficiencies further deterioration of the boats cannot be ruled out.
- (iii) Since the boats were not in operation, the Department hired private mechanised fishing boats for the joint coastal security exercise¹⁹⁶ viz., 'Sagar Kavach' held twice annually between the personnel of the Coast Guard and the Coastal Security Police (Marine Police). An amount of ₹31.70 lakh was paid during the period from April 2018 to June 2020 for this activity. Had the boats were in operation the payment would have been avoided.
- (iv) A paragraph titled 'Sub-optimal utilisation of Interceptor boats' was featured in the Audit Report (Civil) for the year ended March 2011. Public Accounts (PAC) recommended¹⁹⁷ that conformance to the GoI norms regarding patrolling hours in respect of each boat as well as optimum utilisation of the interceptor boats should be ensured by the Department. The Department stated (February 2020) that a standardised protocol was fixed for patrolling. It was however, observed that the average utilisation of FIBs decreased from 18.65 *per cent* in 2017 to 0.68 *per cent* in 2019 and no patrolling was carried out during first two quarters of the year 2020. It is evident from the above that the FIBs were not optimally utilised despite specific recommendation of PAC due to requirement of funds.

Thus, adequate attention was not paid by the State Government in providing financial assistance for an important scheme concerning coastal security. The main objective of infiltration, intrusion and other illegal activities, thus, remains compromised.

¹⁹⁵ of the 18 FIBs, 16 became non-operational on different dates and earliest since December 2016 and latest August 2018. One was semi operational and another though operational, could not be operated for want of IRS certification

¹⁹⁶ the objective of the training is to enhance synergy between the forces which involves hands-on training in various aspects like safety, navigation, maintenance, surveillance and investigation at seas territorial waters, etc.

¹⁹⁷ paragraph 1.52 of Report No. 14 PAC – XIII Andhra Pradesh Legislative Assembly

On this being pointed out, the Inspector General of Police, Visakhapatnam replied (March 2022) that proposals were submitted (September 2021) to the Government to sanction ₹6.50 crore towards repairs and ₹6.00 crore towards annual maintenance for one year and sanction orders were awaited.

The matter was referred to the Government (September 2022); their reply is awaited (April 2023).

Vijayawada
The 30 June 2025


(SARAT CHATURVEDI)
Principal Accountant General (Audit)
Andhra Pradesh

Countersigned

New Delhi
The 03 July 2025


(K. SANJAY MURTHY)
Comptroller and Auditor General of India

