ANDHRA PRADESH LEGISLATURE

(Ninth Legislative Assembly)

TWENTY EIGHTH REPORT

OF

COMMITTEE ON PUBLIC UNDERTAKINGS

(1993-94)

ON

THE AUDIT PARAGRAPHS CONTAINED IN THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH, 1991 (NO. 1 OF 1992 - COMMERCIAL) ON ANDHRA PRADESH STATE POLICE HOUSING CORPORATION LIMITED

(Presented to the Legislature on 31st March, 1994)

ANDHRA PRADESH LEGISLATURE (ASSEMBLY) SECRETARIAT

PUBLIC GARDENS, HYDERABAD - 500 486.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1993-94)

(Constituted on the 26th March, 1993)

Chairman :

1. Sri P. Narasimha Reddy

Members :

2. Sri P.V. Raghavulu
3. Sri P. Ravindra Reddy
4. Sri Thota Venkatachalam
5. Sri N. Venkataratnam Naidu
6. Sri P. Purushotham Rao
7. Smt. Eti Vijayalakshmi
8. Dr. G. Chinna Reddy
9. Sri M.K. Baig*

   Sri G. Atchuta Kumar (w.e.f. 27-12-1993)
10. Sri N.K. Ramakrishna Reddy
11. Sri N. Ramakishan Rao
12. Sri N. Sivaramakrishna Prasad
13. Sri P. Kanaka Sundara Rao
14. Sri S. Venkateswara Rao
15. Sri. Ibrahim Bin Abdullah Masquathi

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2. Sri A.D. Bhaskara Reddy, Deputy Secretary
3. Sri M.H. Kesava Rao, Assistant Secretary
4. Sri J.S.R. Murthy, Section Officer.

Accountant General's Office :

1. Smt. Sabita Gopal, Accountant General (Audit)II
2. Sri B. Narayana, Deputy Accountant General
3. Sri V. Balakrishna Murty, Sr. Audit Officer
4. Sri V.V. Leeladhar, Asst. Audit Officer.

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* Appointed as Minister w.e.f. 8-9-1993.

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INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1993-94) having been authorised by the Committee present this Report on Andhra Pradesh State Police Housing Corporation Limited.

The Committee held two sittings to record the oral evidence.

The Committee met on 28th March 1994, considered and approved the Draft Report.

The Committee wishes to express their thanks to the Prl. Secretary to Government, Home Department, the Managing Director and other officials of Andhra Pradesh State Police Housing Corporation Limited for the co- operation they have extended.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit) II, Andhra Pradesh, the Deputy Accountant General and other officers and staff of the Accountant General's office.

The Committee also places on record their appreciation of the assistance rendered to the Committee by the Secretary to Legislature, the other officers and staff of Legislature Secretariat in the examination of the general working and audit paras relating to Andhra Pradesh State Police Housing Corporation Limited and in preparation of this Report.

Hyderabad,

Dated : 28-3-1994.

P. NARASIMHA REDDY,
Chairman,
Committee on Public Undertakings.

RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

(9th LEGISLATIVE ASSEMBLY)

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH 1991 (NO. 1 OF 1992 - COMMERCIAL)

ON

ANDHRA PRADESH STATE POLICE HOUSING CORPORATION LIMITED

Introduction

The Andhra Pradesh State Police Housing Corporation Limited was incorporated on 29th May 1971, as a wholly-owned Government Company with the object to formulate and execute housing schemes for the employees of State Police Department. The Company is functioning on no profit and no loss basis by apportioning net revenue expenditure to works.

1. Borrowings, financial assistance and execution

1.1 The Committee observed that the interest burden of Rs. 671.86 lakhs in 1990-91 has suddenly increased to Rs. 1914.87 lakhs in 1991-92, representing about 250 per cent, although only Rs. 1300 lakhs of loan was raised additionally in 1991-92 increasing the loan from financial institutions from Rs. 5625 lakhs in 1990-91 to Rs. 6925 lakhs in 1991-92.

1.2 *The Committee would like the Company to analyse the reasons for the steep increase in the interest in 1991-92 and report to the Committee.*

2. Targets and achievements

2.1 Up to 31st March 1991, the Company constructed 21,393 quarters and 222 police station buildings. The table given in Annexure - 6 to the Audit Report indicates the details of programme and actual achievement in execution of works under various schemes during the six years up to 1990-91.

The following observations were made:

(i) Only 2,885 quarters were taken up for construction during 1985-86, 1986-87 and 1990-91 as against the target of 8,655. However, during 1987-88, 1988-89 and 1989-90 the quarters taken up for construction were 10,993 against the target of 7,579. Thus, there was no connection between targets fixed and programme implementation.

(Paragraph 2C.6.2).

2.2 In its explanatory notes, the Company stated that the Government approved a programme for construction of 18,000 quarters to be completed in four years from 1986-87, later extended up to 1992-93,

revising the original estimate of Rs. 90.00 crores to Rs. 115.84 crores due to escalation in the cost of construction. Out of 18,000 quarters envisaged, the Company completed 10,787 quarters and 5272 quarters were under progress (up to December 1992). The Company also stated that the Government provided so far only Rs. 23.00 crores, against Rs. 34.75 crores and due to the absence of release of margin money by the State Government, the Company was not able to secure loans from financial institutions. The Company would not be in a position to complete the programme unless the shortfall of margin money of Rs. 11.75 crores is released to the Corporation.

2.3 *The Committee observed that explanation of the Company was not to the point. The Committee recommends that the Company may, in future, fix up realistic and practicable targets, so that the achievements would be comparable with the targets.*

2.4 *The Committee cannot but conclude that the main reason for the delay in completion of the project was non-release of margin money by the State Government to the extent envisaged in the scheme. The Committee fails to understand why the Government has taken up the scheme when it is not able to provide funds as envisaged in the scheme. The Committee strongly feels that having sanctioned the project, the Government should have released the funds as per schedule.*

2.5 *The Committee, therefore, recommends that the Government should immediately release the balance of the committed funds to enable the Company to raise institutional finance and complete the project.*

(ii) The main reason for slow progress was abnormal delays in identification of sites for construction of quarters - sites for construction of 1316 quarters were yet to be identified up to 31st March 1991.

(Para 2C.6.2).

2.6 In its explanatory notes, the Company stated that sites for construction of 1316 quarters have since been identified.

2.7 *The Committee observed that even after identifying sites for 1316 quarters, sites for 625 quarters are yet to be identified and therefore directs the Government to identify suitable sites for the remaining 625 quarters also immediately and hand over to the Company for taking up construction work.*

3. Non-utilisation of funds

3.1 Audit observed that funds remained unutilised at the end of each of the 5 years up to 1990-91 were Rs. 608.02. Rs. 565.62, Rs. 1054.44, Rs. 1669.84 and Rs. 2460.76 lakhs respectively.

The following observations were made:

(i) With the slow progress in the construction activity, out of total funds of Rs. 8668 lakhs obtained from State Goverrnment and financial institutions during the period from 1985-86 to 1990-91, the Company could utilise Rs. 6207 lakhs only leaving a balance of Rs. 2461 lakhs held in short term deposits. The net interest burden on the loans of Rs. 761 lakhs received prior to 1990-91 from the financial institutions and held in short term deposits alone works out to Rs. 6.88 lakhs per annum. Thus the construction works had not been planned and executed within the targeted time so as to utilise the loan funds with minimum interest burden.

(ii) As against the average annual expenditure of Rs. 12.40 crores during the last five years, the balance funds remaining with the Company were very large particularly in 1989-90 and 1990-91. During these years even the funds held at the beginning of the year were not spent during the year with the result, funds received during the year were unnecessarily locked up with the Company.

(Para 2C. 6.3)

3.2 In its explanatory notes the Company stated as follows:

"The Company has not sustained any loss on account of interest burden, since it derived maximum rate of return on parking of funds in short term deposits. The Company earned an aggregate interest of Rs. 8.80 crores on short term deposits during the 6 years up to 1991-92. The cost of construction per sft. has been reduced to atleast Rs. 10 per sq.foot approximately because of maximum rate of return in parking of funds by way of short term deposits. The rates of interests charged by the financial institutions i.e., 13.5 to 15 per cent are over a period of 15 to 20 years whereas the interest earned by the Corporation on short term deposits is over a period of 3 months/6 months/one year. It is also to be noted that the interest on the loans availed by the Corporation is to be paid as per the terms and conditions of loan agreement irrespective of the amount spent by the Corporation on the Project, even if the amount is spent in the same year, there would be no change in the rate of interest payable to Financial Institutions. Therefore, comparison cannot be made between the amount of interest paid to Financial Institutions and interest earned by the Corporation on investment in short term deposits. The Corporation made only a temporary arrangement of investing the amount in short term deposits for achieving optimum utilisation of funds as part of prudent financial management instead of keeping it idle".

3.3 The Committee observed that the explanation given by the Company is not to the point. The accumulation of cash balances was mainly due to slow progress of works. The observation here is that the

works were not planned and executed within the scheduled time so as to utilise the loan funds with minimum interest burden. The object of the Company is to build police quarters etc. By utilising the funds provided by the Government and obtained from financial institutions and not to invest them in deposits etc. and earn interest. No doubt, the deposits earn interest, but the interest is only a poor compensation to cost overrun due to delay in construction on one hand and on the other hand the Government is required to pay HRA to the staff who could not be provided quarters. In these circumstances the reply that the Company earned interest on short term deposits cannot be appreciated.

3.4 The Committee further observed that the Government has been releasing funds in full to the Company very much in advance without regard to the progress of works. The following table amply proves the above position:

Year	Funds received	Funds utilised	Balance
	(Rupees in lakhs)		
1988-89	2100.00	1611.18	1054.44
1989-90	1555.21	939.81	1669.84
1990-91	1700.00	909.08	2460.76
1991-92	1600.00	1871.90	2188.86

As may be seen from the table above, the utilisation of funds during 1989-90, 1990-91 and 1991-92 was far less than the cash balances held at the end of the previous years and thus there was no justification for the Company to raise any funds at all during 1991-92, since the entire funds of Rs. 1600.00 lakhs raised during 1991-92 as also Rs. 588.86 lakhs raised up to 1990-91 were held by the Company in cash at the end of 1991-92. This amply proves that the Company went on raising loans without any relevance to the programmes.

3.5 *The Committee, therefore, comes to the conclusion that the argument of the Company that delay in completion of the projects was mainly due to financial constraints or lack of financial support from the State Government is not tenable. The Commiteee, therefore, directs the Government to issue necessary instructions to the police department not to release Funds along with the Project but to release the funds in stages depending upon the progress. This also enables the Government to utilise the funds in needy areas, instead of allowing the same to be kept in short term deposits by the Company.*

3.6 The Committee also directs the Company not to raise institutional finance without relevance to the progress of works.

3.7 While deposing before the Committee, the MD informed that the cash balances included the loans raised from financial institutions also.

To a specific query as to why was the Company in the habit of drawing the whole of the sanctioned laon amount at a time, the MD could not give a satisfactory reply.

3.8 *The Committee, however, opines that the Company could have drawn the loan funds in stages and as and when required instead of drawing the whole amount of loan sanctioned in one lump sum and keeping in short term deposits. If the Company draws loan funds in stages, the only liability to the Company is the commitment charges which is very nominal, as against heavy burden on account of differential rate of interest.*

3.9 *The Committee, therefore, directs the Company to draw the loan funds, in future, in stages depending upon the progress of work.*

4. Working results

4.1 The Company has been following each year the procedure of allocating the net revenue expenditure to capital works in proportion to the total works expenditure and as such no loss or profit is exhibited in the accounts. The State Government indicated (January, 1986) that overheads on total cost of works should not exceed 10 per cent. However, in thier recommendations on the general working of the Company, the Committee on Public Undertakings observed in their Third Report presented to the Sixth Legislative Assembly in September, 1980 that establishment and contingent charges of the Company must not be permitted to exceed 7 per cent of the total expenditure on the housing schemes. The percentage of gross revenue expenditure to capital works expenditure ranged between 6.6 and 22.36 during the last 11 years up to 1990-91 and it exceeded the permitted percentage of 10 in all the years, except in the years 1980-81, 1981-82, 1986-87 and 1987-88.

(Paragraph 2C.8)

4.2 In its explanatory notes, the Company stated that the overall percentage for the 21 years from 1971-72 to 1991-92 was only 9.83, which was well within 10 per cent prescribed by the Government. It was also stated that the gross revenue expenditure may be high in one year and low in another year depending upon the progress of construction work and hence it is to be examined that the percentage of establishment expenditure on overall project is taken into account instead of arriving at the same on year to year basis.

4.3 The Committee observed that vide variations in the percentage from year to year has the effect on the cost of works completed and capitalised. The overhead burden on different works varies widely depending upon the year in which they were completed, although all such works came under the same scheme thus the cost of Quarters

constructed under the same scheme varies widely depending upon the quantum of works executed in each year and this gives a distorted picture.

4.4 *The Committee strongly opines that in order to avoid this problem, the Company should make all out efforts to achieve the targets fixed for each year. Further year to year comparision also helps the Company to control the revenue expenditure and to step up its construction activity, in order to reduce the percentage well within the ceiling limit.*

4.5 In its explanatory notes, the Company also stated that in earlier stages, the percentage was fixed at 7 (1980), which has been professionally increased to 10 (1986) and that perhaps there might be a necessity to increase the percentage to at least 12.5.

4.6 In his deposition before the Committee, the MD stated that such percentage in PWD is 16 and in Metro Board it is 30 and compared to them, the percentage in the Company is low.

4.7 *The Committee feels that the argument of the Company on the lines of comparison with PWD and Metro Board is not acceptable, since volume of work turned out by those organisations is comparatively much more. The Committee, therefore opines that the Company should step up its construction activity and see that the year-wise revenue expenditure does not go beyond 10 per cent.*

5. Settlement of accounts with State Government after completion of buildings

5.1 According to the procedure adopted for settling of accounts, the amounts given by the State Government as loan are treated as advances not bearing interest. The quarters/buildings constructed by the Company with these advances will be handed over to the Government on the basis of actual cost of construction including overheads not exceeding 10 per cent of the total cost of works. Loans given by the Government to the Company for repaying loans borrowed by the Company from Housing and Urban Development Corporation Limited (HUDCO) and for paying interest thereon should also be treated as interest-free loan. While computing the cost of buildings the Company will add to its actual construction cost, the interest paid to HUDCO. Accordingly, the Company adjusted Rs. 10,408.83 lakhs up to 1990-91.

The following observations were made :

(a) The acceptance of the State Government for the adjustments made by the Company till 1989-90 has not yet been received (December, 1991).

(b) The Company was also to reconcile the figures since 1979-80

with the Accountant General (A&E), Hyderabad, who maintains loan account of the State Government (December, 1991).

(c) In the orders of the Government issued in September, 1980, the procedure prescribed specifically mentions HUDCO, whereas the Company has been making adjustments adopting the same procedure regarding loans obtained from other Housing Financial Institutions also. Specific orders of Government were yet to be obtained (December, 1991).

(d) Further, the procedure prescribed by State Government specifically mentions loans released by the Government till the date of Government Order. The Company has been following the same procedure for the loans released subsequent to the date of Government Order and approval of State Government for this deviation was yet to be obtained (March, 1993).

(e) The amount adjusted against advances received includes an amount of Rs. 495.86 lakhs adjusted against the construction of District Police Offices, Police station buildings during the years 1985-86 to 1990-91, whereas the Government Order mentions adjustment against cost of construction of quarters only. Specific orders of the Government for adjusting the construction cost of District Police Offices/Police Station Buildings towards advances have not been received (December 1991).

(Paragraph 2C.9)

5.2 In its explanatory notes, the Company stated that the acceptance of State Government for adjustment of value of quarters carried out by the Company has not been received so far. The Company is adjusting the value of quarters etc. against the advances received from State Government every year in the books of accounts under intimation to Government and the Company cannot directly settle the accounts with AG without the acceptance of the State Government. The Company further stated that the Company has obtained loans only from HUDCO when the orders were issued by the Government. The Company has adopted the same procedure for the loans obtained from other financial institutions also since the Government has not prescribed any separate procedure for other loans obtained by the Company. This was made clear in all the Annual Reports of the Company, this being the accounting policy adopted by the Company consistently for several years.

5.3 *The Committee observed that due to the delay on the part of the Governemnt in communicating its acceptance of the adjustments made by the Company, reconciliation and adjustment of advances is in arrears from 1979-80.*

5.4 In his deposition before the Committe, the Prl. Secretary informed that the job is already on hand and promised that the job would be completed within one or two months.

5.5 *The Committee directs the Government to complete the acceptance of the adjustments proposed by the Company by June, 1994 relating to the period up to March, 1993 and report compliance to the Committee.*

5.6 *The Committee observed that when the Govenment Order was specific about the procedure to be followed in the case of loans raised from HUDCO and when the Company commenced raising loans from other financial institutions, the Company should have obtained a specific approval before adopting the same procedure as applicable in the case of HUDCO. Audit observation here is that the policy adopted by the Company did not have the Government approval. Making a mention in the annual reports and following the same procedure consistently does not give the Company any authority for the procedure that is being followed. The Committee, therefore, directs the Company to approach the Governemnt and obtain a specific approval and report compliance to the Committee. Same is the case in respect of the observations made regarding adjustments relating to police station buildings etc.,*

6. Establishment of Repeater Station Buildings

6.1 Under the scheme of modernisation of State Police Force, the State Governemnt released during the period from 1984-85 to 1990-91, an amount of Rs. 31.02 lakhs for construction of nine Repeater Station Buildings (RSB) during the period 1984-87 at a cost of Rs. 24.02 lakhs and two RSBs during 1989-90 at a cost of Rs. 7 lakhs. To the end of March, 1991, the Company could complete and hand over only five RSBs (at Narasimhakonda, Narayanagiri, Mallangattu, Burnoor and Nalgonda), while 2 RSBs (at Agripalli and Phirangipuram) though completed in October, 1989 and March, 1990, respectively, at a total cost of Rs. 5.60 lakhs could not be handed over to Police Department for want of water supply and electricity (December, 1991).

The Company was yet to take up (December, 1991) the construction of 4 RSBs (2 RSBs envisaged for completion during 1984-87 and 2 RSBs envisaged for completion during 1989-90) for which an amount of Rs. 12.02 lakhs was still held by the Company (December, 1991). The Management stated (May, 1991) that proposals were drawn up for taking up the remaining 4 RSBs during 1991-92.

(Paragraph 2C. 10.1)

6.2 In its explanatory notes the Company stated as follows:

"It is to inform that the construction of Repeater Station Buildings at Agiripally and Phirangipuram were taken up by the Company immediately

after sanction of funds of Rs. 2.00 lakhs and Rs. 3.00 lakhs respectively for the above buildings by the Government. In the estimate sanctioned for the said Repeater Station Buildings, L.S. provisions were made for providing external water supply arrangements. By the completion of civil works the funds are exhausted and the provisions made in the estimate are found inadequate for providing external water supply arrangements. As such, extra funds were sought from the I.G. Communications. There was considerable delay in sanction of extra funds by the Government. Finally after obtaining sanction of funds, the work of providing external water supply has been taken up after calling tenders and fixing agencies. The work is completed in all respects and the two repeater station buildings at Agiripally and Phirangipuram were handed over to the police department on 16.05.1992 and 10.07.1992 and the same were already occupied by them".

6.3 The Committee fails to understand how L.S. provision was made in the estimates for providing external water supply. This indicates that the estimates were prepared without properly and adequately analysing and evaluating the requirements. Further the Committee observed that the Company did not explain how the funds were exhausted by the time civil works were completed. This indicates that the estimates which are supposed to work as a monitoring system to regulate and control the expenditure do not have any sanctity and the very purpose of preparing the estimates is defeated.

6.4 *The fact thus remained that the two stations, construction of which was completed by October, 1989 and March, 1990, remained unoccupied up to May, 1992 and July, 1992 respectively solely for want of additional funds for providing external water supply and power supply arrangements. The Committee desires to have a detailed note from the Company explaining the circumstances under which L.S. provision was made for water supply. The Committee also directs that the Company should ensure that in future L.S. provision is not made in the estimates for major items of work such as external water supply arrangements, power supply etc.*

6.5 *Basically, the Committee fails to understand how the Company was asking the department for money to take up the remaining four stations, when the department has already released Rs. 31.02 lakhs for construction of all the eleven stations. The Company has exhausted the funds provided for construction of 11 stations by the time it completed 7 stations and hence has been asking for more funds for construction of the remaining 4 stations. The Committee opines that this is a pitiable situation where the Company utilised the whole of the funds for completion of little more than 50 per cent of the project and the main reason for this is either the estimates were grossly understated in the anxity of getting*

sanction for the project and hence funds obtained on the basis of such grossly understated estimates were inadequate or there was abnormal delay in taking up and completing the works resulting in almost 100 per cent cost overrun. The Committee concludes that in either of these two cases, the Company was fully responsible and therefore directs it to fix up responsibility. It is a bad state of affairs that the project taken up in 1984-85 was complete to the extent of just 50 per cent by March, 1993.

6.6 While admitting that there was delay in completing the project, the MD promised to ensure completion of the quarters within two months. The Committee would like to have a compliance report from the Company.

7. Construction of A.P. Police Academy at Himayatsagar, Ranga Reddy district

7.1 The Government entrusted (July, 1986) to the Company the construction of both residential and non-residential buildings at Himayatsagar for the A.P. Police Housing Academy during the period from 1986-87 to 1989-90. The overall outlay on the project was estimated (July, 1989) by the Government at Rs. 27.5 crores. The Government released Rs. 229.50 lakhs to the Company during the years 1986-87 to 1990-91, of which the Company utilised only Rs. 26.00 lakhs to the end of March, 1991. Thus the Government went on releasing funds year after year, without relevance to the progress of work or expenditure incurred.

The delay in implementation of the project was due to (i) delay in acquisition of the land by the Government and (ii) time taken for consultations with Campus Development Committee and Architects appointed by the Government.

Thus funds to the extent of Rs. 203.50 lakhs remained locked up under the head 4059 - Capital outlay on public works without being available for other works requiring funds.

The Company stated in November, 1991 that it had initiated action to take up various works at an estimated cost of Rs. 985.64 lakhs during the year 1991-92 and that the amount available with the Company would be spent in the year 1991-92.

(Paragraph 2C. 10.2)

7.2 In its explanatory notes, the Company stated that it spent Rs. 5.12 crores upto October, 1992 against the amount of Rs. 5.76 crores provided by the Government and that the Director of the Academy was requested to approach the Government for additional funds to the extent of Rs. 7.00 crores during 1992-93 in addition to the amount of Rs. 1.00 crore already provided for the year.

7.3 The Committee noticed that the Company admitted in its explanatory notes that the project taken up was a very big one and some delays were natural and unavoidable in the initial period of the project work.

7.4 *The Company was incorporated in 1971 and even after more than 15 years of its experience in the field of construction activity, delays occurred in the initial stages. This indicates lack of proper planning before taking up the project - for instance, delay in acquiring land. Even before acquiring land, the Company went on receiving funds for the project only to keep them in short term deposits. Any delay in completion of the project would only lead to cost escalation - the cost of the project has already been escalated from Rs. 27.5 crores to Rs. 40.00 crores. Now that the construction work is in progress, the Government may ensure completion of the project without any further loss of time. The Government and the Company may now fix up a time schedule for completion of the project and ensure its completion by the scheduled date.*

8. Delays in execution

8.1 Prompt execution of the works would reduce interest liability to the institutions and also benefit the State Government, which could avoid payment of house rent allowance to the employees on allotment of quarters for occupation. However, delays in execution of works occurred in several cases. It was noticed that in respect of 276 works (Cost : Rs. 2790 lakhs) completed up to 31st March, 1990, the extent of delays ranged from less than a year to over five years.

(Paragraph 2C.11.2)

8.2 In its explanatory notes, while admitting that there were delays in execution of works in some cases, the Company attributed natural calamities, personal problems of contractors, entrustment of labour contracts to cooperative Societies, backing out of original contractors, non-availability of skilled labour and materials etc. to delays occurred in execution of works. The Company also contended that when compared to the number of quarters it took up for construction, the delays were just to the extent of 1 to 2 per cent.

8.3 *The Committee observed that the reasons put forth by the company were only in respect of 10 per cent of the delayed cases and in the remaining 90 per cent of the cases delays were attributable to improper planning, lack of adequate supervisory staff, not taking up the service works simultaneously with civil works etc. which were avoidable. The Committee directs that the Company should properly and accurately analyse the reasons for the delays in execution/completion wherever occurred and take remedial measures to avoid their recurrence.*

8.4 *The Committee further observed that the contention of the Company that delays were only in 1 to 2 per cent of the total quarters completed was not borne out by facts and figures. Out of 10,209 houses constructed during the five years up to March, 1990, 2082 houses were completed after a delay of more than one year, representing about 20 per cent.*

8.5 *The Committee desires to have a detailed report on the subject from the Company.*

9. Delay in handing over the buildings

9.1 There were delays in handing over the buildings even after completion to Police Department for occupation and R & B Department for maintenance. The delay ranged from one month to nine years in respect of 232 works constructed at a cost of Rs. 2025.36 lakhs, resulting in locking up of funds to that extent in addition to payment of House Rent Allowance of Rs. 33.19 lakhs (at an average rate of Rs. 333 per month) to the employees by the State Government during that period of delay in allotment of the quarters. Of these 232 works, in respet of 74 works (cost: Rs. 843.73 lakhs) the delays were from one year to nine years.

Advance action was lacking in initiating steps with water supply and electricity departments, while the civil works were in execution. (Paragraph 2C.11.3)

9.2 In its explanatory notes, the Company stated, inter-alia, that though the Corporation officers are taking much interest, prompt and advance action to get the water supply and power supply, the departments like Gram Panchayats, Municipalities and the A.P. State Electricity Board are not clearing the same early which is resulting in delay in completion of quarters and finally in handingover of the same to Police Department.

9.3 *The Committee therefore, recommends that the Government may issue suitable directions to the agencies mentioned above to give priority to the works executed by the Company to enable it to complete and hand-over the quarters to the Police Department without any loss of time.*

10. Construction of quarters at Chengumal

10.1 The Company completed (July, 1982) construction of 1 SI, 12 HC/PC quarters at Chengumal, Ranga Reddy District at a cost of Rs. 2.53 lakhs which were not handed over to Police Department (December, 1991).

The unit reported to the Head Office of the Company in April, 1982 that a bore well tried earlier had failed and that on their request the Gram Panchayat had permitted in April, 1982 to draw water from the Panchayat open well located 700 ft. away from the police quarters. However, the

Head Office of the Company decided in June, 1982 not to utilise the facility on the ground that it was not desirable to erect pump set and construct a shed in other's land. However, neither the Head Office nor the unit of the Company had, at that stage, any alternative proposals for water arrangement. After about six years, it was only in March, 1988 it was again decided to draw water from the open well of the village. The Gram Panchayat had agreed for installation of pump set and drawing water from the well and handed over the public well to the Company only in April 1989. It was noticed by the Company in July, 1989 that besides providing water supply, special repairs to rectify certain defects (estimated cost: Rs. 0.50 lakhs) were to be undertaken to make the quarters habitable. These works are yet to be taken up. (December, 1991)

The Company stated in November 1991 that water supply arrangement and repairs were not yet taken up since no agency was coming forward to take up the works in view of abnormal increase in the cost of materials and that it was proposed to complete the works by calling for short term tenders.

Thus, there has been delay of about 10 years in putting to use the buildings completed in July, 1982.

(Paragraph 2C.11.3.1)

10.2 In its explanatory notes, the Company merely stated that a new agency for taking up the repairs and providing water supply arrangements, was fixed and the works would be completed shortly.

10.3 *The Committee observed that the explanation of the Company was incomplete and did not cover all the points. The company has not offered its views on the delay of 6 years (June 1982 to March 1988) for taking a decision regarding obtaining water from the public well. Similarly the Company took up the bore well just 3 months before completion of quarters. Further the borewell tried by the Company failed, indicating inadequate and improper survey regarding the availability of ground water facilities. The Committee desires that the Company fixes responsibility for the above delays etc.*

10.4 *The Committee was informed that even now the water supply arrangements have not been made although the public well was handed-over to the Company in April 1989. The committee was also informed that no agency was coming forward to take up the water supply arrangements and repair works.*

10.5 *It is pitiable to note that even after more than 20 years of its incorporation, the Company has not developed its infrastructure facilities to take up departmentally even minor works like repairs, thus allowing*

itself wholly dependant upon the labour contractors. The Committee recommends that the Compnay may exmine to get such minor works executed departmentally in co-ordination with PWD, to avoid delay in completion of the works for want of minor works/repairs.

10.6 *In his deposition before the Committee, the MD informed that the quarters would be completed and handedover within 2 months. The Committee desires to have the compliance report as soon as the work is completed.*

11. Construction of quarters at Rajendranagar :

11.1 Although construction of 15 quarters at Rajendranagar was completed in June 1989 at a cost of Rs. 7.42 lakhs, power supply could be obtained only by October 1989 due to a dispute regarding payment of arrears in respect of old quarters. Police officials refused to takeover the quarters for want of drinking water connections to the quarters. The Water Works Department had asked the Police Department (December, 1989) to pay Rs. 12,265 which was outstanding towards water supply in respect of some other existing quarters. (Paragraph 2C.11.3.3)

11.2 In its explanatory notes, the Company stated that the quarters were handed over to the Police Department in December 1991.

11.3 The Committee observed that for the sake of payment of an insignificant amount of Rs. 12,265 by the Police Department to water works, quarters constructed at a cost of Rs. 7.42 lakhs and ready for occupation in July 1989 could be occupied ony in December 1991 i.e., after about two and half years. The Police Department could have as well paid the amount under protest and obtained service to these quarters, so that locking up of funds could have ben avoided.

11.4 *The Committee desires that the Government examines this issue to fix responsibility and reports compliance to the Committee.*

12. Construction of quarters at Alair

12.1 The construction of 1 SI and 16 PC quarters at Alair which was commenced on 13th April 1987 was completed by 15th November, 1989 at a cost of Rs. 8.16 lakhs. The Police Department had not takenover the quarters stating that the drainage lines were not functioning properly.

The effluent of septic tank was proposed to be dispersed into soil through dispersion branch, but the ground level water was only at 10 ft. and the soil was not allowing the effluent to percolate, which resulted in the septic tank outlet getting choked up. It was proposed in December, 1990 to dispose the effluent by means of pumping the effluent to a natural drain which was about 360 metres away from the quarters at an additional cost of Rs. 0.50 lakh.

Thus, the quarters which were completed in November 1989 at a cost of Rs. 8. 16 lakhs could not be put to use and were not handed over to the Police Department (December 1991) due to faulty drainage lines.

(Paragraph 2C.11.3.5)

12.2 In its explanatory notes, the Company stated that the drainage lines were correctly laid, but only the dispersion trench could not work due to the availability of water table at just 10 ft: below the ground level. The Company also informed that it was, therefore, proposed to dispose off the effluent from the Septic tank to the nearby natural drain bymeans of gravity and that the work has since been completed and the quarters were handedover to the Police Department in June 1991.

12.3 The Committee is unhappy to note that the Company was not aware of the availability of water table at just 10 ft. below the ground level and therefore the dispersion trench as designed would not work. This indicates defective designing of the drainage system.

12.4 *The fact remains that the quarters constructed in November 1989 could be handedover to the Department only in June 1991 i.e., after about one year and 7 months, mainly due to the failure on the part of the Company in properly designing the drainage system considering all the relevant factors. The Committee desires that the Company investigates into the case and fixes responsibility.*

13. Works not taken up for execution.

13.1 There were 372 works on which an expenditure of Rs. 5.68 lakhs was incurred to the end of March 1991 towards the cost of preparation of estimates, excavation of trial pits and publication of tender notices in the news papers and these works have not been taken up for execution (December, 1991).

An expenditure of Rs. 4.25 lakhs on 305 works was incurred during 1989-90 (20 works in Visakhapatnam, 70 in Cuddapah, 82 in Vijayawada, 84 in Hyderabad and 49 in Warangal) and an expenditure of Rs. 1.43 lakhs was incurred from 1985-86 onwards on the remaining 67 works in Warangal Division.

The Company stated in November 1991 that most of these works were to be taken up by the Company in due course as and when problems are sorted out.

(Paragraph 2C.11.4)

13.2 In its explanatory notes, the Company stated that out of the 372 works, 133 works valued at Rs. 2.52 lakhs had already been taken up and 89 works valued at Rs. 1.15 lakhs were likely to be taken up for construction.

13.3 *The Committee would like to have a detailed report, indicating the position as on 31st March 1994, in respect of all those 372 works, duly indicating the details of works taken up, dates of their taking up and scheduled date of completion as also their location and reasons for change of location, if any, details of works proposed to be taken up and their location, details of works not taken up and reasons therefor etc.*

14. Inspection of site conditions :

14.1 Whenever any work is to be taken up for execution, the site is to be inspected and designs/estimates are to be prepared on the basis of soil conditions. For this purpose trial pits are to be dug in different locations of the site. It was, however, observed that in several cases the site was not examined before taking up the work, with the result the Company was forced during execution of the work to sanction additional amounts for laying deeper foundations or changing the pattern of foundation viz., adoption of pile foundation or structural foundation etc. An analysis made by Audit revealed that additional amount of Rs. 26.25 lakhs was sanctioned for this purpose in respect of 44 works during April 1986 to December 1990. As the design of any structure is prepared on observance of actual site conditions, not conducting or deficiency in conducting the inspection of site conditions would not only be detrimental to the structure but also expensive as no change can be made in the design when the work is in progress.

(Paragraph 2C.11.5)

14.2 While explaining in detail, in its written statement, the circumstances necessitating taking additional items of work during execution, the Company informed that emphasis was, however, laid on more detailed soil exploration to probe the soil to a considerable depth by collecting soil samples and sending them to soil testing laboratories in advance and preparing realistic estimates based on soil characteristics, so as to minimise the excess expenditure on deeper foundations.

14.3 *The Committee, however, feels that the Company should examine the site and soil conditions as elaboratively as possible in order to ensure that no changes need be made in the designs, plans and estimates during construction or no additional items are taken up at a later stage.*

15. Construction of quarters at koilakuntla :

15.1 The construction of 1 Cl. 1 ST and 20 HC/PC quarters was awarded in February 1981 to Contractor 'A' at an estimated cost of Rs. 3.19 lakhs. The Company handedover the site on 5th July 1981 and this was to be completed by 4th April 1982. The work was, however, actually completed in May 1985 at a cost of Rs. 6.07 lakhs. These

quarters were not occupied (December 1991) as they were considered not safe for occupation due to cracks developed in the buildings and both walls and roof slabs were badly damaged.

The Committee appointed by the Company to enquire into the defective construction reported in June 1990 as follows:

(a) Damage was due to inadequate foundations on black cotton soil.

(b) Foundation depth provided was only 4'6" as against the required 5' 6" below ground level.

(c) Approval of Head Office was accorded for 1:3:6 mix for plinth beams of 3" thick size instead of 4" thick size as proposed by field staff due to financial constraints.

(d) Inadequate availability of water and its inferior quality.

(e) Difficulty in supervision due to distance.

The Committee also observed that all the P.C. quarters were unsafe as both walls and roof slabs were badly damaged and that investing any further amount on their rectification was not advisable.

Meanwhile due to non-occupation of quarters, all electrical fittings, the iron gate and manhole covers were stolen. Further, the plinth beams were broken and plinth rods stolen, along with the main door shutters. Their value was yet to be assessed by the Company.

Thus, quarters taken up for construction in July 1981 and completed in July 1985 were not yet ready for occupation (December, 1991).

The total expenditure of Rs. 6.07 lakhs so far incurred on the above works had, thus, remained infructuous.

The Company stated in December 1991 that the matter was under enquiry.

(Paragraph 2C.11.7)

15.2 In its explanatory notes, the Company informed that the quarters which were in inhabitable condition were ordered to be dismantled by observing the Codal rules.

15.3 *The Committee noted that according to the Company (December, 1991), the matter was under enquiry. The Committee would like to have a report from the Company after the enquiry is completed. The Committee would like to know how many quarters were dismantled and the cost of such dismantled quarters.*

15.4 The Committee, however, gains an impression that there has

been abnormal delay in appointing the Committee to enquire into the defective construction (from 1985 to 1990) and in appointing the Enquiry Officer. In the meanwhile, of the three officers found responsible for the defective construction, one officer expired and the other two officers have since retired from service. Thus the delay has deprived the Company of any possibility of recovering the loss from the officers responsible.

15.5 In his deposition before the Committee, the Secretary, Home Department promised to look into the rule position to recover the loss from the officers responsible and inform the Committee of the action taken by the Government.

15.6 *The Committee desires to have the report from the Government as early as possible.*

15.7 *The Committee is pained to note that there were no security arrangements to safefuard the property, like doors, grills.and other fittings, in the quarters and particularly to the property in the quarters belonging to Police Department. The Committee directs that the Company should take initiative either to post watch and ward or to insure the quarters till they are handedover to the Police Department.*

6. Construction of quarters at Phirangipuram :

16.1 The work of construction of 12 PC quarters taken up in February, 1987 and scheduled to be completed by November 1989 remained incomplete (December, 1991).

While laying foundations, the approved designs were not followed. Pile foundations were originally provided as the soil was of black cotton variety, against which open foundations were laid stating that harder soils were met. Due to these defects in laying foundations and also due to poor quality of work during construction such as not providing the sand cushion in the foundation to the required thickness, several major resultant defects such as occuring of cracks in the slabs and roofs and sinking of the floors had cropped up. The quarters could not, therefore, be completed in all respects and handedover to the Department.

The Company had incurred an expenditure of Rs. 5.49 lakhs in the execution of the quarters and the balance works valued Rs. 0.88 lakh remained incomplete till December 1991. There being no arrangement for watch and ward, materials valued Rs. 0.45 lakh were lost in a theft occurred in May 1990.

Thus, due to defective foundations and resultant major defects that cropped up during the execution, the quarters remained incomplete even after about five years resulting in locking up of funds to the extent of Rs. 5.49 lakhs apart fom loss of Rs. 0.45 lakhs due to theft of materials.

The Company stated in December 1991 that the Government had appointed an Enquiry Officer on this work. The Report of the Enquiry Officer was awaited (December 1991).

(Paragraph 2C.11.8)

16.2 In its explanatory notes, the Company stated as follows:

"During the course of execution the pile foundations was changed to open foundations by the then Executive Engineer, Police Housing Corporation as soil met with was of hard variety as analysed by the then Excutive Engineer as the piles could not be driven to the required depth. During the fag end of execution, hair width cracks were observed, which may be due to poor soil available at the site earmarked for the construction but not due to defective construction or sub-standard work as pointed out by Audit.

The issue was raised in Legislative Assembly. A preliminary spot enquiry was conducted by the then Engineer-in-Chief who, in his report of March 1989, has stated that originally proposed pile foundations were changed to open foundations which was the root cause of defects and held certain officers responsible for defective execution.

Government has also appointed Superintending Engineer (R&B) Rural Circle, Hyderabad as Enquiry Officer vide G.O.Ms. No. 830, dt. 15.4.1989 to conduct detailed enquiry into the irregularities. The enquiry report is still awaited.

Rectification work like plinth protection and other rectification is carried out. Final Phase of rectification such as replacing missing door shutters, broken water closets, internal and external electrification work was awarded. A detailed report regarding the stage of rectification work and final occupation of quarters was already called for from Executive Engineer, Vijayawada and the same is still awaited.

Necessary action is initiated at Government level and enquiry officer report is still awaited. Final phase of rectification work was awarded in order to make the quarters habitable. Soonafter completion of rectification the quarters will be made habitable and handedover to Police Department".

16.3 *The Committee desires to have a report from the Company/ Government on the following aspects:*

(1) *In his preliminary enquiry report the then Engineer-in-Chief held certain officers responsible for defective execution. What action has been taken by the Company/Government against these officers.*

(2) *The Government appointed Superintending Engineer (R&B), Rural Circle, Hyderabad in April 1989 to conduct a detailed enquiry into the irregularities. When was the enquiry report due and when was it submitted and what were the reasons for the delay.*

The Committee feels that inordinate delay in completing the enquiry and submitting enquiry report defeats the very purpose of enquiry. It also becomes difficult to fix responsibility and effect recovery, if necessary, based on such delayed report. The Committee, therefore, recommends that in future the Government should fix up time limit for completion of enquiry and for submission of enquiry report thereon. Otherwise, the sanctity of such an enquiry is lost.

(3) *The defective construction was noticed around March 1989. According to the Company, some of the rectification works were still in progress (April 1993). Why did not the Company take up rectification works immediately in March 1989, when the defects were noticed. The delay in taking up the repair work led to theft of material in the absence of watch and ward. The Company may fix up responsibility for this delay.*

(4) *The Company has been depending upon private contractors even for small works like minor repairs, replacing door shutters etc. It is pitiable to note that the Company has not developed infrastructural facilities even after more than 20 ears of its incorporation and inspite of facing such problems frequently. As recommended at Paragraph 13.5 supra, the Company may examine the possibilities of getting minor works/repairs done departmentally in coordination with PWD.*

(5) *What exactly was the additional expenditure incurred by the Company on rectification works/replacement of missing items etc. and how much has been recovered from the officers found responsible.*

16.4 *The Committee would like the Company/Government to finalise the enquiry proceedings immediately and complete the remaining works on the quarters in order to make them habitable and handover to the Police Department. The Committee would like to have a compliance report from the Company/Government by June 1994.*

17. Collapse of quarters at Kakinada :

17.1 The Construction of 48 PC quarters of Batch V in Block 11 was entrusted in December 1986 to contractor "D" for Rs. 18.60 lakhs with a time schedule to complete the work in 12 months. During the course of execution, the Block No. 11 consisting of 12 quarters constructed at a total cost of Rs. 2.38 lakhs had completely collapsed on 16th October 1987.

The Company suspended in November 1987 the Assistant Engineer

and Deputy Engineer who were in charge of the Work on the grounds of negligence and failure of supervision, pending further enquiries in the matter and the Executive Engineer in charge of that work was repatriated to his parent department.

Since the contractor stopped the execution of work immediately after the above incident, the contract was terminated on 6th May 1988 invoking Clause 61 of PS to APDSS. The contractor applied for arbitration and the award of the arbitration was a awited (December 1991).

The Company requested the Director. Industrial Consultancy Services (DISC), Jawaharlal Nehru Technological University, Hyderabd in October 1987 to conduct technical examination of the incident. In his report of March 1988, the DICS concluded that "an apparently sudden and very large local settlement that occurred in the north west corner of the building had been the main cause, in starting the failure of the building".

Further, a second opinion of a technical expert on further precautionary measures to be taken to the completed buildings was also obtained from Deccan Geomat Consultancy (Pvt.) Limited., who suggested in March 1990 some remedial measures to other buildings by providing one inch thick plastering with weld mesh with cm. 1:2 to the exterior faces of walls inside and outside. The Company estimated in April 1990 the financial commitment at Rs. 2.30 lakhs for undertaking the above preventive measures.

The Company had sustained a loss of Rs. 2.38 lakhs due to collapse of the building besides incurring additional expenditure of Rs. 0.56 lakh towards clearance of debris, load tests on other blocks etc. Further, preventive measures costing Rs. 2.30 lakhs are also to be undertaken to other quarters (December 1991).

It was observed in Audit that the Company had not ensured the insurance of the buildings under construction by the contractor against risks to avoid loss.

(Paragraph 2C.11.9)

17.2 In its explanatory notes, the Company stated as follows:

"As per para 50 PS to APDSS - the Contractor's risk and insurance, the work executed by the contractor under the contract shall be maintained at the contractor's risk until the work is taken- over by the Executive Engineer. Hence it is the responsibility of the contractor to get the building insured or otherwise he has to bear the loss of damages, if any.

More over the contractor has filed a case in Court of law, which is under hearing".

17.3 *The Committee desires to have a report from the Company/ Government duly covering the following aspects:*

(1) *Whether the AE and DE who were suspended in November 1987 for negligence and failure of supervision are still under suspension. Whether further enquiries were conducted.*

(2) *Whether any departmental proceedings have been initiated against them. If so, what was the outcome of such proceedings.*

(3) *Whether the preventive measures suggested by DGC (P) Ltd. have since been carried out to safeguard the other buildings. If so, at what cost.*

(4) *Who is the Arbitrator and who selected the Arbitrator. What are the reasons for the delay of about 5 years (1988 - 1993) for finalising the award. The award is reported to have been decided in favour of the contractor. The Company may confirm this. Is this award being contested by the Company. How did the Company lose this case before the Arbitrator.*

(5) After getting the opinion of JNTU, what action has been taken by the Company to find out the reasons for local settlement.

17.4 *The Committee would like to have the report from the Company/ Government by June 1994.*

18. Construction of quarters at Saroornagar, Hyderabad :

18.1 The work was commenced on 14th October 1981 and completed on 13th October 1982. An expenditure of Rs. 7.50 lakhs was incurred on these quarters (December 1991). The quarters were, however, handed-over to the Police Department after an abnormal delay on 13th June 1987 pending completion of water supply arrangements. In view of that, the quarters have remained unoccupied (December 1991).

Regarding the efforts made by the Company to supply water, it was observed that a bore well was dug in January 1983 in north-east corner of the quarters. Though it yielded plenty of water, the water was found to be contaminated and not useful for drinking or washing purposes, since it was drilled adjacent to the effluent drain of a chemical factory located near the quarters. One more bore was drilled in July 1983 in north-west corner of the complex which was also found to be polluted.

The Water Works Department of State Government which was, therefore, requested in July 1984 to give water connections to the quarters from the newly constructed overhead tank at Saroornagar Grampanchayat, initially expressed inability to release new connections in view of the ban on release of new connections imposed by the Government. On

recommendation of the Board of Prevention and Control of Pollution, the Government had permitted in December 1987 to extend water supply connections duly lifting the ban orders as a special case. The water supply was yet to be released (June 1991).

It was further observed that during inspection by the Managing Director of the Company on 8th March 1989 along with the Superintendent of Police and the subordinate officers of the Police Department, the latter who have to occupy the quarters had expressed their reluctance to stay in the quarters even after providing water in view of the odour from the chemical factory situated nearby.

The Company stated in November 1991 that the Hyderabd Metro Water Works and Swerage Board would give water connections only after Manjira Phase-III is commissioned and that the same was not yet done due to failure of Singoor gates. The Company also stated that the water supply arrangements were being taken up and as soon as the same are completed the quarters will be handedover to the Police Department.

Thus, due to lack of proper investigation at initial stages regarding source of drinking water and the pollution in the area created by a chemical factory near the site, the expenditure of Rs. 7.50 lakhs incurred on the construction of quarters remained unfruitful.

(Paragraph 2C.11.10)

18.2 In its explanatory notes, the Company stated as follows:

"The water supply arrangements and repairs are being taken up by the Executive Engineer (Hyderabad). The Superintendent of Police has also given assurance that the quarters will be occupied after water supply and minor repairs to quarters are carried out. As soon as the same are completed the quarters will be handed over to the Police Department".

18.3 *The Committee feels that this is a very bad case of site selection. In this connection, the Committee desires to have a report covering the following aspects :*

(1) *Who selected the site which is engulfed by odour from the nearby chemical factory.*

(2) *Why was the availability of ground water facilities not investigated adequately before taking up the construction work. Who was responsible for this lapse.*

(3) *The fact remains that due to non-availability of drinking water facilities and due to the odour emanating from the nearby chemical factory, the quarters constructed in October 1982 at a cost of Rs. 7.50*

lakhs have remained unoccupied even after 10 years. The Company may investigate into the reasons and fix up responsibility.

(4) *When did the chemical factory start its operations. Was it before or after the construction of quarters. If the chemical factory was already in existence even before taking up the scheme, why did not the Company take into account the pollution question before taking up the scheme. Will it not adversely affect the health and psychology of the occupants of the quarters.*

(5) *When the availability of water supply seems to be bleak as per the Audit Report, how did the Company state now that water supply arrangements were being taken up.*

(6) *The Committee is not satisfied with the reply of the Company. The Committee would like the Company to investigate the entire matter and furnish a report by June 1994.*

19. General :

19.1 *The funds provided in the Budget for the construction of police quarters are placed at the disposal of the Company by the Police Department without examining the progress of the work or the actual requirement of funds for the construction. The accumulation of cash balance of over Rs. 7 crores at the end of every year seems to be on account of provision of more funds by the Police Department plus unutilisation of funds due to less expenditure on works as a result of slow progress.*

19.2 *The A.P. State Police Housing Corporation Limited is one of the State Construction Companies formed, as we understand, as an extension of the State R & B Department, with a view to break the monopoly of the contractors and also to achieve economy in the execution of work. In the absence of development of infrastructural facilities, these extension agencies depend on private contractors for execution of their works. Abnormal delay in execution of work coupled with high cost of construction leads to uneconomical results, as these Companies act only as intermediaries between the Government and the private contractors defeating one of the main objects of their formation.*

19.3 *The Committee stresses on the Company the need for developing its own infrastructural facilities by taking up departmentally small works like repairs etc. to start with.*

SUMMARY OF RECOMMENDATIONS

1. The Committee would like the Company to analyse the reasons for the steep increase in the interest in 1991-92 and report to the Committee.

(Paragraph 1.2)

2. The Committee observed that explanation of the Company was not to the point. The Committee recommends that the Company may, in future, fix up realistic and practicable targets, so that the achievements would be comparable with the targets.

(Paragraph 2.3)

3. The Committee cannot but conclude that the main reason for the delay in completion of the project was non-release of margin money by the State Government to the extent envisaged in the scheme. The Committee fails to understand why the Government has taken up the scheme when it is not able to provide funds as envisaged in the scheme. The Committee strongly feels that having sanctioned the project, the Govenrment should have released the funds as per schedule.

(Paragraph 2.4)

4. The Committee, therefore, recommends that the Government should immediately release the balance of the committed funds to enable the Company to raise institutional finance and complete the project.

(Paragraph 2.5)

5. The Committee observed that even after identifying sites for 1316 quarters, sites for 625 quarters are yet to be identified and therefore directs the Government to identify suitable sites for the remaining 625 quarters also immediately and hand over to the Company for taking up construction work.

(Paragraph 2.7)

6. The Committee, therefore comes to the conclusion that the argument of the Company that delay in completion of the projects was mainly due to financial constraints or lack of financial support from the State Government is not tenable. The Committee, therefore, directs the Government to issue necessary instructions to the police department not to release funds along with the project but to release the funds in stages depending upon the progress. This also enables the Government to utilise the funds in needy areas, instead of allowing the same to be kept in short term deposits by the Company.

(Paragraph 3.5)

7. The Committee also directs the Company not to raise institutional finance without relevance to the progress of works.

(Paragraph 3.6)

8. The Committee, however, opines that the Company could have drawn the loan funds in stages and as and when required instead of drawing the whole amount of loan sanctioned in one lump sum and keeping in short term deposits. If the Company draws loan funds in stages, the only liability to the Company is the commitment charges which is very nominal, as against heavy burden on account of differential rate of interest.

(Paragraph 3.8)

9. The Committee, therefore, directs the Company to draw the loan funds, in future, in stages depending upon the progress of work.

(Paragraph 3.9)

10. The Committee strongly opines that in order to avoid this problem, the company should make all out efforts to achieve the targets fixed for each year. Further year to year comparison also helps the Company to control the Revenue expenditure and to step up its construction activity, in order to reduce the percentage well within the ceiling limit.

(Paragraph 4.4)

11. The Committee feels that the argument of the Company on the lines of comparison with PWD and Metro Board is not acceptable, since volume of work turned out by those organisations is comparatively much more. The Committee, therefore, opines that the Company should step up its construction activity and see that the year-wise revenue expenditure does not go beyond 10 per cent.

(Paragraph 4.7)

12. The Committee observed that due to the delay on the part of the Government in communicating its acceptance of the adjustments made by the Company, reconciliation and adjustment of advances is in arrears from 1979-80.

(Paragraph 5.3)

13. The Committee directs the Government to complete the acceptance of the adjustments proposed by the Company by June 1994 relating to the period up to March 1993 and report compliance to the Committee.

(Paragraph 5.5)

14. The Committee observed that when the Government Order

was specific about the procedure to be followed in the case of loans raised from HUDCO and when the Company commenced raising loans from other financial institutions, the Company should have obtained a specific approval before adopting the same procedure as applicable in the case of HUDCO. Audit observation here is that the policy adopted by the Company did not have the Government approval. Making a mention in the annual reports and following the same procedure consistently does not give the Company any authority for the procedure that is being followed. The Committee, therefore, directs the Company to approach the Government and obtain a specific approval and report compliance to the Committee. Same is the case in respect of the observations made regarding adjustments relating to police station buildings etc.

(Paragraph 5.6)

15. The fact thus remained that the two stations, construction of which was completed by October, 1989 and March, 1990, remained unoccupied up to May, 1992 and July 1992 respectively solely for want of additional funds for providing external water supply and power supply arrangements. The Committee desires to have a detailed note from the Company explaining the circumstances under which L.S. provision was made for water supply. The Committee also directs that the Company should ensure that in future L.S. provision is not made in the estimates for major items of work such as external water supply arrangements, power supply etc.

(Paragraph 6.4)

16. Basically, the Committee fails to understand how the Company was asking the department for money to take up the remaining four stations, when the department has already released Rs. 31.02 lakhs for construction of all the eleven stations. The Company has exhausted the funds provided for construction of 11 stations by the time it completed 7 stations and hence has been asking for more funds for construction of the remaining 4 stations. The Committee opines that this is a pitiable situation where the Company utilised the whole of the funds for completion of little more than 50 per cent of the project and the main reason for this is either the estimates were grossly understated in the anxiety of getting sanction for the project and hence funds obtained on the basis of such grossly understated estimates were inadequate or there was abnormal delay in taking up and completing the works resulting in almost 100 per cent cost overrun. The Committee concludes that in either of these two cases, the Company was fully responsible and therefore directs it to fix up responsibility. It is a bad state of affairs that the project taken up in 1984-85 was complete to the extent of just 50 per cent by March, 1993.

(Paragraph 6.5)

17. While admitting that there was delay in completing the project, the MD promised to ensure completion of the quarters within two months. The Committee would like to have a compliance report from the Company.

(Para 6.6)

18. The Company was incorporated in 1971 and even after more than 15 years of its experience in the field of construction activity, delays occurred in the initial stages. This indicates lack of proper planning before taking up the project - for instance, delay in acquiring land. Even before acquiring land, the Company went on receiving funds for the project only to keep them in short term deposits. Any delay in completion of the project would only lead to cost escalation - the cost of the project has already been escalated from Rs. 27.5 crores to Rs. 40.00 crores. Now that the construction work is in progress, the Government may ensure completion of the project without any further loss of time. The Government and the Company may now fix up a time schedule for completion of the project and ensure its completion by the scheduled date.

(Paragraph 7.4)

19. The Committee observed that the reasons put forth by the company were only in respect of 10 per cent of the delayed cases and in the remaining 90 per cent of the cases delays were attributable to improper planning, lack of adequate supervisory staff, not taking up the service works simultaneously with civil works etc. which were avoidable. The Committee directs that the Company should properly and accurately analyse the reasons for the delays in execution/completion wherever occurred and take remedial measures to avoid their recurrence.

(Paragraph 8.3)

20. The Committee further observed that the contention of the Company that delays were only in 1 to 2 per cent of the total quarters completed was not borne out by facts and figures. Out of 10,209 houses constructed during the five years up to March, 1990, 2082 houses were completed after a delay of more than one year, representing about 20 per cent.

(Paragraph 8.4)

21. The Committee desires to have a detailed report on the subject from the Company.

(Para 8.5)

22. The Committee, therefore, recommends that the Government may issue suitable directions to the agencies mentioned above to give priority to the works executed by the Company to enable it to complete

and hand over the quarters to the Police Department without any loss of time.

(Paragraph 9.3)

23. The Committee observed that the explanation of the Company was incomplete and did not cover all the points. The Company has not offered its views on the delay of 6 years (June, 1982 to March, 1988) for taking a decision regarding obtaining water from the public well. Similarly the Company took up the bore well just 3 months before completion of quarters. Further the bore well tried by the Company failed, indicating inadequate and improper survey regarding the availability of ground water facilities. The Committee desires that the Company fixes responsibility for the above delays etc.

(Paragraph 10.3)

24. The Committee was informed that even now the water supply arrangements have not been made although the public well was handed over to the company in April, 1989. The Committee was also informed that no agency was coming forward to take up the water supply arrangements and repair works.

(Paragraph 10.4)

25. It is pitiable to note that evenafter more than 20 years of its incorporation, the Company has not developed its infrastructure facilities to take up departmentally even minor works like repairs, thus allowing itself wholly dependent upon the labour contractors. The Committee recommends that the Company may examine to get such minor works executed departmentally in coordination with PWD, to avoid delay in completion of the works for want of minor works/repairs.

(Paragraph 10.5)

26. In his deposition before the Committee, the MD informed that the quarters would be completed and handed over within 2 months. The Committee desires to have the compliance report as soon as the work is completed.

(Paragraph 10.6)

27. The Committee desires that the Government examines this issue to fix responsibility and reports compliance to the Committee.

(Paragraph 11.4)

28. The fact remains that the quarters constructed in November, 1989 could be handed over to the Department only in June, 1991 i.e., after about one year and 7 months, mainly due to the failure on the part of the Company in properly designing the drainage system considering all the relevant factors. The Committee desires that the Company investigates into the case and fixes responsibility.

(Paragraph 12.4)

29. The Committee would like to have a detailed report, indicating the position as on 31st March, 1994, in respect of all those 372 works, duly indicating the details of works taken up, dates of their taking up and scheduled date of completion as also their location and reasons for change of location, if any, details of works proposed to be taken up and their location, details of works not taken up and reasons therefor etc.

(Paragraph 13.3)

30. The Committee, however, feels that the Company should examine the site and soil conditions as elaboratively as possible in order to ensure that no changes need be made in the designs, plans and estimates during construction or no additional items are taken up at a later stage.

(Paragraph 14.3)

31. The Committee noted that according to the Company (December 1991), the matter was under enquiry. The Committee would like to have a report from the Company after the enquiry is completed. The Committee would like to know how many quarters were dismantled and the cost of such dismantled quarters.

(Paragraph 15.3)

32. The Committee desires to have the report from the Government as early as possible.

(Paragraph 15.6)

33. The Committee is pained to note that there were no security arrangements to safeguard the property, like doors, grills and other fittings, in the quarters and particularly to the property in the quarters belonging to Police Department. The Committee directs that the Company should take initiative either to post watch and ward or to insure the quarters till they are handed over to the Police Department.

(Paragraph 15.7)

34. The Committee desires to have a report from the Company/ Government on the following aspects:

(1) In his preliminary enquiry report the then Engineer-in-Chief held certain officers responsible for defective execution. What action has been taken by the Company/Government against these officers.

(2) The Government appointed Superintending Engineer (R&B), Rural Circle, Hyderabad in April, 1989 to conduct a detailed enquiry into the irregularities. When was the enquiry report due and when was it submitted and what were the reasons for the delay.

The Committee feels that inordinate delay in completing the enquiry and submitting enquiry report defeats the very purpose of enquiry. It also becomes difficult to fix responsibility and effect recovery, if necessary, based on such delayed report. The Committee, therefore, recommends that in future the Government should fix up time limit for completion of enquiry and for submission of enquiry report thereon. Otherwise, the sanctity of such an enquiry is lost.

(3) The defective construction was noticed around March, 1989. According to the Company, some of the rectification works were still in progress (April, 1993). Why did not the Company take up rectification works immediately in March, 1989, when the defects were noticed. The delay in taking up the repair work led to theft of material in the absence of watch and ward. The Company may fix up responsibility for this delay.

(4) The Company has been depending upon private contractors even for small works like minor repairs, replacing door shutters etc. It is pitiable to note that the Company has not developed infrastructural facilities evenafter more than 20 years of its incorporation and inspite of facing such problems frequently. As recommended at Paragraph 13.5 supra, the Company may examine the possibilities of getting minor works/repairs done departmentally in coordination with PWD.

(5) What exactly was the additional expenditure incurred by the Company on rectification works/replacement of missing items etc. and how much has been recovered from the officers found responsible.

(Paragraph 16.3)

35. The Committee would like the Company/Government to finalise the enquiry proceedings immediately and complete the remaining works on the quarters in order to make them habitable and hand over the Police Department. The Committee would like to have a compliance report from the Company/Government by June, 1994.

(Paragraph 16.4)

36. The Committee desires to have a report from the Company/ Government duly covering the following aspects:

(1) Whether the AE and DE who were suspended in November 1987 for negligence and failure of supervision are still under suspension. Whether further enquiries were conducted.

(2) Whether any departmental proceedings have been initiated against them. If so, what was the outcome of such proceedings.

(3) Whether the preventive measures suggested by DGC (P) Ltd. have since been carried out to safeguard the other buildings. If so, at what cost.

(4) Who is the Arbitrator and who selected the Arbitrator. What are the reasons for the delay of about 5 years (1988 - 1993) for finalising the award. The award is reported to have been decided in favour of the contractor. The Company may confirm this. Is this award being contested by the Company. How did the Company lose this case before the Arbitrator.

(5) After getting the opinion of JNTU, what action has been taken by the Company to find out the reasons for local settlement.

(Paragraph 17.3)

37. The Committee would like to have the report from the Company/ Government by June, 1994.

(Paragraph 17.4)

38. The Committee feels that this is a very bad case of site selection. In this connection, the Committee desires to have a report covering the following aspects:

(1) Who selected the site which is engulfed by odour from the nearby chemical factory.

(2) Why was the availability of ground water facilities not investigated adequately before taking up the construction work. Who was responsible for this lapse.

(3) The fact remains that due to non-availability of drinking water facilities and due to the odour emanating from the nearby chemical factory, the quarters constructed in October, 1982 at a cost of Rs. 7.50 lakhs have remained unoccupied evenafter 10 years. The Company may investigate into the reasons and fix up responsibility.

(4) When did the chemical factory start its operations. Was it before or after the construction of quarters. If the chemical factory was already in existence even before taking up the scheme, why did not the Company take into account the pollution question before taking up the scheme. Will it not adversely affect the health and psychology of the occupants of the quarters.

(5) When the availability of water supply seems to be bleak as per the Audit Report, how did the Company state now that water supply arrangements were being taken up.

(6) The Committee is not satisfied with the reply of the Company. The Committee would like the Company to investigate the entire matter and furnish a report by June, 1994.

(Paragraph 18.3)

39. The funds provided in the Budget for the construction of police quarters are placed at the disposal of the Company by the Police Department without examining the progress of the work or the actual requirement of funds for the construction. The accumulation of cash balance of over Rs. 7 crores at the end of every year seems to be on account of provision of more funds by the Police Department plus unutilisation of funds due to less expenditure on works as a result of slow progress.

(Paragraph 19.1)

40. The A.P. State Police Housing Corporation Limited is one of the State Construction Companies formed, as we understand, as an extension of the State R & B Department, with a view to break the monopoly of the contractors and also to achieve economy in the execution of work. In the absence of development of infrastructural facilities, these extension agencies depend on private contractors for execution of their works. Abnormal delay in execution of work coupled with high cost of construction leads to uneconomical results, as these Companies act only as intermediaries between the Government and the private contractors, defeating one of the main objects of their formation.

(Paragraph 19.2)

41. The Committee stresses on the Company the need for developing its own infrastructural facilities by taking up departmentally small works like repairs etc. to start with.

(Paragraph 19.3)

PRINTED BY THE COMMISSIONER OF PRINTING, AT LEGISLATIVE ASSEMBLY PRESS, HYDERABAD.