COMMITTEE ON PUBLIC UNDERTAKINGS

(1991-92)

(Ninth Legislative Assembly)

EIGHTH REPORT

ON

The Audit Paragraphs Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 1985 (Commercial) on the Andhra Pradesh State Irrigation Development Corporation Limited

(Presented to the Legislature on 18-3-93 *)*

ANDHRA PRADESH LEGISLATURE (ASSEMBLY) SECRETARIAT

PUBLIC GARDENS, HYDERABAD - 500 486.

COMMITTEE ON PUBLIC UNDERTAKINGS

(1991-92)

(Constituted on the 8th October, 1991)

CHAIRMAN:

1. Sri J.K. Reddy

MEMBERS:

2. Smt. Mary Ravindranath
3. Sri Ambati Rambabu
4. Sri B. Vedavyas
5. Dr. K. Madan Mohan Reddy
6. Sri Gurunath Reddy
7. Sri P. Kista Reddy
8. Sri K. Rambhupal Reddy (upto 11.1.1993)
9. Sri J. Sriranganayakulu
10. Sri A. Sudarshan
11. Dr. S. Venugopalachari
12. Sri K. Ramachandra Raju
13. Sri G. Appala Suryanarayana
14. Sri Ch. Vidyasagar Rao
15. Sri Mohd. Virasat Rasoon Khan

LEGISLATURE SECRETARIAT:

1. Sri A.V.G. Krishnamurthy, Secretary
2. Smt. M.V.S. Jayalakshmi, Joint Secretary
3. Sri A. Venkata Rao, Assistant Secretary
4. Sri J.S.R. Murthy, Section Officer.

ACCOUNTANT-GENERAL'S OFFICE

1.	Sri J.C. Jagannadham	..	Accountant-General (Audit - II)
2.	Sri K. Ramachandran	..	Deputy Accountant-General
3.	Sri V. Balakrishna Murthy	..	Audit Officer
4.	Sri A.V.G.V. Prabhakara Rao	..	Section Officer

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1991-92) having been authorised by the Committee present this Report on the Andhra Pradesh State Irrigation Development Corporation Limited.

The Committee held three sittings to record the oral evidence.

The Committee met on 28.12.1992 considered and approved the Draft Report.

The Committee wishes to express their thanks to the Secretary to Government, Irrigation and Command Area Development Department, the Managing Director and other officials of the Andhra Pradesh State Irrigation Development 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 and also the Secretary, Legislature, Officers and staff in the examination of the general working and Audit paras relating to Andhra Pradesh State Irrigation Development Corporation Limited and in preparation of this Report.

Hyderabad,
dt. 28.12.1992.

J.K. REDDY,
Chairman,
Public Undertaings Committee.

RECOMMENDATIONS OF COMMITTEE ON PUBLIC UNDERTAKINGS (9th LEGISLATIVE ASSEMBLY)

REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL OF INDIA FOR THE YEAR ENDED 31st MARCH, 1985 - (COMMERCIAL)

ANDHRA PRADESH STATE IRRIGATION DEVELOPMENT CORPORATION LIMITED

1. Introduction:

1.1 The Andhra Pradesh State Irrigation Development Corporation Limited was incorporated in September 1974 as a wholly owned Government Company with the object of executing all types of Minor Irrigation Schemes with Institutional Finance. However, the Company has confined its activities to investigation and identification of water resources, execution of Lift Irrigation Schemes and digging of Tube Wells, Bore Wells and Infiltration Wells.

2. Organisational set-up:

2.1 The Management of the Company is vested in a Board consisting of minimum 2 and maximum 12 Directors including the Chairman. The Committee observed that the Board was not in existence from 29th January 1983 to 5th March 1984. The Government has not explained as to why and under what circumstances it could not nominate Directors to constitute a Board.

2.2 The Committee deprecates the attitude of Government in not reconstituting the Board and recommends that the Government should invariably fill-up the vacancies of Directors promptly and ensure that the Board exists continuously.

3. Funding:

3.1 The Government prescribed in 1975 a debt equity ratio of 3 : 1 for financing irrigation schemes i.e., the Company was to rise 75 per cent of cost of the schemes as loan from the financial institutions and 25 per cent of the cost from out of the contribution by the Government towards equity.

3.2 The Company stated in February 1992 that raising the institutional finance depends upon the amount of share capital released to the Company each year, that the share capital released up to 1984-85 having been very low, the in-flow of bank loans

were also very low and that this was mainly due to the reimbursement method adopted by NABARD for release of bank loans which requires the Company to incur expenditure fully in advance to raise 75 per cent of the same as bank loans.

3.3 The General Manager (Finance) while giving oral evidence expressed the view, that debt equity ratio of 1 : 3 which is a drag on the Company should be reviewed and that NABARD also suggested that it should be reviewed. This ratio can be even 1 : 2 or 1 : 1 and unless this is done, the Company cannot survive because revenue generation being limited, it is not sufficient to cover the debt servicing.

3.4 The Committee feels that the issue cannot be singled out in the case of this Company only. It is better if the issue is examined taking into account the position prevailing in other Companies also for taking a decision to be applied uniformly to all the Government Companies. Or at the most, the problem in respect of the Government Companies working with no profit no loss motto can be considered separately. The Committee, therefore, recommends to the Government to get the issue examined by a Technical Committee, constituted for this purpose. The Committee so constituted may take into account the position prevailing in the Government Companies in few other States before making its recommendations. A report of action taken in this regard may be intimated to COPU by June 1993.

4. Working results:

4.1 The Committee noted that the Company has finalised its accounts for 1989-90 and that the accounts for 1990-91 were taken up for audit by Statutory Auditors.

4.2 The Committee, however, observed that over a period of about 7 years, the Company could finalise the accounts for 8 years only. Still accounts for 2 years for 1990-91 and 1991-92 are in arrears. The Committee recommends that the Company should make all out efforts to finalise the accounts for 1991-92 by March 1993, so that accounts for 1992-93 can be takenup and completed before September 1993. The Committee would like to have a report in this matter by March 1993.

4.3 The Company has continuously been running in loss and losses accumulated up to 31st March 1990 were Rs. 634.72 lakhs. The continued losses were mainly due to (i) incidence of actual establishment expenses in excess of 14 per cent envisaged in the schems (such excess in 1983-84 alone worked out to Rs. 209.35 lakhs), (ii) high cost of drilling, (iii) non-development of ayacut to the extent provided in the schemes resulting in low return of revenue and (iv) incidence of interest in excess of the amount considered for computation of water rates.

(Paragraph 2.04.2)

4.4 In its explanatory notes of February 1992, the Company stated that the rate of 14 per cent for capitalising establishment charges was fixed by NABARD for purposes of sanctioning loans and that on survey conducted by the Company with the assistance of Public Enterprises Management Board (PEMB) it was found that the average establishment charges worked out to 20 to 22 per cent of capital outlay and therefore, in its 78th meeting the Board fixed the percentage of establishment charges at 20 per cent of capital outlay on normal IDC works with effect from 1986-87.

4.5 The Committee, however, noticed that the actual administrative charges in 1986-87 to 1990-91 were 67.03, 27.17, 36.89, 24.48 and 25.61 per cent of capital outlay in respective years. The Committee feels that the administrative expenses are on high side because its men and machinery were idle/underutilised. If the Company could utilise its men and machinery fully, turnover will increase and percentage of administrative charges will come down. At the same time revenue realisation also will considerably increase.

4.6 The Committee, therefore, recommends that the Company should strive hard to increase the actual capital outlay without significant increase in administrative charges by utilising fully its men and machinery. The Committee also recommends to create a separate unit exclusively for collection of watercess regularly in order to improve its income.

5. Execution of works:

5.1 The Committee was informed that the Company tookup for execution 252 Lift Irrigation (LI) schemes up to 1990-91 at an estimated cost of Rs. 4182.87 lakhs to create an irrigation potential to 1,67,441 acres. Out of this, the Company could implement only 150 schemes at a cost of Rs. 2086.41 lakhs and

created irrigation potential to the extent of 98,940 acres upto that date. Similarly, the Company took up 15,520 ground water schemes upto 1990-91 at a cost of Rs. 11417.56 lakhs and energised 9,340 wells creating an irrigation potential to 1,56,280 acres in Khariff and 1,36,296 acres in Rabi season. (Paragraph 2.07.2)

5.2 The Company explained that the difference between the ayacut created and ayacut irrigated was mainly due to the fact that the contemplated ayacut was on the basis of the project water supplementing a particular amount of rainfall, that any variation in rainfall would automatically affect the acreage in a particular area and that availability of water at the source and the irrigation practices adopted in the scheme contrary to original assumption was also a contribution to the variations. The Company further expressed that it had many ambitious plans to complete projects subject to availability of funds from the Government and the banks and that the shortfall in expectation and execution was mainly due to constraint of funds.

5.3 However, the Committee was not satisfied with the explanations of the Company regarding constraint of funds. The Committee noticed that the value of inventories held at the end of the year 1991-92 was about Rs. 100 lakhs representing about 20 months requirement indicating bad planning in procurement, that similarly sundry debtors, abandonment of schemes, irregular recovery of water charges etc., are indications of systems failure which led to excessive expenditure, expenditure without income leading to unjustified cash outflow. Therefore, there is no justification in pleading constraint of funds. The Company should improve its internal resources without depending upon borrowings. In fact, the establishment cost has gone up from Rs. 1 crore in 1985-86 to Rs. 10 crores in 1990-91 and reasons for this 10 fold increase in about 5 years were not analysed by the Company in order to take necessary corrective action to reduce/control the establishment expenditure.

5.4 The Committee, therefore, recommends that the Company should make all out efforts to improve its internal resources by containing expenditure and increasing its revenue and manage its cash flow position well enough not to look to the Government for funds or depend upon outside borrowings.

5.5 The Committee also noticed that 102 Lift Irrigation Schemes taken up for irrigation, some of them long ago have not yet been completed. Similarly about 779 wells are awaiting energisation.

5.6 The VC & MD informed the Committee, while giving oral evidence, that there were 12 schemes pending for more than 10 years in Khammam, Medak, East Godavari, Visakhapatnam, Guntur, Kurnool and Cuddapah districts. The VC & MD explained that most of these schemes are located in remote areas and it was becoming very difficult to get contractors to take up the works, that even if they come forward, they do some work and run away without completing the work, because the works were very small, consisting of only 40 per cent of the total work.

5.7 However, the Committee observed that the reason putforth by the Company that contractors are not coming forward to take up works in remote areas was not correct. If contractors did not complete the work and run away, the Company should take action against them. Further, it is not believable if contractors are not forthcoming for 14 years. Even if there is delay on the part of the contractors, it cannot be 14 years.

5.8 The Committee directs the Company to complete the long pending Lift Irrigation schemes immediately and bring the estimated ayacut under irrigation and approach the Electricity Board to get all the wells energised. The Committee would like the Company to submit a report on further progress in respect of these schemes by June 1993.

6. Thangadi Lift Irrigation Scheme:

6.1 The Committee noticed that the work taken up in 1976 at an estimated cost of Rs. 22.08 lakhs to create an irrigation potential to 2,500 acres was completed only in 1991 after about 16 years. The main reason for this abnormal delay was the failure on the part of the Company in obtaining the consent of the beneficiaries, for allowing the distributory channel to pass through their fields before taking up the work. Although the Company had an experience with one beneficiary in this case, who did not allow the channel to be dug through his field and thus created legal impediments, the Company while diverting the channel did not take consent of the other beneficiary through whose fields the diverted channel had to go. With the result, the other beneficiary also had locked the Company in legal entanglement.

6.2 The Company explained that at present it is ensured that no scheme is grounded without the consent of the beneficiaries under the scheme to voluntarily contribute the land required for head works, major canals and distributories of the scheme.

6.3 The Committee recommends that the Company, before taking up any scheme for execution, should obtain the consent of the Electricity Board also and synchronise the completion of all related work for power supply by the time the scheme is completed so that there will not be any delay in energisation.

7. Karumungi Lift Irrigation Scheme:

7.1 The Committee observed that the Lift Irrigation Scheme taken up in 1982 at an estimated cost of Rs. 34.43 lakhs to bring an area of 1000 acres under irrigation has not been completed even after 10 years. The Committee noticed that the main delay was due to noticing certain differences in the levels of jack well, intake well etc., which necessitated revision of estimates to Rs. 46.55 lakhs in November 1982, taking into account the revised depths etc. (Paragraph 2.07.7).

7.2 The Company stated in its explanatory notes that the scheme is ready for commissioning awaiting power supply from APSEB. The Committee, however, observed that this information was not correct in as much as the work is complete only to the extent of about 50 per cent. The Committee takes serious note of the wrong information furnished by the Company and therefore, directs the Company to fix up responsibility for giving the wrong reply and submit a report to the Committee by June 1993. The Committee also desires the Company to ensure that the Company furnishes only facts and does not furnish misleading information/replies.

7.3 The Committee was informed, during oral evidence, that as the contractors were not coming forward despite an offer of 15 per cent advantage, the Company was proposing to take up the balance works departmentally.

7.4 The Committee felt unhappy the way in which the scheme was handled; initially mistake in levels and subsequently considering some area proposed under the scheme as not suitable etc. The Committee directs the Company to take up the work immediately departmentally and ensure completion of the work immediately and submit a compliance report as soon as the work is completed.

7.5 The Committee also recommends that in all such cases where contractors are not forthcoming for taking up the work, the

Company should take initiative to take up the work departmentally and ensure its completion as scheduled, besides taking action against defaulting contractors.

8. Failure of wells:

8.1 Up to 31st March 1991, the Company drilled 15,520 wells, of which 11,155 wells were successful; percentage of failure being 28.68 per cent. (Paragraph 2.08).

8.2 In its explanatory notes, the Company attributed the following reasons for failure of wells:

(1) The borewells are dug in hard rock formation and the occurance of ground water in hard rock formation is controlled by various factors such as rainfall, topography, geological formations, structural features of the formations, vegetation etc. There is no scientific basis for computing the amount of discharge at a particular point.

(2) Seepage to the ground water reservoir is meagre due to insufficient monsoon and indiscriminate drilling of private wells by the ryots. The spacing norms of wells as stipulated by State Ground Water Development are being followed strictly by Government Departments but the same are not being followed by the ryots for private wells, resulting in depletion of ground water table.

(3) Generally, most of the applications for borewells are received from virgin areas and problematic areas whose feed back information is not available.

8.3 While deposing before the Committee, the VC & MD informed that the norms fixed by the Company are 2500 GPH for shallow wells/bore wells and 5000 GPH for tube wells and 25 per cent for bore wells towards failures is made in the estimates and PATF reports.

8.4 The Committee, however, observed that the failure of wells taken up under various programmes ranged between 27 and 43 per cent, which is much more than the norms fixed by the Company. One of the reasons for failure of wells, as observed by the Committee, is lack of close supervision at the time of drillings. In regard to insertion of casing pipes also, no proper care is taken.

8.5 The Committee, therefore, recommends that the Company should take more care and see that as far as possible there are less failures. The Committee also recommends that its supervisory wing may be strengthened and appropriate action taken against the persons concerned with regard to failure of wells.

8.6 The VC & MD further informed the Committee that the Company had requested the Government for funds to the tune of Rs. 70 lakhs but sanction had not come, that with meagre funds available with the Company, it could take up only minor repairs like dislocation of pipe lines etc., that where the complete well was disturbed, the well has to be abandoned and fresh well has to be dug which costs about Rs. 1 lakh and that unless the Government gives some grant, the Company cannot incur such a huge expenditure.

8.7 The Committee recommends that as already mentioned above in para 5.4 infra the Company should strive to improve its internal resources by reducing avoidable/unnecessary expenditure and by increasing revenue collection, so that it need not always look to Government for funds or depend upon borrowings from other sources. The Company recommends to the Government to examine the requests of the Company for funds and release funds on merits of each case.

8.8 The Committee was also informed that the Committee constituted by the Company in 1977 for inspection of failed/abandoned wells which are not fit for use and reconstituted in 1980 and 1984 has not yet submitted its report. The Company informed the Committee that the Failed Wells Committee has recently been reconstituted and specific instructions have been given to the field officers to expedite the matters and that on receipt of the report and acceptance of the proposals, the matters will be placed before the Board for write off of the expenditure incurred on the abandoned wells. The Committee would like to have a further report in this regard by June 1993.

9. Delay in energisation of wells:

9.1 Of the 4,312 successful wells, 1,551 wells were energised up to August 1985. Of the remaining 2,761 wells (cost of drilling : Rs. 252.45 lakhs), applications for supply of power to 619 wells were not submitted to the Electricity Board, reasons for which were not on record, while applications in respect of 2,142 wells submitted to Electricity Board during the period from 1978-79 to 1984-85 were pending with the Electricity Board. The main reasons for non-energisation of wells were shortage of material experienced by the Electricity Board and insistence by the Electricity Board on payment of subsidy where it was required to lay new lines and to errect additional transformers. The non-energisation of 2,761 wells had resulted is not bringing an ayacut of 61,169 acres under irrigation. (Paragraph 2.09).

9.2 In its explanatory notes, the Company informed the Committee that of the 11,155 successful wells, 9,340 wells have been energised leaving 1,815 wells to be energised as on 31st March 1991. The Company also stated that the Electricity Board was insisting for subsidy payment at later stages on the ground that the existing lines were overloaded etc. However, the Company has been making all out efforts to bridge the time gap between the drilling of the well and energisation.

9.3 The VC & MD, while deposing before the Committee, informed that out of the energised wells, 830 wells became sick because of low discharge or have collapsed.

9.4 The Committee observed that the sick wells represent about 9 per cent which it considers to be on high side. The Committee, therefore recommends that the Company should take immediate steps to closely coordinate with Electricity Board and get the remaining 1,815 wells also energised. The Committee likes the Electricity Board to extend full cooperation to the Company and give priority to energisation of the wells, leaving the other issues like subsidy etc., to be settled later. The Committee would like to have a progress report from the Company before 30th June, 1993 duly indicating the steps taken by the Electricity Board and the Company in energisation of wells.

10. Agency Works:

10.1 The Government entrusted to the Company in April 1992, on agency basis the work of renovation, maintenance and operation of

18 Lift Irrigation schemes under Nagarjuna Sagar Project, which were earlier administered by 18 Cooperative Societies. Government was to pay 15 per cent of the expenditure incurred on the scheme to the Company towards agency charges. Government released an amount of Rs. 196.14 lakhs up to June 1985, while the Company spent Rs. 233.46 lakhs up to that date. The Company was to supply water to 19,000 acres (apart from 18,000 acres which were being supplied water by the Co-operative Societies), but it was seen that the Company did not release water to the area up to October 1985. As directed by the Government, the Company stopped further renovation works from June 1984, with the result, 4 motor pumps (cost Rs. 5.27 lakhs) and 5 distribution transformers (cost Rs. 2.46 lakhs) were lying idle. (Paragraph 2.10).

10.2 In its explanatory note, the Company informed the Committee that as against their claims for Rs. 960.54 lakhs, Government so far released only Rs. 616.69 lakhs and that the transformers and pumps were transferred to other works for using there.

10.3 During the discussions, the VC & MD informed that in the meeting held at Government level, the Principal Secretary promised to release atleast Rs. 2 crores, which was, however, yet to be received and that the total amount due from the Government was Rs. 478 lakhs. The Joint Secretary, Irrigation representing the Government in the meeting, promised to look into this.

10.4 The Committee feels that having allotted the work to the Company on agency basis, it is the responsibility of the Government to release the funds to the extent the Company has spent, otherwise the work can be retained with the department for execution. The Committee, therefore, recommends that the Government should release the funds due to the Company immediately.

10.5 The Committee was informed that the total ayacut brought under irrigation was 28,000 acres only as against 37,000 acres and that lot of repairs and renovations were required, which may cost about Rs. 10 crores.

10.6 The circumstances under which the Government directed the Company in 1984 to stop further renovation works, were not explained by the Government. However, the Committee recommends that the remaining renovation and repair works may be taken up immediately in order to bring the proposed ayacut of 37,000 acres under irrigation and for this purpose the Government may release funds to the Company.

11. Water rates:

11.1 The Government issued orders in November 1975, fixing a uniform subsidy of Rs. 88 per acre / Rs. 53 per acre in respect of Khariff and Rabi crops, which was revised in June 1983 to Rs. 50 to Rs. 100 per acre depending upon the crop and the beneficiaries were to pay all the sums over and above the subsides to the extent of actual water rates worked out for each scheme. In January 1984, the Government ordered fixing ad-hoc norms of Rs. 175 to 450 per acre for taking up the schemes for execution, revised in December 1985 to Rs. 350 to Rs. 500 per acre.

11.2 While deposing before the Committee, the VC & MD informed that recently, because of increased electricity tariff, interest rates hike and heavy subsidy involved, the economic water rate in most of the cases was going up above Rs. 500, that the Company was not, therefore, in a position to take up any scheme since the last two or three years, that in such cases the Company sends proposals to the Government for approval, that unless the economic water rate is enhanced to Rs. 800 or Rs. 900 it is not possible to take up and that the file was under circulation in Government. In regard to the Tornala Project, the VC & MD explained that the economic water rate was working out to Rs. 709 and that the Company had, therefore, submitted proposals to Government in July 1991 for increasing the economic water rate to Rs. 709; this is yet to be sanctioned by the Government (April 1992).

11.3 Regretting to note the delay of about one year on the part of the Government in taking a decision, the Committee recommends that the Government may examine the request of the Company immediately and communicate its decision quickly. The Government may submit its compliance report to the Committee by June 1993.

11.4 The Committee also observed that even in the cases wherever beneficiaries contributed 50 per cent of the cost, the Company has not been evincing any interest to complete the projects, let alone giving priority to such schemes. It also noticed that with the delay in completion of the project, the cost of the project will be going on increasing and the Company will be recovering the cost overrun from the beneficiaries. Further, the Committee feels that the lower level of the Company's Organisation is not evincing adequate interest in implementation of the schemes. Officers at State level should exercise complete supervision and give necessary instructions to the District level officers. The

Committee observed that even in drought prone areas, where the voluntary contributions of the public came forward, there was long delay in executing the works.

11.5 The VC & MD deposed before the Committee that in Medak District, apart from voltage fluctuations, change in the cropping pattern also contributed to slow-progress in completion of the schemes.

11.6 However, the Committee noticed that the change in the cropping pattern was mainly due to inadequate supply of water. The works in Medak Constituency were not completed due to failure on the part of the staff who lookafter the works.

11.7 The Committee desires that the Company may evolve a suitable system to have a close supervision on the functioning of the staff at lower level in the districts and to issue them necessary guidelines. The Company should consider various other alternatives of improving its resources in order to improve its financial position so that the schemes can be taken up / completed early. In this process even if the water rates are more, the farmers would not mind and what exactly lacking in the Company is effective functioning. The Committee would like to have a compliance report on the above matters by June 1993.

11.8 The Committee was informed that an amount of Rs. 757.12 lakhs was the total outstanding from the beneficiaries towards water cess. The main reasons for such heavy accumulation of arrears were:

(i) there were no collections for 3 to 4 years during 1981-82 to 1984-85 when the Revenue Department was entrusted with collections;

(ii) in few cases, the beneficiaries obtained stay orders from various Courts restraining the Company from collecting the cess and they are pending decision; and

(iii) in some cases, the farmers are refusing to pay on the analogy that the Government should supply water free of cost.

11.9 The Committee desires that the Company may make sincere efforts to collect the arrears of water charges. As the amount

outstanding is considerable, if recovery is made it will go a long way in helping the financial position of the Company.

12. Establishment charges:

12.1 The State Government directed in June 1979 that all the State Corporations and Public Sector Undertakings should evolve staffing pattern and obtain Government approval and that prior approval should be obtained for filling up any posts outside the appoved pattern. However, the staffing pattern for the Company forwarded to the Government in December 1980 has not yet been approved by the Government. (Paragraph 2.15).

The Company explained in its explanatory note that the staffing pattern of the Company was under examination of the Government.

12.2 The Committee regretted to note that the Government has not conveyed its views on the staffing pattern submitted by the Company over 10 years ago. The Committee recommends that the Government should look into the matter without any loss of time and take a final view in this issue.

12.3 The Committee noticed that the establishment expenditure was two times of the works expenditure in 1989-90 and this was a very serious situation. The Company did not appear to have analysed the reasons for less works expenditure and heavy establishment expenditure. The establishment expenditure capitalised (Rs. 737.31 lakhs) represents about 80 per cent of the expenditure on works, against the norm of 20 to 25 per cent.

12.4 The Committee recommends that the Company either take up more works for execution without any further increase on establishment or reduce expenditure on establishment drastically and see that the establishment expenditure capitalised does not exceed the norm of 20 per cent.

13. Slotting machines:

13.1 The Company purchased 5 slotting machines in November 1981 at a total cost of Rs. 1.10 lakhs for slotting M.S. Pipes required for use in Tube Wells. It commissioned 3 machines at Eluru workshop in June 1982, September 1982 and February 1983. Two machines were transferred to Hyderabad in June 1983. One machine was further

transferred from Hyderabad to Sathupally in October 1983, where it is was not at all commissioned due to repairs. The machine at Hyderabad was commissioned in 1983-84. The manufacturer did not indicate the slotting capacity of each of the machine, but the Company assessed the capacity at 6 metres per machine per day. During the three years ending 1984-85, the Company slotted only 579 metres on all the four machines together. Despite underutilisation of its slotting capacity, the Company entrusted slotting 6,191 metres required by Eluru and Hyderabad divisions to private parties during 1982-83 and 1984-85. Since the cost of operation by the Company was less than the rate paid to private parties; the extra expenditure incurred in entrusting the work to private parties was Rs. 0.74 lakh. (Paragraph 2.17.1).

13.2 In its explanatory notes, the Company stated that the capacity of 6 metres per day is for 3 shifts, but due to the fatigue the operator gets because of the sound, the machines were operated only in one shift. The Company also stated that the cost of operation of the machine worked out to Rs. 32 per metre, whereas the charges paid to the private parties was Rs. 30 per metre and hence there was no extra expenditure in entrusting the work to private parties.

13.3 The Committee noticed that the Company did not explain as to how the requirement of 5 machines was assessed and why could it not at all operate the machine at Sathupally. Even if the Company's contention that the machines were allowed to work only one shift, the slotting work that could have been done by four machines at the rate of 2 metres per day in 3 years of 300 days each works out to 7,200 metres, whereas the actual turnover was only 579 metres. Despite this underutilisation, 6,191 metres slotting work was off-loaded to private parties. In fact the whole of the requirement of 6,770 metres could have been done by the Company by its four machines. Thus, off-loading most of the work to private parties, even at a rate less by Rs. 2 per metre lacked justification.

13.4 In his deposition, the VC & MD informed the Committee that since the Company was unable to cope with these machines, it resorted to allotting the work to private parties. He also informed that the Company was not able to use these machines efficiently and that it could get the works done with private parties at cheaper rates.

13.5 The Committee felt that basically the procurement of 5 machines without properly asessing the requirement was not justified. Further, off-loading the works to private parties despite having more than 90 per cent of the installed capacity

underutilised also lacked justification. The Committee understands that the two machines from Hyderabad division and one from Sathupally were proposed to be disposed off. The Committee is pained to note that the machine at Sathupally was proposed for disposal even before it was commissioned and utilised. The Committee directs the Company not to involve itself in such shabby transactions in future. It also directs the Company to dispose off the 3 machines quickly before they become outdated/obsolete/get rusted and thus can never be sold in the market as slotting machines.

RECOMMENDATIONS OF COMMITTEE ON PUBLIC UNDERTAKINGS (9th LEGISLATIVE ASSEMBLY)

REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL OF INDIA FOR THE YEAR ENDED 31st MARCH 1989 (No. 3 OF 1991) - (COMMERCIAL)

ANDHRA PRADESH STATE IRRIGATION DEVELOPMENT CORPORATION LIMITED

Audit Report for 1988-89

1. Energisation of wells:

1.1 Normally, the energisation of wells is dependent on its nearness to power supply. The Company has not laid down any time frame for energisation of wells drilled, where the cost of laying power lines is more than Rs.11,000 per well, the A.P. State Electricity Board insists that the Company subsidises such expenditure before laying power lines. As the element of subsidy was not in-built in cost esimates, the Company has been approaching district authorities for subsidising the cost, with the result the energisation of wells is being delayed.

1.2 Of the 8,608 successful wells available up to March 1989, 1,086 wells were awaiting energisation for the last one to 12 years. The Management assessed in January 1990 that 371 of these wells awaiting energisation involved payment of subsidy of Rs. 129 lakhs for laying power lines. In the meanwhile, the Board reported in March 1989 that eventhough they were ready, the Company was not ready to avail power in respect of 118 wells. Reasons for the delay on the part of the Company were not on record.

1.3 On account of delay in energisation of 1,086 wells, an ayacut of about 22,090 acres could not be brought under irrigation, thereby the benefits envisaged to cover 3,258 small and marginal farmers especially those belonging to Scheduled Caste/Tribes and weaker section were not derived. (Paragraph 2D.6.4.[i]).

1.4 In its explanatory notes, the Company informed the Committee that as on 31st December 1991, 10,376 wells were energised out of 11,902 successful wells, leaving 1,526 wells yet to be energised and that as on that date the number of subsidy cases reduced to 284 involving a subsidy of Rs. 110.58 lakhs.

1.5 The Committee desires the Company to take up the electrical works also along with rest of the scheme so that as soon as the work is completed the wells can be energised and the envisaged ayacut can be brought under cultivation without any loss of time.

2. Incidence of failed wells:

2.1 As per the norms, the percentage of wells failed after drilling should be within the limits of 25 and 10 in the case of bore and tube wells respectively. Out of 10,661 and 1,564 bore and tube wells respectively drilled to end of March 1989, 4,265 bore wells and 200 tube and infiltration wells were categorised as failed. Although the tube wells failed was marginally more than the norm, 1,648 bore wells had failed in excess of the norm resulting in infructuous expenditure of Rs. 3.05 crores (approximately). The main reasons attributed by the Company for the excessive percentage of failure were non-adherence to spacing between wells and indiscriminate drilling especially by private ryots, over-exploitation in rocky drought prone areas, drilling in the same area where earlier drilled wells had failed and lack of feed back from wells drilled in virgin and problematic areas.

2.2 With a view to make use of the failed wells, the State Government directed the Company in August 1986 to dispose them off to the beneficiaries in whose land the well was located, after collecting compensation at prescribed rates. The Company, therefore, constituted in August 1986, a failed well committee to inspect the wells declared failed, conduct yield tests, identify the beneficiaries and recommend for their handing over. However, not even a single well was disposed up to March 1989, mainly due to lack of propaganda among beneficiaries and lack of follow-up action. (Paragraph 2D.6.4 (ii))

2.3 In its explanatory notes, the Company informed that upto December, 1991, out of 14,152 bore wells drilled, 9.168 wells were declared successful, accounting for 32 percent failures, that the failed wells committee was constituted recently and specific instructions were given to expedite the matters and that despite wide publicity, there was no response from the ryots due to their financial inability to maintain the wells.

2.4 The Committee observed that the percentage of failures in respect of bore wells has gone up to 32 per cent and the Failed Wells Committee constituted in 1986 could not dispose off even one well so far even after 6 years. The Committee recommends that the Company should take up a bore well only after examining all the parameters and viability in order to reduce considerably the percentage of their failure. The Committee feels that the Failed Wells Committee has failed miserably in achieving

the task entrusted to it and recommends that the Company should strengthen the Failed Wells Committee and take effective steps to dispose off the wells immediately.

3 Sickness of wells:

3.1 As at the end of March, 1989, there were 621 energinsed wells, which were not in operation due to sickness. Of these, 292 wells had become permanently sick rendering the ayacut already developed under them idle and in view of this, these wells were proposed for abandonment. The cost of 188 of the 292 wells proposed for abandonment was assessed at Rs. 97.58 lakhs, while cost particulars for the remaining 104 wells were not readily available. A Committee constituted in 1977 to examine the wells proposed for abandonment was reconstituted several times, but not a single abandonment proposal has been approved up to March 1989. (Paragraph 2D.6.4 (iii))

3.2 The Committee observed that the Company has not given a satisfactory explanation. The Committee recommends that the Company should make all out efforts to retrieve the abandoned wells to the extent possible and dispose them off to the farmers willing to take them over. The Company should also analyse the reasons in respect of the remaining 329 wells which were energised but not in operation and take suitable renovation measures to bring them into operation. The Committee would like to have a report from the Company on the issue, by June 1993.

4. Utilisation of Irrigation potentional created:

4.1 During the 5 years from 1984-85 to 1988-89, the percentage of utilisation of the potential created ranged between 49.5 and 62.7. The actual ayacut irrigated included 6,071 to 13,433 acres of ayacut kept fallow during the above period. The heavy under-utilisation of the potential created was attributed by the Management to non-construction of distributory channels, non-development of land in full by beneficiaries, growing wet crops eventhough many wells were designed for irrigation of dry (ID) crops, interrupted power supply coupled with frequent voltage fluctuations etc. The Company has no machinery or means to enforce that the farmers grow ID crops in order to achieve

better ayacut development. The non-development of full ayacut for which irrigation potential was created, resulted in loss of revenue of Rs. 2.71 crores (approximately) besides rendering a large part of investment of Rs. 63.97 crores idle.

(Paragraph 20.6.4 (iv))

4.2 The Committee observed that the Company gave its explanation in general terms. The Committee desires that the Company should take effective steps to bring the envisaged ayacut under irrigation, so that the benefit of the scheme is derived by the farmers.

5. Delay in preparation of completion reports:

5.1 Of the 7,522 commissioned wells, completion reports in respect of 6,125 wells have not been prepared up to March 1990 and completion reports in respect of 1,397 wells submitted by units were found to be defective in view of the non-prepartion of completion reports, the capital expenditure incurred on the schemes remained as works-in-progress resulting in non-provision of depreciation since inception, thus vitiating the working results of the Company. The delay in preparation of completion reports was either due to non-maintenance of scheme-wise expenditure are due to non-reconciliation of expenditure figures with Head Office figures. (Paragraph 2D.6.4 (v))

5.2 In its explanatory notes, the Company stated in February 1992 that the delay in preparation of completion reports in some cases was due to non-energisation of certain wells in a scheme. To overcome this, the Company proposed to close the scheme estimates which are pending for want of energisation by adjusting new commissioned wells and transferring these unenergised wells to the ongoing schemes of same funding pattern.

5.3 The Committee is not happy with the explanation offered by the Company and directs the Company to finalise the completion reports in respect of all the schemes completed up to 31st March 1991 and submit a compliance report to the Committee by June 1993.

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