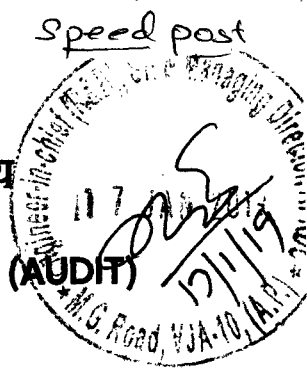




प्रधान महालेखाकार (लेखापरीक्षा) का कार्यालय
आन्ध्र प्रदेश, हैदराबाद - 500 004

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
ANDHRA PRADESH, HYDERABAD - 500 004.



Lr. No.PAG(Audit)/AP/SS/EAP&SAR/2018-19/ 119 04.01.2019

To

The Engineer in Chief (R&B)
SH,PPP,CP & Managing Director, APRDC,
5th Floor, R & B Complex,
M.G.Road, Vijayawada - 520010
Andhra Pradesh

EE, PPP
17/1/19
FM
D B
17/1

Sir,

Sub: Issue of Audit Certificate for the year 2017-18 in respect of
Andhra Pradesh Road Sector Project (APRSP) (Loan/Credit
No.7792-IN)

I am to forward the reports of Comptroller and Auditor General of
India for the year 2017-18 in respect of World Bank assisted " Andhra Pradesh
Road Sector Project (APRSP), Vijayawada, (Loan/Credit No.7792-IN)
alongwith enclosures viz.,

1. Statement of Admittance (Annexure-I)
2. Statement showing details of disallowances made from expenditure
incurred (Annexure-II)
3. Statement of Previous Disallowances allowed in the current year
(Annexure-III)

Receipt of the above mentioned documents may please be acknowledged.

Encl: As above

Yours faithfully,


Dy. Accountant General/SS

1/1



INDIAN AUDIT AND ACCOUNTS DEPARTMENT
O/o The PR. ACCOUNTANT GENERAL (AUDIT)
ANDHRA PRADESH
HYDERABAD 500 004



Report of the Comptroller and Auditor General of India

To

The Engineer in Chief (R&B)
SH,PPP,CP & Managing Director, APRDC,
5th Floor, R & B Complex,
M.G.Road, Vijayawada - 520010
Andhra Pradesh

Report on the Project Financial Statements

We have audited the accompanying financial statements of the Andhra Pradesh Road Sector Project (APRSP) financed under World Bank Loan No. 7792-IN, Vijayawada which comprise the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of Funds for the year ended 31st March 2018. These statements are the responsibility of the Project management wing. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We have conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Project Financial Statements present fairly, in all material respects, the sources and applications of funds of Andhra Pradesh Road Sector Project (APSRP) for the year ended 31st March 2018 in accordance with Government of India accounting standards.

In addition, in our opinion, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the world bank for reimbursements of expenditure incurred; and (b) except for ineligible expenditure of Rs. 12,65,38,793/- as detailed in the audit observations, appended to this audit report, expenditures are eligible for financing under the Loan/Credit Agreement. During the course of the audit, SOEs / FMRs and the connected documents were examined and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

This report is issued without prejudice to Comptroller and Auditor General of India's right to incorporate the audit observations in the Report of Comptroller and Auditor General of India being laid before Parliament/State or UT Legislature.



DEPUTY ACCOUNTANT GENERAL (SS)

2/17



प्रधान महालेखाकार (लेखापरीक्षा) का कार्यालय
आन्ध्र प्रदेश, हैदराबाद - 500 004

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
ANDHRA PRADESH, HYDERABAD - 500 004.

AUDIT CERTIFICATE


The Expenditure Statement/Financial Statement relating to Andhra Pradesh Road Sector Project (APRSP), (Loan/Credit No.7792-IN) for the year ended 31st March 2018 attached hereto have been audited in accordance with the regulations and standards of audit of the Comptroller and Auditor General of India and accordingly included such tests of accounting records, internal checks and controls and other auditing procedures necessary to confirm.

- a) that the resources were used for the purpose of the project and
- b) that the expenditure statements/financial statements are correct

During the course of the audit referred to above, Statement of Expenditure (SOE) (for an amount of Rs.100,26,91,972/-) and the connected documents were examined and these can be relied upon to support reimbursement under the aforesaid loan/credit agreement.

On the basis of the information and explanations that have been obtained as required and according to the best of our information as a result of the test audit it is certified that the expenditure statement/financial statements read with the observations set out below represent a true and fair view of the implementation (and operations) of the project for the year 2017-18.

This certificate is issued without prejudice to CAG's right to incorporate any further/detailed audit observations if and when made in the Report of CAG of India for being laid before Parliament /State Legislature.


GAUTAM ALLADA
Deputy Accountant General/SS

3/8

Inspection Report of Audit Observations/Disallowances on Certification Audit of Externally Aided Project “Andhra Pradesh Road Sector Project (APRSP)” Loan No.7792 for the year 2017-18

(Dates of Audit: 17.09.2018 to 10.11.2018)

I. Unadjusted Mobilization Advance disallowed Rs.7.16 crore

As per Para 3.17.21 of the Manual of Standing Orders (MSO) (Audit), advances given are reimbursable when the advances are totally adjusted. During scrutiny of the IPC-01 dated 25-07-2017 and Interim Payment Certificate (IPC) -01 dated 09-08-2017 of the work PNV-08-A and PNV-08-B respectively Audit noticed that an amount of Rs.4,32,71,184/- and Rs.3,16,00,000/- was paid to the agency towards Mobilization advance.

Items	Name of Work	Bill description s	Amount Paid	Amount Recovered (In Rs)	Balance to be recovered (In Rs)
Mobilization Advance	Widening and Strengthening of Pedana-Nuzvid-Vissannapet Road from to Km 7/100 to 22/100 in Krishna dist(Balancework)(Package No-PNV-08A)	IPC-01 dated 25-07-2017	4,32,71,184.00	19,82,544.00 (Vide IPC-03,Dt:- 16.03.2018)	4,12,88,640.00
-do-	Widening and Strengthening of Pedana-Nuzvid-Vissannapet Road from to Km 22/100 to 40/000 in Krishna dist(Balancework)(Package No PNV-08B)	IPC-01 dated 09-08-2017	3,16,00,000.00	12,98,411.00 (Vide IPC-02,Dt:- 08.02.2018)	3,03,01,589.00
		Total	7,48,71,184.00	32,80,955	7,15,90,229.00

The above amount was unadjusted during the financial year of 2017-18. Hence, the same is disallowed for reimbursement.

II. Unadjusted Machinery Mobilization advance disallowed Rs. 4.03 crore

While scrutiny of the records pertaining to IPC-02 dated 16-03-2018 of the work “Widening and Strengthening of Pedana-Nuzvid-Vissannapet Road from 7/000 to 22/100 in Krishna District (Package No PNV-08A)” Audit observed that Machinery Mobilization advance was paid to the agency in the bill for an amount of Rs.4,03,27,609/- in March 2018 and the same was unadjusted during the financial year of 2017-18 and hence it is disallowed for reimbursement.

III. Unadjusted Secured Advance disallowed- Rs. 1.04 crore

As per Para 3.17.21 of the Manual of Standing Orders (MSO) (Audit), secured advances given for material are not reimbursable. During scrutiny of the records, it was noticed that secured advance for material was paid in the bills given as appended below. The secured advances paid are permanently disallowed for reimbursement.

Items	Name of Work	Bill descriptions	Amount(In Rs)
Material Advance	Widening and Strengthening of Pedana-Nuzvid-Vissannapet Road from 40/000 to 58/920 in Krishna District(Package No PNV-08C)”	IPC-01 dated 16.03.2018	39,47,142.00
-do-	Widening and Strengthening of Pedana-Nuzvid-Vissannapet Road from to Km 7/100 to 22/100 in Krishna dist(Balance work)(Package No-PNV-08A)	IPC03 Dt.16.03.2018	31,68,284.00
-do-	Widening and Strengthening of Pedana-Nuzvid-Vissannapet Road from to Km 22/100 to 40/000 in Krishna dist(Balance work)(Package No PNV-08B)	IPC-02, 08.02.2018	33,19,598.00
		Total	1,04,35,024.00

IV. Non-submission of Utilization Certificates for the amount advanced to Social Forestry, Vijayawada and Kurnool Rs.0.23 crore

As per Para 3.17.21 of the Manual of Standing Orders (MSO) (Audit), advances given are reimbursable only when the advances are fully adjusted. On scrutiny of records Audit observed that an amount of **Rs.25,00,000/-** and **13,00,000/-** (A4 component) were paid vide PAO token No.10356 dated 08-09-2017 and token No. 10205, dated 06-09-2017 respectively towards advance payment for raising and maintenance of Avenue Plantation. However, it is noticed that Utilization certificates (UCs) for **Rs.9,36,170/-** and **Rs.5,47,000/-** only were furnished by the DFO, SF, Vijayawada and Kurnool respectively. Hence an amount of **Rs.23,16,830/-** is disallowed in view of the pendency of UCs.

V. Short recovery towards free sand policy Rs. 0.15 crore

As per Memorandum No.DWA/AP/Hyd./Sn.1/A1/2016-17/No.217 dt.22.8.16, the Director of Works Accounts issued instructions (in respect of free sand) to deduct overhead charges and contractor's profit along with loading and unloading charges from the basic rate to arrive at the rate of free sand.

However, it was observed that the department has not considered the free sand policy announced by the Government of Andhra Pradesh (GoAP) and allowed the entire amount without deducting the free sand amount in the IPCs (Basic rate - loading and unloading + overhead charges + contractor's profit). Thus, non-recovery of free sand amount resulted in excess payment to agencies as detailed in the table below:

Sl. No.	Name of Work	Total expenditure during the year (In Rs.)	Non-recovery towards Free sand (In Rs.)
1	Widening and Strengthening of Kurnool-Devanakonda Road from KM-4+400 to 65+300 in Kurnool District. (Contract Package – KD-02)	12,22,11,860.00	6,35,932.00
2	Widening and Strengthening of Mydukur-Jammalamadu Road From KM 177/400 to 194/670(MJ-04)	8,97,39,509.00	2,13,110.00
3	Widening and Strengthening of Pedana-Nuzvid-Vissannapet Road from Km. 62+250 to Km. 95+460 in Krishna District, Andhra Pradesh.(Contract Package - PNV-09)	19,14,85,982.00	3,84,206.00
4	Contract : Widening and Strengthening of Pedana - Nuzvid - Vissannapet Road from Km 7/000 to 22/000 in Krishna District(Balance work))PNV-08A	9,64,34,042.00	12,258.00
5	Contract : Widening and Strengthening of Pedana - Nuzvid - Vissannapet Road from Km 22/000 to 40/000 in Krishna District(Balance work))PNV-08B	4,10,90,135.00	48,273.00
6.	Contract : Widening and Strengthening of Pedana - Nuzvid - Vissannapet Road from Km 40/000 to 58/920 in Krishna District (Balance Work)PNV-08C	1,73,41,060.00	14,418.00
7.	Widening and Strengthening of Mydukur-Jammalamadu Road From KM 153/000 to 171/000(MJ Road)	2,49,53,630.00	1,61,838.00
	TOTAL		14,70,035.00

When this was brought to notice, the Department replied that the recovery of free sand amount would be implemented as per the corresponding year's SSR. Hence, the amount is disallowed for reimbursement in the year 2017-18

VI. Short Recovery of Income Tax - Rs.3,54,672/- (EE, R&B Div, Guntur)

During scrutiny of the records of Road Development Corporation (RDC), Guntur under World Bank Assisted Project (EAP), Package-16 revealed a short recovery of Income Tax from the Contractors Bills as detailed below:-

Sl No.	Name of the Work and Contractor	Bill No./ Vr. No.	Total value of work done(Rs.)	Income Tax recovered till bill No. LS 25 th @2%(In Rs.)	Income tax to be recovered @ 2%(In Rs.)	Difference Amount (In Rs.)
1.	Output and Performance based Road Contract for the Maintenance of Package-16 Roads in Guntur District of AP. M/s Prudhvi Construction, Pvt. Ltd.(Component:-A2)	LS 25 th & Part Bill Vr. No. 155RB. Dated-29-03-17	28,70,31,264.00	53,85,953.00	57,40,625.28	3,54,672.28

When this was brought to notice, the Department replied that Income Tax would be recovered from the future Bills. Hence, the amount is disallowed for reimbursement for the year 2017-18.

VII. Non-deduction of NAC charges @ 0.1% from work bills Rs. 44,394/- (EE,R&B Div. Parvathipuram)

The Government of Andhra Pradesh vide GO.Ms.No.27 dt.29.6.2015, issued instructions to deduct 0.1% in the work bills towards NAC from the amount payable to the contractor.

Name of work	Output and Performance based road contract for the manintenance of package-28 Roads in Srikakulam and Vizianagram District.
Name of contractor	M/s. Sri Sitarama construction &M/s Srinivasa Reddy Construction(JV)

During scrutiny of records pertaining to above agency, Audit noticed that during the year 2016-17 and 2017-18 three bills were paid (details given below) to the agency under the head MH 5054-04-337-GH03-SH26-530-531 (OE) and the same was shown in SOE (Statement of Expenditure) figure for reimbursement to the project head of account.

However, it is observed that while making the payments deduction towards NAC charges @ 0.1% was not made from the work bills. Non-recovery of NAC charges works out to Rs.44,394/- as detailed below.

Bill No.	Value of work done in the bill	NAC charges to be deducted @ 0.1%
LSXXIX Part bill	23165134	23,165
LSXXX Part bill	6113108	6,113
LSXXXI Part bill	15116217	15,116
	Total	44,394.00

When this was brought to notice, the Department replied that NAC would be recovered from future bills. Hence, the amount is disallowed for reimbursement for the year 2017-18.


Dy. Accountant General (SS)

4/8

Annexure-I

STATEMENT SHOWING THE DETAILS OF EXPENDITURE INCURRED i.e., CATEGORY-WISE, COMPONENT-WISE, UNIT OFFICE-WISE/DISTRICT-WISE FOR THE PERIOD FROM 01.04.17 TO 31.03.18 IN RESPECT OF WORLD BANK ASSISTED/EXTERNALLY AIDED PROJECT (Loan No.7792-IN/APRSP)

Sl.No	Category/ Component	Name of the Auditee Unit	SOE figure	Actual amount claimed by department	Actual Expenditure as verified in audit	Expenditure disallowed in audit	Expenditure admitted in audit	Percentage admissible	Amount reimbursable
1	Component A1	PMU, Hyderabad/Vijayawada	543823626	543823626	543823626	123822897	420000729	80	336000583
2	Component A3	PMU, Hyderabad/Vijayawada	78949188	78949188	78949188	0	78949188	80	63159350
3	Component A4	PMU, Hyderabad/Vijayawada	4668600	4668600	4668600	2316830	2351770	80	1881416
4	Component A4(cc)	PMU, Hyderabad/Vijayawada	42006000	0	42006000	0	42006000	0	0
5	Component A5	PMU, Hyderabad/Vijayawada	110098205	0	110098205	0	110098205	0	0
6	Component C4	PMU, Hyderabad/Vijayawada	24124586	24124586	24124586	0	24124586	80	19299669
7	Component C5	PMU, Hyderabad/Vijayawada	123564	123564	123564	0	123564	80	98851
8	Component D1	PMU, Hyderabad/Vijayawada	10327600	10327600	10327600	0	10327600	80	8262080
9	Component D2	PMU, Hyderabad/Vijayawada	10193273	10193273	10193273	0	10193273	80	8154618
10	Component A2	R&B Division, Ananthapur	9733835	9733835	9733835	0	9733835	20	1946767
11	Component A2	R&B Division, Gudur	44426496	44426496	44426496	0	44426496	20	8885299
12	Component A2	RDC Division, Guntur	27866447	27866447	27866447	354672	27511775	20	5502355
13	Component C2	RDC Division, Guntur	675000	675000	675000	0	675000	80	540000
14	Component A2	R&B Division, Kanigiri	3439867	3439867	3439867	0	3439867	20	687973
15	Component D1	R&B Division, Kanigiri	11723538	11723538	11723538	0	11723538	80	9378830
16	Component C2	RDC Division, Kurnool	89806	89806	89806	0	89806	80	71845
17	Component A2	R&B Division, Nandyal	31131447	31131447	31131447	0	31131447	20	6226289

18	Component A2	R&B Division, Ongole	6203368	6203368	6203368	0	6203368	20	1240674
19	Component A2	R&B Division, Parvathipuram	15116217	15116217	15116217	44394	15071823	20	3014365
20	Component A2	RDC Division, Rajahmundry	14158317	14158317	14158317	0	14158317	20	2831663
21	Component C2	RDC Division, Rajahmundry	552000	552000	552000	0	552000	80	441600
22	Component A2	R&B Division, Visakhapatnam	13188992	13188992	13188992	0	13188992	20	2637798
23	Component C2	R&B Division, Visakhapatnam	72000	72000	72000	0	72000	80	57600
	GRANT TOTAL		1002691972	850587767	1002691972	126538793	876153179		480319627

J.C. Subhaskar
AO/SS(EAP-SAR)