

SECTION ‘B’ – PARAGRAPHS

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.4 Avoidable payment of rent

Failure of Executive Engineer, Panchayat Raj Engineering Division, Udupi to release adequate funds in time for construction of Zilla Panchayat office building at Udupi, led to delay in completion of work and consequent avoidable payment of rent of Rs.30.72 lakh

In order to bring various departments under the jurisdiction of Zilla Panchayat (ZP) functioning in different places under one roof, Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Udupi prepared (February 2003) a line estimate for the construction of a composite ZP office building costing Rs.5.70 crore. The State Government, however, accorded (January 2004) administrative approval for construction of basement and ground floor of the building at an estimated cost of Rs.99.75 lakh. While according the administrative approval, it was stated that the available budgetary savings of Rs.51.22 lakh under building construction would also be utilised for construction of the building. The estimate was technically sanctioned (June 2004) by the Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore. The work was entrusted to a contractor at the negotiated cost of Rs.98.73 lakh. An agreement was entered into (October 2004) and site handed over to the contractor stipulating completion by October 2005.

The work was commenced in October 2004. The Commissioner, Revenue Department, during inspection of works (November 2004) in Udupi, orally instructed the PRED to suspend the work and to obtain modified structural designs from Karnataka Housing Board (KHB). Accordingly, the contractor was instructed to stop the work (November 2004). Subsequently, the designs/estimates made available by the KHB (January 2005) could not be considered for want of funds and inclusion of additional quantities for certain items of work. The work was finally resumed as per the original design in July 2005 and the civil works were completed in June 2008 at a cost of Rs.1.06 crore.

The scrutiny of records revealed that though the ZP exhibited to have a budgetary savings of Rs.51.22 lakh, it did not release sufficient funds in time for the construction of the building leading to delayed completion. The ZP released (March 2005 to July 2008) an amount of Rs.1.13 crore to PRED,

Udupi in a staggered manner. It was also noticed that these releases included a sum of Rs.20 lakh irregularly diverted by the ZP, out of funds allocated to Health and Family Welfare Department. Meanwhile, the ZP incurred an expenditure of Rs.30.72 lakh towards rent for office building for the period from November 2005 to June 2008.

The ZP occupied (June 2008) the new building after completion of civil works without electrification. Fresh tenders were called for (June 2008) electrical works and completed at an expenditure of Rs.8.09 lakh, through another contractor. Thus, a total expenditure of Rs.1.14 crore was incurred on the building, the completion of which was prolonged for 32 months beyond the scheduled date of completion.

The State Government endorsed (July 2008) the reply of the EE, PRED, Udupi attributing the delay in completion to paucity of funds and consequent non-payment of bills of contractor. No reasons were furnished by the ZP for its failure to release funds despite claiming in administrative approval that the budgetary savings would be utilised towards construction of the office building. Non-release of adequate funds, in time, by the ZP led to avoidable additional liability of Rs.30.72 lakh towards rent.

2.5 Delay in completion of a water supply scheme

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chikkodi to prioritise water supply work components during execution resulted in non-commissioning of a water supply scheme for over four years rendering expenditure of Rs.2.37 crore unfruitful

The Empowered Committee for Rural Water Supply of the State Government approved (May 2002) a water supply scheme to Diggewadi and four villages⁴⁹ of Raibag taluk, Belgaum district under community based Submission programme with River Krishna as the source. The objective of the Submission programme was to control brackishness and provide improved and sustainable drinking water to the rural population. The State Government accorded administrative approval (June 2003) for the scheme for an estimated cost of Rs.2.91 crore with a condition to remit the community contribution of Rs.14.54 lakh already collected for the programme to Zilla Panchayat (ZP) funds. The Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore accorded technical sanction (July 2003) to the estimate of Rs.2.78 crore based on 2002-03 Schedule of Rates. The work was entrusted to a contractor (August 2003) at a negotiated cost of Rs.2.73 crore with a stipulation to complete the work by November 2004.

⁴⁹ Biradi, Jalalpur, Kachakarwadi and Yadrav

The State Government directed (February 2002) that while executing water supply scheme with river, canal or lake as the source, head works *viz.*, intake well, jack well, *etc.*, should be undertaken before other items of works *viz.*, raising main, distribution lines, *etc.*

Scrutiny of records revealed that the contractor executed raw water and pure water raising mains, over head tanks, intermediate sumps, *etc.*, without considerable progress in head works (May 2005). The progress of work was tardy since May 2005 and even as of August 2008, the construction of pump house and erection of pumping machinery remained incomplete after incurring an expenditure of Rs.2.37 crore.

Based on the instruction of CE, PRE Department, Bangalore to rescind the contract due to abnormal delay in completion of the scheme, the Superintending Engineer directed (August 2008) the Executive Engineer (EE), PRE Division (PRED), Chikodi, Belgaum district to furnish proposals for rescinding the contract. The EE while stating that the contract was not rescinded due to involvement of additional expenditure and time, attributed (August 2008) the delay to heavy rains in the catchment area during 2005-06 and 2006-07 leading to release of excess water from Koyna Dam inundating the head works area. It was reported by EE (December 2008) that the balance works were under progress by the same contractor. Had EE scrupulously followed the circular instructions issued by State Government, the works relating to head works would have been completed before inundation of the area thereby ensuring timely completion of the scheme.

Audit further observed the following:

- The contractor had procured pumping machineries worth Rs.13.34 lakh (February 2004) with a warranty period of one year which were yet to be erected even after four years (August 2008).
- EE, PRED, Chikodi sought permission from the concerned authority to draw water from river only in September 2008 at the instance of audit.
- Electrification of the scheme for which a sum of Rs.49 lakh was released to Grama Panchayat (GP) only in March 2008.
- The community contribution of Rs.14.54 lakh collected was withdrawn (August 2003) from the bank by the then GP Secretary and President without remitting to the ZP fund. The Chief Accounts Officer, ZP, Belgaum had furnished a report (December 2008) establishing misappropriation.

Thus, the failure of EE, PRED, Chikkodi in not prioritising the work components resulted in non-commissioning of the scheme rendering expenditure of Rs.2.37 crore unfruitful, besides denial of safe drinking water to five villages.

The matter was referred to State Government in April 2007; reply had not been received (March 2009).

2.6 Cost and time over run on construction of a bridge

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chikmagalur to invoke contractual clause resulted in cost escalation of Rs.14.95 lakh. Besides, the objective of providing connectivity to villages was delayed by more than five years

In order to provide connectivity to villages from Neradi and Tiruguna, the work of construction of a bridge across Beeranji halla in Baskal village, Chikmagalur taluk at an estimated cost of Rs. 20 lakh (SR 1999-2000), was administratively approved by the Chief Executive Officer (CEO), Zilla Panchayat (ZP), Chikmagalur and technically sanctioned (December 1999) by the Superintending Engineer (SE), Public Works Department, Hassan Circle, Hassan. The estimated work of Rs.15.43 lakh was entrusted to a contractor (September 2000) at the tendered cost of Rs.14.98 lakh with a stipulation to complete the work by May 2003.

After commencement of work (November 2000), it was noted (March 2001) by SE, Panchayat Raj Engineering (PRE) Circle, Mangalore that as per Strength Bearing Capacity (SBC) of the soil, there was necessity to change the foundation design to RCC raft with curtain walls on both upstream and downstream. The contractor had requested (March 2001) for the revised design and drawings for execution of the foundation work accordingly. While approving the additional work (May 2001), the Chief Engineer (CE), PRE Department, Bangalore instructed to provide working drawings to the contractor due to change in design. The extra work estimated at Rs.4.98 lakh was approved (March 2002) by the CEO, ZP, Chikmagalur a year after SE's inspection.

Instead of entrusting the additional work to the contractor by invoking relevant clauses of the contract, the work was taken up departmentally (August 2003) and completed (April 2004) after a delay of two years of its approval. Since the estimated amount was found sufficient only for execution of RCC raft, an additional estimate of Rs.4.99 lakh was provided for the balance work of curtain wall for which no tenders were received (July 2006).

CE, PRE Department, Bangalore while scrutinizing the progress of works of Chikmagalur taluk (August 2007), suggested to explore the possibility of entrusting the balance work to the original contractor at the prevailing SR rates. Accordingly, negotiations were held with the contractor and a revised estimate of Rs.31 lakh was prepared and the balance work of Rs.30.83 lakh was entrusted to the contractor (January 2008) at the tendered rate of Rs.29.93 lakh with a stipulation to complete the work by January 2009. The contractor had completed the work and a payment of Rs.24 lakh was made pending final settlement (January 2009).

Thus, failure of EE, PRED, Chikmagalur to invoke contractual clause of the agreement to entrust additional work, laxity in work execution coupled with delay in entrustment of balance work resulted in cost escalation of Rs.14.95 lakh⁵⁰ besides denial of shortest connectivity to villages for more than five years.

The State Government endorsed (January 2009) the reply of CEO, ZP, Chikmagalur which stated that the contractor had completed the work and further stated that due to loose soil, the foundation design had to be revised. However, the reply did not explain the reason for not invoking the contractual clause which led to time and cost over run.

2.7 Short collection of e-tender fees

Failure of Executive Engineers of Panchayat Raj Engineering Divisions to collect prescribed e-tender fees from the registered contractors for the works put to tender resulted in loss of revenue of Rs. 3.33 crore

In order to minimise the tender processing time and to ensure competition and transparency in the tendering system, the State Government accorded (November 2005) sanction to all Panchayat Raj Institutions (PRIs) to carry out the tendering process for civil works with an estimated cost of Rupees five lakh and above through e-tendering process. A memorandum of understanding was entered into (November 2005) between the Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore and Karnataka Electronics Development Corporation Limited (KEONICS).

The Executive Engineers (EEs) of Panchayat Raj Engineering Divisions (PREs) were the tendering authorities for civil works approved in the action plans of various schemes implemented by the PRIs. The State Government entrusted EEs, PREs to collect 0.5 per cent of the estimated cost of work put to tender towards tender fee from each tenderer, of which 0.25 per cent subject

⁵⁰ Rs.34.91 lakh – Rs.19.96 lakh

to a maximum cap of Rs.8,000 was payable to KEONICS towards tender processing fees and the rest utilised for administrative expenses.

Scrutiny of records and further information collected from seven PREs revealed that the EEs of these PREs did not collect the prescribed tender fees from the tenderers in respect of works put to tender during the period January 2006 to March 2008 resulting in loss of revenue of Rs.3.33 crore to the PRIs as given below:

(Rupees in lakh)

Sl. No.	Panchayat Raj Engineering Divisions	Estimated cost of works	Tender fee to be collected	Tender fee collected	Short collection
1	Huvina Hadagali	530.58	6.10	1.95	4.15
2	Ramanagara	3,045.96	39.18	22.76	16.42
3	Uttara Kannada	1,503.24	32.08	14.03	18.05
4	Bagalkot	13,720.59	224.88	38.22	186.66
5	Raichur	1,801.84	124.18	47.25	76.93
6	Chikmagalur	1,871.81	12.47	4.17	8.30
7	Chitradurga	3,294.98	37.76	15.06	22.70
	TOTAL	25,769.00	476.65	143.44	333.21

The State Government endorsed (October 2008) the reply of the EE, PRE, Karwar who stated that the CE, PRE Department, Bangalore had instructed the EEs to reduce the amount charged for tender forms. Audit sought clarification (November 2008) with regard to changes effected, if any, on the collection of tender fee from the State Government. It was replied (December 2008) that the prescribed tender fee continued to remain at the same rate and the services of KEONICS had been extended for a further period of three years with effect from November 2008. Hence the action of EEs in not collecting the prescribed tender fees was without sanction of State Government which resulted in revenue loss of Rs.3.33 crore.

2.8 Avoidable extra liability on road works

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chamarajanagar to follow prescribed tendering procedure led to extra liability of Rs.43.81 lakh besides accepting fake bank deposit receipts for Rs.3.60 lakh

The Empowered Committee for Pradhan Mantri Gram Sadak Yojana (PMGSY), Government of India approved (August 2005) the project proposal for execution of two road works⁵¹ under the jurisdiction of Zilla Panchayat (ZP), Chamarajanagar. The State Government accorded administrative

⁵¹ From Hosapura to T-12 under package number KN-08-09 and Chikmole to T-08 under package number KN-08-10A

approval for the works in September 2005. The estimates were technically sanctioned (December 2005 and February 2006) by the Chief Operating Officer, Karnataka Rural Road Development Authority (KRRDA), Bangalore for Rs.121.75 lakh and Rs.57.65 lakh respectively. Accordingly, the tender notifications were issued (December 2006) by the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Chamarajanagar. The details of location, length, amount put to tender, negotiated cost, etc., of works were as shown in the table below.

Proposed connectivity	Name of the taluk	Length (in kilometers)	Estimated cost	Amount put to tender	Negotiated cost	Work entrusted on	Scheduled date of completion
Hosapura to T-12	Gundlupet	7.98	121.75	117.11	179.15	June 2007	March 2008
Chikmole to T-08	Chamarajanagar	3.06	57.65	56.24	82.34	June 2007	March 2008

Both the works were entrusted to a single contractor at negotiated rates and agreement entered into (June 2007) with a stipulation to complete the work within nine months. An amount of Rs.14 lakh was paid (June 2007) to the contractor as mobilisation advance. The contractor, however, did not commence the work nor responded to the notices issued by the EE.

Audit scrutiny of the records relating to these two road works revealed that the EE, PRED, Chamarajanagar entrusted the works without adhering to the conditions prescribed in the tender documents as follows:

- According to tender notification, only Class-I contractors were eligible for participating in the bidding. Verification by Audit, however, disclosed that the work was awarded to a Class-II contractor.
- The earnest money deposit (EMD) for Rs.3.60 lakh furnished in the form of bank deposit receipt by the contractor was found to be fake.
- Mobilisation advance of Rs.14 lakh was paid by the EE to the contractor without obtaining the bank guarantee, in disregard of the stipulations of Standard Bidding Document for PMGSY and instructions issued (August 1981) by Finance Department.
- EE did not obtain the required performance security from the contractor at the stipulated rate of 5 per cent of the cost of the works.
- The prescribed certificate from the chartered accountant of the contractor showing the financial status and turnover of the contractor in the past five years was not on record.

- No documentary evidence was available on record in justification of contractor's eligibility to execute works under PMGSY (as stipulated in the Standard Bidding Document).

The agreements were rescinded (March 2008) and on re-tendering, the work was entrusted (May 2008) to two different bidders at their agreed rates of Rs.2.10 crore and Rs.95.30 lakh respectively. The extra liability on re-tendering worked out to Rs.30.85 lakh and Rs.12.96 lakh respectively. As of January 2009, the works were still in progress.

Thus, the failure of the EE, PRED, Chamarajanagar to follow prescribed tendering procedure coupled with non-compliance with clauses of Standard Bidding Document for PMGSY facilitated the contractor in procuring the works on production of fake bank deposit receipts of Rs.3.60 lakh besides defrauding the exchequer of a sum of Rs.14 lakh. It also resulted in extra liability of Rs.43.81 lakh as the works were subsequently entrusted to other contractors at higher rates. The matter calls for detailed investigation.

The matter was referred to State Government in January 2009; reply awaited (March 2009).

It was also observed during scrutiny of records of EE, PRED, Mysore that the same contractor was awarded (January 2007) a work relating to provision of drinking water supply scheme to Talakadu Grama Panchayat at a tendered cost of Rs.2.29 crore with the stipulation to complete the work by October 2007. The work was awarded to the contractor who was Class-II contrary to the stipulations of tender notification for a Class-I contractor. The contractor abandoned the work (December 2007) after showing a financial progress of Rs.11.96 lakh. The work was retendered (October 2008) and was yet to be awarded (March 2009).

As in the previous case, the EMD for Rs.5.50 lakh furnished by the contractor in the form of bank deposit receipt was also found to be fake on verification by Audit.

2.9 Unfruitful expenditure on a water supply scheme

Failure of Zilla Panchayat, Bellary in assessing the condition of the raw water raising main prior to entrustment of work coupled with delays by Executive Engineer/Chief Engineer in obtaining approval from State Government and entrustment of work after re-tendering led to unfruitful expenditure of Rs.92.80 lakh besides cost escalation of Rs.4.95 crore

With a view to provide safe drinking water to fluoride affected Mariyammana halli (MM Halli) and seven other villages, the Chief Executive Officer (CEO), Zilla Panchayat (ZP), Bellary accorded (December 2003) administrative approval for a community based water supply scheme under Sector Reform Programme for an estimated cost of Rs.2.99 crore [estimate prepared by Karnataka Land Army Corporation (KLAC)].

The main work components of the scheme *inter alia* included repairs to the existing raw water raising main, construction of water treatment plant, overhead tanks, distribution pipe lines, pump house and pumping machineries, etc. The ZP, Bellary entrusted (December 2003) the work to KLAC without entering into any agreement, but instructed to obtain technical sanction from the competent authority. The work was scheduled for completion by June 2004. The KLAC commenced (December 2003) the work without obtaining the technical sanction, as required. The Grama Panchayat (GP), MM Halli released Rs.74 lakh (December 2003) including community contribution of Rs.24 lakh to KLAC. A sum of Rs.25 lakh was further released (August 2005) by GP, MM Halli to KLAC.

During execution (July 2005) the KLAC noticed that major portion (almost 80 per cent) of the existing raw water raising main was corroded and needed replacement in full. A separate proposal for the replacement of raw water raising main at a cost of Rs.2.63 crore was approved by State Government (March 2006) and the stipulated date of completion was extended upto October 2006. As the progress of work was tardy, the work was withdrawn (December 2006) from KLAC and entrusted to the Panchayat Raj Engineering (PRE) Sub-Division, Hospet. The KLAC handed over the work (February 2007) to Sub-Division after completing civil works of pump house, water treatment plant, overhead tanks and distribution lines up to MM Halli incurring a total expenditure of Rs.92.80 lakh. Though the estimated cost of the scheme was revised (including new raw water raising main) to Rs.5.61 crore in March 2006, it was submitted by Chief Engineer (CE), PRE Department to State Government for approval in June 2007, after a delay of more than nine months.

In the meantime, Executive Engineer (EE), PRE Division, Bellary invited (February 2007) short term tender for the remaining works of Rs.4.21 crore. The work could not be awarded to the sole tenderer as EE/CE failed to decide awarding of contract within the validity period (January 2008) of the tender. Reasons for the delay were not forthcoming from the records. The estimated cost of the work was further revised (June 2008) to Rs.7.94 crore due to escalation in cost of pipes.

Thus, the failure of ZP, Bellary in assessing the condition of the existing raw water raising main prior to entrustment of work coupled with delays by EE/CE in obtaining approval from State Government and entrustment of work after re-tendering led to unfruitful expenditure of Rs.92.80 lakh, besides cost escalation of Rs.4.95 crore⁵² (more than 265 *per cent* of the original estimate). This had also resulted in depriving the envisaged safe drinking water to the rural population even after five years.

The matter was referred to State Government (October 2008), reply awaited (March 2009).

2.10 Unfruitful expenditure on construction of a bridge

Failure of Executive Engineer, Panchayat Raj Engineering Division, Belgaum to conduct detailed survey before original estimate and to take possession of the land before commencement of work of the bridge rendered expenditure of Rs 25.40 lakh unfruitful

The work of construction of a bridge across Malaprabha river at Kanjale village in Khanapur taluk, Belgaum district was administratively approved by State Government in September 2004. The Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore accorded technical sanction in November 2004 for an estimated cost of Rs.32 lakh (SR 2002-03). Tenders were called for and the work was entrusted (January 2005) to a contractor at the negotiated rate of Rs.30.30 lakh. The site was handed over to the contractor (February 2005) with a stipulation to complete the work within nine months excluding monsoon period.

The Superintending Engineer, PRE Circle, Belgaum on site inspection (February 2005) suggested shifting the site 50 meters upstream of the river due to technical reasons and accordingly the design and estimate was revised to Rs.34.80 lakh (SR 2002-03) which was approved (June 2005) by CE, PRE Department, Bangalore. Shifting of site of bridge necessitated acquisition of land for approach road. During execution, one of the land owners objected and approached the court of law (April 2005). The Court (January 2006)

⁵² Rs.7.94 crore – Rs.2.99 crore

restrained the Department from carrying out work in the suit property and directed to follow due procedure for acquisition of land. The land compensation award was passed only in January 2008. As of March 2009, the work of laying a deck slab, providing side handrails and approach on one side of the bridge remained incomplete, incurring an expenditure of Rs. 25.40 lakh.

Audit scrutiny revealed that the original estimate had been prepared after site inspection (November 2004). However, the revised estimate was justified on the ground that while the original estimate was based on preliminary survey, the revision was based on detailed construction survey leading to shifting of location of bridge and revision of design necessitating acquisition of land. Also the Executive Engineer, PRE Division, Belgaum did not take possession of the land before commencement of work resulting in delay in execution. As a result of the above failures, expenditure of Rs 25.40 lakh remained unfruitful besides depriving connectivity to rural population for more than three years.

The State Government endorsed the reply (January 2009) of Chief Executive Officer, Zilla Panchayat, Belgaum stating that the delay in completion was due to abnormal rains at the site but did not explain as to why detailed survey was not conducted prior to commencement of work.

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT
AND
AGRICULTURE AND HORTICULTURE DEPARTMENT**

2.11 Injudicious implementation of a watershed project

Failure of Zilla Panchayat, Dharwad to ensure the jurisdictional status of the Unkal sub-watershed villages for implementation of Sujala Watershed project defeated the purpose of the project after incurring an expenditure of Rs. 66.80 lakh

In order to enhance sustainable agricultural growth with better management of land and water resources, Unkal sub-watershed comprising six micro watersheds under Zilla Panchayat (ZP) Dharwad was considered by State Government for implementation of Sujala Watershed Project (Project) with World Bank assistance under phase-III at an estimated cost of Rs. 2.46 crore during 2003-04. The Project aimed at raising agriculture productivity, both through *in-situ* soil and moisture conservation and rain water harvesting to augment groundwater resource, forest cover, livestock and fodder management, income generating activities, *etc.*

The Chief Executive Officer (CEO), ZP, Dharwad was responsible for approval of sub-watershed development plans, routing of funds to the executing agency, review and monitoring of Project performance through ZP Standing Committee. The work was entrusted to India Development Service (IDS), Dharwad, a non-governmental organisation (NGO) during March 2004. Out of the targeted area of 2,790 Hectares (Ha) of land available for development, only 1,082.90 Ha was focused for treatment under the Project.

The District Project Coordinator (DPC), IDS, Dharwad achieved progress in treatment of 954.27 Ha of land (November 2006). It was observed that there was considerable reduction in treatable area for watershed due to farmers inclination to convert their agricultural land for non-agricultural purposes fetching competitive rates. Therefore, the DPC, expressed opinion (October 2006) to the Project Officer (PO) and District Watershed Development Officer (DWDO), Dharwad that there was limited scope for land-based activities in Unkal sub-watershed. PO and DWDO, Dharwad suggested (December 2006) to the Commissioner and Project Director, Bangalore for closure of the Project with provision for withdrawal strategy. Accordingly, the Project was closed (February 2007) after incurring an expenditure of Rs.66.80 lakh as of November 2008.

Scrutiny revealed that the six villages wherein the Project was implemented were notified areas (October 1995) under the jurisdiction of Hubli-Dharwad Municipal Corporation (HDMC). Hence, implementation of the Project by ZP, Dharwad in peri-urban areas where agriculture was not a need-based occupation and expenditure of Rs.66.80 lakh were injudicious.

The matter was referred to State Government (August 2008) and the Commissioner and Project Director, Sujala Watershed Project, Bangalore replied (August 2008) that the Unkal sub-watershed Project was conceived during 2001-02 and there was no proposal then for conversion of treatable land for non-agriculture purposes. The reply is not tenable as State Government had included these villages in HDMC in 1995 itself.

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT
AND
HEALTH AND FAMILY WELFARE DEPARTMENT**

2.12 Laxity in construction of a primary health centre

Failure of Zilla Panchayat, Dharwad to consider the request of public and its vacillation in entrusting the work resulted in delay in completion of a primary health centre building rendering the expenditure of Rs.13 lakh unfruitful besides denial of envisaged health care facilities to rural poor

In order to provide health facilities to the rural poor, State Government sanctioned (September 1998) 75 Primary Health Centres (PHCs) to villages under various Zilla Panchayats (ZPs) with a stipulation that priority should be accorded to villages which made available a minimum of two acres of land. The list included a PHC for Yeraguppi village in Kundagol taluk under ZP, Dharwad. On the request of the Grama Panchayat (GP) (March 2002), Deputy Commissioner, Dharwad allotted (September 2003) two acres of Government land near the village tank. An amount of Rs.15.62 lakh was provided in 2003-04 to the Panchayat Raj Engineering Division (PRED), Dharwad for taking up the work.

Scrutiny of records revealed that the villagers of Yeraguppi had represented (December 2003) against the construction of hospital building on the said site apprehending pollution through hospital waste to tank water which was being used for drinking purpose. In spite of the objection, the ZP decided (January 2004) to entrust the work to Karnataka Land Army Corporation (KLAC) for speedy completion and accorded (March 2004) administrative approval. KLAC technically sanctioned (March 2004) the work for Rs.29.98 lakh and took possession of the site in January 2005 with target date of completion of work as March 2006. The work was stopped in April 2005 after an expenditure of Rs.0.65 lakh, as Yeraguppi GP passed a resolution not to construct the building in the site near the tank. A stay order in this regard was also obtained by villagers (April 2005) from the Civil Judge (Junior Division) and Judicial Magistrate First Class Court, Kundgol.

The work was shifted (October 2005) to a new site received as donation by the Health Department. The work was again stopped (February 2006) as there was an objection from another section of public for construction. The State Government finally decided (May 2006) to continue construction at the new site. The site was handed over to KLAC (July 2006) and construction resumed. It was noticed in audit that even though there was no progress in the

construction, the ZP released Rs.24.35 lakh during 2004-06, which was irregularly diverted by KLAC for the works of Hubli-Dharwad Municipal Corporation. A sum of Rs.13 lakh was further released (October 2006) out of interest bearing loan from NABARD under Rural Infrastructure Development Fund – XI Scheme. As of March 2007, KLAC had incurred expenditure of Rs.13 lakh on the building with a physical progress up to plinth level. Meanwhile, the ZP decided (May 2007) to withdraw the work from KLAC and entrust the same to PRED, Dharwad. Though KLAC handed over (August 2007) the site to PRED, the unspent amount of Rs.24.35 lakh was returned only during April 2008. Due to efflux of time, the estimated cost of the work was escalated to Rs.38 lakh.

Thus, failure of ZP, Dharwad to consider the request of public and its vacillation in entrusting the work between the construction agencies resulted in the building remaining incomplete after incurring an expenditure of Rs.13 lakh besides denial of envisaged health care facilities to rural poor even after 10 years of sanctioning the PHC.

The State Government endorsed the reply of Executive Engineer, PRED, Dharwad (October 2008) stating that the tendering was in progress and the building would be completed and handed over to the user department. It was, however, noticed that the PRED entrusted the balance work to another contractor at the agreed cost of Rs. 48 lakh only during February 2009 with a stipulation to complete the work by November 2009.

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT
AND
SOCIAL WELFARE DEPARTMENT**

2.13 Wasteful expenditure due to abandonment of a hostel building

Failure of Executive Engineer, Panchayat Raj Engineering Division, Koppal in preparing estimate for construction of a hostel building considering the site condition led to wasteful expenditure of Rs.19.98 lakh.

State Government accorded (March 1996) administrative approval for construction of pre-matric girls hostel building at Alwandi in Koppal taluk (then under the jurisdiction of Zilla Panchayat (ZP), Raichur) for an estimate of Rs.19.98 lakh. Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Koppal prepared the estimates for the building which was technically sanctioned (November 1995) by the Superintending Engineer,

PWD Circle, Bellary. The land for construction was identified by the Department of Backward Classes and Minorities (BCM) and handed over to PRED. The work commenced in August 1996 and civil works were completed during December 1999. However, the building was handed over to the user department and made functional only during February 2001 on completion of water supply and electrical works at a total expenditure of Rs.19.98 lakh.

During October 2003, the Department of BCM reported to the EE, PRED, Koppal that the building had developed cracks in walls and was found unsafe to house the students. The EE, PRED, Koppal who inspected (May 2004) the building, opined that the damage to the building was due to foundation problems. On the instruction of the EE (June 2004), M/s. Torsteel Research Foundation of India (TRFI), an independent agency, was requested to investigate the reason for damage to the building. The TRFI reported (September 2004) that the building was situated adjacent to a stream and the area around the building was prone to inundation and stagnation of water during rains leading to swelling and shrinkage of expansive soil over which the building was constructed. The TRFI further reported that absence of storm water drainage and plinth protection had aggravated the distress caused to the building which could not be totally eliminated or prevented through restoration measures. Evidently, the estimate prepared by EE, PRED, Koppal was without considering the soil condition, other essential protective measures, *etc.*, which was defective.

The building was abandoned in June 2007 and the inmates of the hostel were shifted to a rented building incurring additional liability of Rs.1.07 lakh towards rent as of March 2009⁵³. The District Officer, BCM, Koppal stated (July 2008) that a new building was being constructed, adjacent to the abandoned hostel building to house the inmates.

The State Government endorsed (January 2009) the reply of EE, PRED, Koppal that the building was constructed on a land having black cotton soil and heavy rainfall during September 2001 which breached a nearby tank causing stagnation of water around the building for long. Consequently, cracks developed due to swelling of load bearing foundation which was beyond control.

⁵³ @ Rs.5,100/- per month from June 2007

The reply is not acceptable for the following reasons:

- ☞ PRED was aware of the fact that the site was located in black cotton soil and adjacent to a stream; accordingly the estimate/design was required to be prepared with adequate provisions.
- ☞ In spite of release of Rs.1.10 lakh (April 2004) for repair works to EE, PRED, Koppal, action to drain out stagnated water was not taken up as seen from the records made available.
- ☞ The school and hospital buildings situated nearby were not affected due to heavy rains as reported by the Chief Executive Officer, ZP, Koppal.

Thus, failure of the EE, PRED, Koppal in preparing estimate considering the site condition rendered the expenditure of Rs.19.98 lakh wasteful.

2.14 Non-completion of an irrigation scheme

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chamarajanagar to complete the work components of a lift irrigation scheme rendered expenditure of Rs.23.08 lakh unfruitful besides denial of irrigation facilities to the rehabilitated tribal population

In order to provide irrigation facilities to about 200 rehabilitated tribal families of Kaniyanapura village, Gundlupet taluk, Chamarajanagar a Lift Irrigation Scheme (LIS) was proposed (August 2000) by the Director, Tribal Welfare Department for irrigating 250 acres of land. The work included construction of pick up⁵⁴, intake well, approach channel, jack well, pump house, raising mains, delivery chamber and pumping units. Administrative approval for the work was accorded (December 2001) by the State Government and the estimate for Rs.54.60 lakh (SR 2002-03) prepared by the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Chamarajanagar was technically sanctioned (November 2003) by the Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore. The work was entrusted to a contractor (July 2004) at the negotiated cost of Rs.47.84 lakh with a stipulation to complete the work by July 2005.

The contractor after completing the pick up and apron at down stream abandoned the work (January 2006). A claim of Rs.23.08 lakh was admitted and paid during June 2006 by levying a nominal penalty of Rs.10/- per day for the delay in execution.

⁵⁴ a barrier constructed across a river/stream for storage of water

In July 2007, the land on one side of the pick up got eroded due to non-provision of protective works as opined by Superintending Engineer during his visit to the work spot (January 2005) and consequently no water could be stored on the up stream of the pick up, defeating the primary requirement for lift irrigation.



The balance work estimated at Rs.22.49 lakh (SR 2002-03) was revised to Rs.33.31 lakh (SR 2007-08) with a cost escalation of Rs.10.82 lakh. Approval for draft tender notification for the balance items of work was accorded by CE during June 2007. The work was entrusted (February 2008) to another contractor after a delay of two years of its abandonment by the first contractor, at a negotiated rate of Rs.32.20 lakh with a stipulation to complete the work by August 2008. As of September 2008, no bill was submitted by the contractor even after the expiry of stipulated date of completion.

Audit observed during a joint physical verification (October 2008) that the remaining works such as raising main, delivery chamber, feeder channel, pumping machinery *etc.*, were yet to be taken up. In reply to audit (October 2008), it was stated by the Assistant Executive Engineer, PRE Sub-Division, Gundlupet that 300 mm dia pipes proposed for raising main in the estimate was not available in the market and proposal to consider 450 mm dia pipes would be forwarded to CE along with additional estimate including protective works which were very essential.

The matter was referred to State Government in November 2008 and the State Government endorsed the reply (January 2009) of the Chief Executive Officer, ZP, Chamarajanagar wherein it was stated that the work was under progress and would be completed including the protective works. However, reasons for

delay of more than six months from due date for completion even by the second contractor were not explained (March 2009).

Thus, failure of Executive Engineer, PRED, Chamarajanagar to expedite completion of the work components of a lift irrigation scheme coupled with scouring of land on one side of the pick up rendered the expenditure of Rs.23.08 lakh unfruitful besides denial of irrigation facilities to the rehabilitated tribal population of Kaniyanapura for more than three years.

GENERAL

2.15 Follow-up action on Audit Reports

According to the Hand Book of Instructions for speedy settlement of audit observations, *etc.*, issued by the Finance Department and the Rules of Procedure (Internal Working) of the Public Accounts Committee, the departments of State Government should prepare and forward to Karnataka Legislative Assembly Secretariat, detailed explanations in the form of Action Taken Notes (ATNs) on the paragraphs/reviews featured in the Reports of the Comptroller and Auditor General of India within four months of the presentation of the Reports in the Legislature, duly getting the ATNs vetted by Audit.

ATNs have, however, not been received by Audit for 29 paragraphs even as of March 2009. The department-wise position of pendency is furnished in the **Appendix 2.6**. The details of presentation of the Reports of the Comptroller and Auditor General of India (Panchayat Raj Institutions) to the State Legislature and ATNs due are given below:

Audit Report for the year ending	Month of presentation to the Legislature	Number of ATNs due
2006	July 2007	14
2007	July 2008	15

While the above Reports presented to the State Legislature featured audit comments noticed during the review of implementation of various schemes and serious irregularities like misappropriation of funds/stores, delay in completion of schemes/buildings leading to idle investments, unfruitful/irregular/infructuous expenditure *etc.*, the State Government had not communicated (March 2009) details of action taken to plug the loop holes in the system that led to these financial improprieties. The departments concerned need to be instructed to forward the ATNs on the

paragraphs/reviews featured in these Audit Reports to the Karnataka Legislature without undue delay.

2.16 Poor response to Inspection Reports

The Karnataka Zilla Panchayat (Finance and Accounts) Rules stipulate that Head of the Departments/Drawing and Disbursing Officers of the Zilla Panchayat (ZPs) shall attend promptly to the objections issued by the Accountant General. It is further stipulated that the ultimate responsibility for expeditious settlement of audit objections lies with Chief Executive Officer of ZPs. Despite Ad-hoc Committee meetings being held regularly, 3,933 Inspection Reports consisting of 15,131 paragraphs were outstanding in various ZPs, as of March 2008. During the year 2007-08, 3,731 paragraphs were cleared in 24 meetings held. Year-wise details of reports and paragraphs outstanding in respect of all the ZPs are detailed in **Appendix 2.7**. Out of the Inspection Reports outstanding, 2,545 (65 *per cent*) reports containing 7,440 (49 *per cent*) paragraphs were pending for more than five years, indicating that the action taken by the CEOs for settlement of objections was not adequate.

BANGALORE
The

(USHA SANKAR)
Principal Accountant General
(Civil and Commercial Audit)

COUNTERSIGNED

NEW DELHI
The

(VINOD RAI)
Comptroller and Auditor General of India