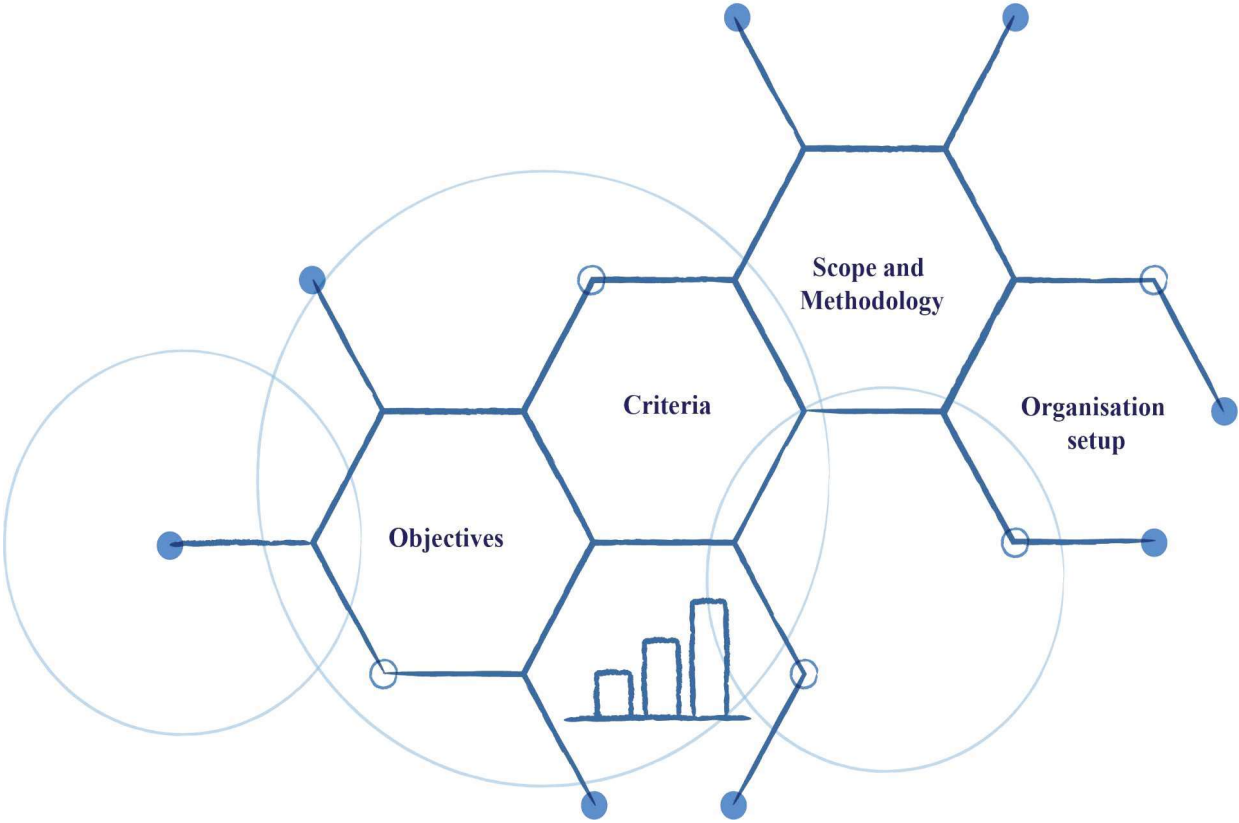


# Chapter I Introduction





## Chapter 1 - Introduction

Karnataka Rural Infrastructure Development Limited (KRIDL), a Government of Karnataka (GoK) undertaking under the Rural Development and Panchayat Raj Department (RDPR), is involved in Civil Engineering construction and creation of assets in the State. It started as a Directorate of Land Army in the year 1971 and was incorporated (August 1974) as 'Karnataka Land Army Corporation (KLAC)' under the complete ownership of GoK and renamed (August 2009) as 'KRIDL'.

### 1.1 Objectives of KRIDL

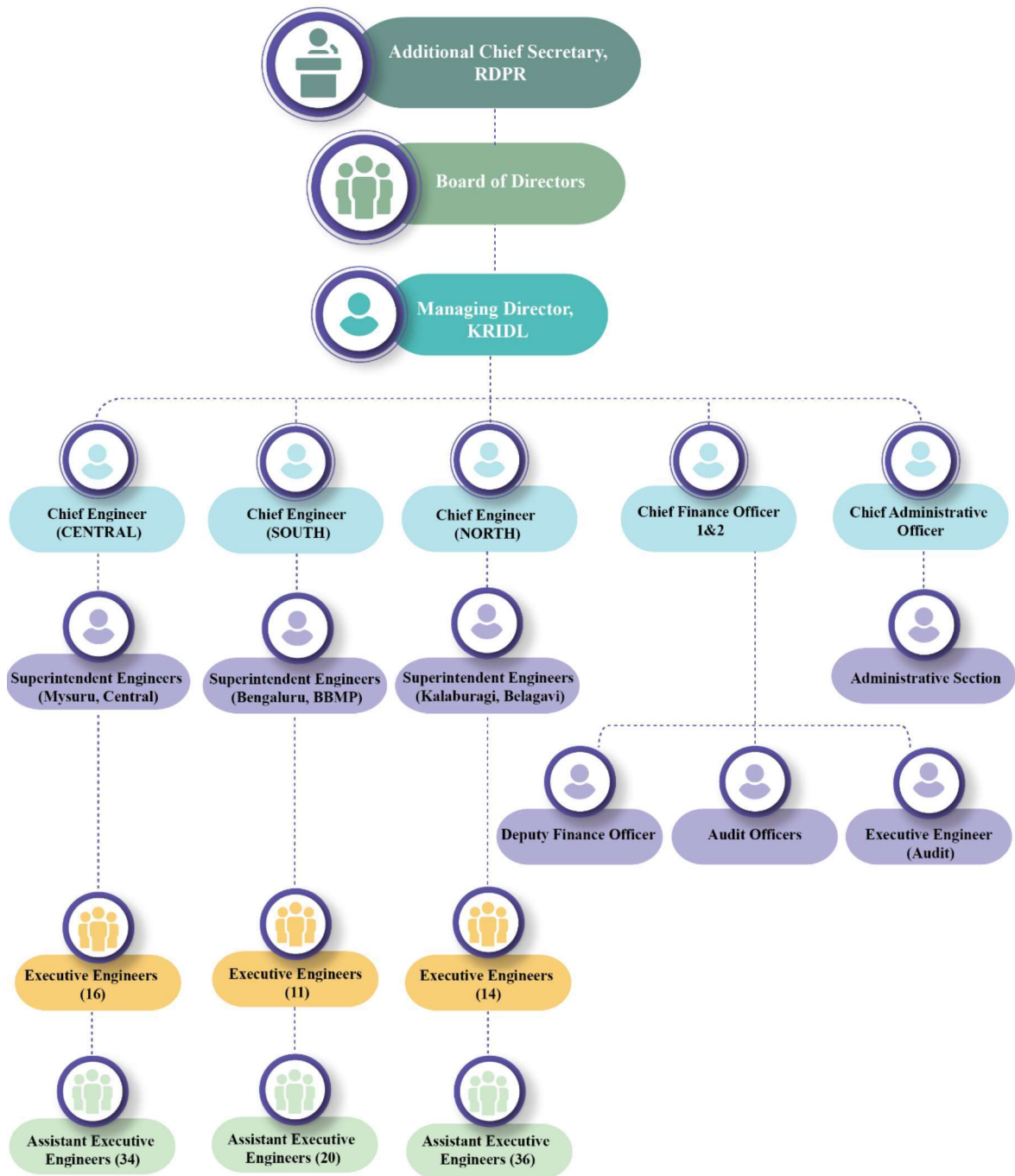
The objectives of the Company are:

- Execution of rural development projects concentrating on labour-oriented works, so that rural unemployed and under employed youth are provided with adequate employment opportunities to improve their skill and economic conditions.
- To undertake all rural development civil works directly supervised and executing Departmentally by eliminating middlemen, to avoid more premium and exploitation of the rural poor, thereby passing on the full worth of money to the people.
- Help to build infrastructure relating to integrated area development, water resource development, dairy, fisheries, minor irrigation, rural communication, bridges, roads, buildings like schools, hospitals, houses and soil conservation works, which is vital for development.

### 1.2 Organisation set up

The Company is headed by a Managing Director (MD). The activities of KRIDL are controlled and managed by the Board of Directors nominated by the State Government. As on 1 August 2021, KRIDL has three Chief Engineers (CE) under whom 6 zones, 41 divisions and 90 sub-divisions (also known as Project Implementing Units) are functioning, which are in turn headed by Superintending Engineer (SE), Executive Engineer (EE) and Assistant Executive Engineer (AEE) respectively as shown below in **Chart 1.1**.

Chart 1.1: Organogram of the company



Source: Annual Report of KRIDL

### 1.3 Audit Objectives

The objectives of the Performance Audit (PA) were to examine whether:

- the Departments of Government were justified in entrusting the works to KRIDL by invoking the provisions of Section 4(g) of the Karnataka Transparency in Public Procurement Act (KTPP) Act, 1999;
- the entrusted works were executed by KRIDL efficiently, effectively and economically adhering to the quality norms prescribed;
- the procurement of stores, labour and machineries were done economically and directly by KRIDL;
- the accounting system/taxation and sound internal control system along with coordination with entrusting Departments exist;

### 1.4 Audit Criteria

The main sources of audit criteria for the PA were:

- Standing Orders (SOs)/Procurement and operation manual of KLAC/KRIDL.
- Schedule of Rates (SR) prescribed by the Public Works Department (PWD)/Panchayat Raj Engineering Department (PRED) and other Departments of Government/prevaling market rates of major materials.
- Ministry of Road Transport and Highways (MoRTH)/Ministry of Rural Development (MoRD)/Indian Road Congress (IRC) and Pradhan Mantri Gram Sadak Yojana (PMGSY) program guidelines.
- Karnataka Public Works Accounts code and Karnataka Public Works Department code (KPWD code)/manual, KTPP Act, Karnataka Financial Code.
- Government of India /GoK orders, instructions/guidelines issued by the State Government/entrusting Departments, minutes of Board Meetings, contract documents *etc.*,
- Action Plans prepared by the Entrusting Agencies (EAs)/Company from time to time.

### 1.5 Audit Scope and Methodology

The PA covering the period 2016-17 to 2020-21 was conducted during July 2021 to March 2022 by test-check of records of the offices of the MD, KRIDL and 24 sub-divisions covering all the six zones<sup>1</sup>. Audit adopted Random Sampling method for selection of sub-divisions and four sub-divisions from each of the six zones were selected as detailed in **Appendix-I**. The selection of

<sup>1</sup> Belagavi, Bengaluru, Bruhat Bengaluru Mahanagara Palike, Central, Kalaburagi and Mysuru.

works within each selected sub-division was based on the monetary value of the works. Accordingly, out of 37,906 works executed in the selected sub-divisions, 1,379 works were selected for test-check. Details of sub-divisions wise number of selected works are indicated at **Appendix-II**. Joint Physical Verification (JPV) were also conducted along with AEE/Officials of KRIDL.

The audit objectives, scope and methodology were discussed with the Principal Secretary, RDPR during the Entry Conference held on 18 August 2021. The Exit Conference with the Additional Chief Secretary (ACS), RDPR was conducted on 13 July 2022.

## **1.6 Acknowledgement**

Audit acknowledges the cooperation and assistance extended by the State Government, RDPR, Office of the MD, KRIDL Bengaluru and test-checked sub-divisions in conducting the PA.

## **1.7 Organisation of Audit Findings**

The PA findings have been organised in line with the audit objectives as below:

Chapter 2: Financial Management

Chapter 3: Entrustment, Estimates and Sanctions of works

Chapter 4: Execution of works

Chapter 5: Accounting, Internal Controls and Monitoring