

Chapter-III

Contract Management and Execution of Works

Contract management envisages all actions taken to ensure that a project is conceived and planned carefully, resources and costs are worked out in detail, designs are made economically and accurately according to requisite standards and that the project is executed in the shortest possible time with minimum cost and time over-runs achieving the desired standards of quality.

As per the information furnished by DMA (January 2022), 1,421 works were taken up under the Scheme in 10 CCs, out of which 1,391 works (98 per cent) were completed as of 31 March 2021. Audit examined 52 out of 227 packages (23 per cent), comprising 145 works involving an expenditure of ₹ 59.96 crore during the period 2014-21 in four test-checked CCs. Category-wise details are given in **Table 3.1**.

Table 3.1: Category-wise details of works selected in test-checked CCs

(₹ in crore)

Category of works	Total			Sample selected			
	Number of packages	Number of works	Expr.	Number of packages	Number of works	Estd. Cost	Expr.
I	161	467	184.94	27	80	40.01	36.74
II	16	20	12.24	10	12	9.99	8.28
III	18	65	16.32	4	19	3.74	3.73
IV	6	6	4.23	2	5	1.63	1.51
V	26	85	26.70	9	29	13.74	9.70
Total	227	643	244.43	52	145	69.11	59.96

Source: Progress reports of test-checked CCs

To observe transparency in award of works and for effective contract management, CCs were to follow the established procedure for tendering through competitive bidding. The procedural requirements were, however, not complied with while finalising the tenders. There were also irregularities such as works taken up without proper investigations and execution of works in disregard of prescribed norms, leading to inadmissible/unwarranted/unfruitful expenditure. Details of such observations are given in succeeding paragraphs.

Preparation of Works Estimates

3.1 Preparation of Detailed Project Reports

Paragraph 90 of KPWD Code stipulated that Detailed Project Report (DPR) should be prepared for a new work after extensive discussion with all the concerned officers and surveying of sites. Paragraph 92 of KPWD Code stipulated that to arrive at the thickness of pavement layers, Benkelman Beam Deflection (BBD) technique¹⁵ and traffic studies were to be conducted before the estimates were prepared. Further, the details of the existing condition of the

¹⁵ Standard test for measuring deflection of pavements under moving wheel loads.

road, age of the road, California Bearing Ratio (CBR) to identify the strength of soil, status of the base/sub-base, *etc.*, were to be recorded in the estimate.

DPRs were not furnished to audit in three test-checked CCs (Mysuru, Tumakuru and Vijayapura). CBR values to ascertain the strength of soil were also not referred to by these three CCs while preparing estimates for the road works.

Audit also observed (August to December 2021) that the BBD tests and traffic studies had not been appended to the estimates in any of the test-checked CCs.

In the absence of these, it was not possible to verify how the pavement designs had been firmed up and whether the provisions made in the estimates were consistent with the requirement.

The State Government replied (April 2022) that BBD tests and traffic studies had not been conducted as these roads were interior roads with less traffic. The reply is not acceptable as it was against the provisions of KPWD Code.

3.2 Non-maintenance of road history register

In terms of Paragraph 40 of KPWD Code, 2014, road history was to be prepared containing classification, length, width of right of way, width of formation, width of carriageway, type of shoulder and pavement, details of cross drainage works, bridges, the year of last resurfacing/ strengthening of the pavement with type of treatment, *etc.* This data was to be used to prioritize the works to be taken up for maintenance by analysing the road network for the surface distress condition and should invariably accompany the proposals/ estimates for these works while seeking sanction.

Audit observed (August to December 2021) that no such data was appended to the estimates of any of 27 test-checked road (Category-I) packages. Thus, the basis for proposing these road packages, costing ₹ 40.01 crore, could not be assessed in audit.

The State Government in its reply stated (April 2022) that the road history register would be maintained as prescribed.

3.3 Defective estimates

Estimates should be prepared and submitted in a complete form (Paragraph 92(1) of KPWD Code). Further, a certificate of having personally visited the site and providing for the most economical and safe way of executing the work should be recorded in every estimate by the concerned Assistant Executive Engineer (Paragraph 101(1) of KPWD Code).

Scrutiny (August to December 2021) of estimates in 8 out of 52 test-checked packages (15 *per cent*) of four CCs showed that estimates were not realistic as detailed below:

(i) Ballari

Package 1: Estimate included one work of 'improvement to road and drain works in Soudhagar Colony 1, 2, 3 and 4 link roads' costing ₹ 26 lakh. This work was already undertaken by the Kalyana Karnataka Regional Development Board (KKRDB). Estimate also included water supply and

drain works which had already been executed by Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) in other schemes.

The State Government replied (April 2022) that due to delay, KKRDB executed the above work. The reply indicates the deficiencies in planning and absence of co-ordination between the implementing agencies.

(ii) Mysuru

- (A) Package 3: Estimate included (December 2014) the provision to reconstruct the road due to its bad condition. Subsequently, during site inspection (September 2016) by SE, road was found to be in good condition and only profile correction was done. Lengths of roads proposed in estimates were 154 m and 296 m whereas in actual, these were executed for 194 m and 400.5 m respectively. Also, the estimate included item of earthwork excavation by manual means in hard soil, but soil test reports were not enclosed to the estimate to justify the earthwork excavation in hard soil.

The State Government replied (April 2022) that the estimate was prepared as per actual site condition during 2014 while the work was executed in 2016, which led to the variations. The reply was not plausible as the road was found to be in good condition during execution stage (2016) whereas it was stated to be in bad condition while preparing the estimate (2014).

- (B) Package 13: Length of road proposed in estimate (925 m) increased by 82 *per cent* during execution (1,685.70 m). Also, the estimate included item of earthwork excavation by manual means in hard soil, but soil test reports were not enclosed to the estimate to justify the earthwork excavation in hard soil.

The State Government replied (April 2022) that during execution, the estimated work was found completed by some other authorities. Hence alternate work was taken up as per the instructions of the concerned Member of Legislative Assembly (MLA). The reply indicates the absence of co-ordination and planning between agencies while taking up the works.

- (C) Package 14: Two items (cobble stones and kerb stones) costing ₹ 39.38 lakh included in estimate were not executed.

The State Government replied (April 2022) that the above two items were not taken up as they had been completed by other agencies. The reply confirms that estimates were unrealistic and prepared without exercising due diligence.

- (D) Package 17: Estimate provided for widening the road by 1.2 metre. Road was widened on average from 2.5 to 3 metres. Also, plain cement concrete M20 grade was used for box drain wall instead of M15 grade. These led to increase in cost by ₹ 20.71 lakh.

The State Government replied (April 2022) that the road was widened with approval of Commissioner, Mysuru CC to accommodate the increased

traffic. The reply is not acceptable since the above factors were to be considered at the time of estimation.

(iii) Tumakuru

Packages 5 and 9: Estimates included item of earthwork excavation by manual means in hard soil, but soil test reports were not enclosed to the estimates to justify the earthwork excavation in hard soil.

(iv) Vijavapura

Package 57: Estimate included installation of new solar traffic signals at six places and repair of five signals. This was subsequently revised (November 2017) to install seven new signals on the basis of suggestion given by the contractor and subsequent survey conducted by traffic police department. This led to cost escalation by ₹ 12.84 lakh.

The State Government replied (April 2022) that one additional signal was installed as per the requirement of traffic police. The reply is not acceptable, as the estimates should have been prepared after assessing user department's requirement and proper site verification.

These instances indicated that the CCs did not prepare realistic estimates based on the field conditions which resulted in variations/cost escalation during execution.

3.4 Defective design of road pavements

- i) Paragraph 8 of KPWD Code, 2014 specified that the design, construction and maintenance of roads shall be in accordance with Ministry of Road Transport and Highways (MORTH) and Indian Roads Congress (IRC) standards, as amended from time to time. As per Clause 2.2 of IRC 95:1987 Semi Dense Bituminous Concrete (SDBC), should be used as a wearing course and should not be laid directly over Water Bound Macadam (WBM) or any granular base. Clause 507.1 of MORTH 5th Revision also stipulated that the SDBC work should consist of construction in a single layer of bituminous concrete on a previously prepared bituminous bound surface.

In disregard of these norms, estimates of five¹⁶ (12 per cent) out of 43 packages in three CCs (Ballari, Mysuru and Tumakuru) provided for laying SDBC directly over the granular base *i.e.*, SDBC to be laid without putting bituminous macadam. The procedure followed was in contravention of the guidelines which was detrimental to the quality and longevity of the roads constructed.

- ii) As per IRC 37-2012, the pavement thickness of Granular Sub Base (GSB)/Granular Base (GB) bituminous surfacing road for CBR of 4 per cent should be 560 mm.

CC, Ballari grouped four road works in Package 19 at an estimated cost of ₹ 1.85 crore. The sanctioned estimate provided for a pavement thickness

¹⁶ Ballari – Package 1 (₹ 10.25 lakh), Mysuru – Package 14 (₹ 5.33 lakh), Tumakuru – Package 7 (₹ 48.17 lakh), Package 10 (₹ 20.48 lakh) and Package 9 (₹ 78.68 lakh).

of 490 mm for two works (1 and 3) and 475 mm for one work (4)¹⁷ corresponding to a cumulative CBR of 3.82 *per cent*. As per MB, the executed pavement thickness were 525 mm, 490 mm and 575 mm respectively. Thus, the estimated and executed thickness of pavement were not consistent with the IRC guideline. Further the thickness of individual layers of the pavement were also at variance with those prescribed in IRC guidelines (detailed in **Appendix 3.1**).

As IRC is the standard setting body prescribing the design of pavement for all the categories of load carrying motorised vehicles, any deviation from the guidelines was to be justified. However, no justifications were on record for deviating from the IRC guidelines and approved estimate.

The State Government replied (April 2022) that the thickness of pavement crusts was estimated based on the traffic levels in the roads. The reply is not acceptable as thickness of the layers contravened the provisions of KPWD Code. Further no documentary evidence regarding traffic survey was produced to audit.

Tendering Process

Rule 21 of KTPP Rules mandated that the tender accepting authority should cause the evaluation of tenders to be carried out strictly in accordance with evaluation criteria indicated in tender documents.

3.5 Tendering Process for Project Management Consultants

Paragraphs 10, 11 and 12 of the Scheme guidelines contained provisions for hiring of Project Management Consultants (PMCs) by CCs in case they did not have the requisite technical capacity to prepare Detailed Project Reports (DPR) for the Scheme. The Scheme guidelines stipulated that the PMCs would be appointed by the DMA. Audit observed discrepancies in technical evaluation for appointing PMCs as discussed in succeeding paragraphs:

3.5.1 Award of work to ineligible consultants

DMA instructed (June 2014) all 10 CCs to indicate requirement of PMCs. Out of these 10 CCs, seven CCs (except Mangaluru, Kalaburagi and Ballari) requested for appointment of PMCs. CC, Mangaluru had already appointed technical advisor for implementing development works. DC, Ballari and CC, Kalaburagi indicated that there was no necessity for appointing PMCs.

Accordingly, DMA excluded these three CCs while inviting (June 2014) centralised tenders for PMCs in remaining seven CCs. The Government approved (February 2015) the appointment of three PMCs¹⁸ for Belagavi, Davanagere, Hubballi-Dharwad (HDMC), Mysuru, Shivamogga, Tumakuru and Vijayapura. The award cost for each CC was ₹ 2.09 crore.

¹⁷ Work 2 was construction of Cement Concrete Road.

¹⁸ (i) M/s Infra Support Engineering Consultants Pvt. Ltd. for Belagavi, HDMC and Vijayapura
(ii) Joint Venture of M/s Civil Technologies India Pvt. Ltd. (lead) and M/s CADD Station Technologies Pvt. Ltd. for Davanagere, Shivamogga and Tumakuru
(iii) M/s CADD Station Technologies Pvt. Ltd. for Mysuru

As per the tender documents, the consultancy firms interested to participate in selection of PMCs for the Scheme should satisfy the following conditions:

- a) The firm must have experience in the field of civil engineering consultancy for last five years providing design, project management and advisory services for State/Central Government and their undertaking agencies.
- b) Minimum annual financial turnover of ₹ 2.60 crore in any two years in last five years (*i.e.*, 2009-10 to 2013-14).
- c) Consultants for any State Government/Central Government Authorities and should have prepared DPR/rendered supervision services for:
 - (i) road, drain and culverts works of value not less than ₹ 50 crore;
 - (ii) water supply and UGD works including construction of Over Head Tank (OHT), Ground Level Storage Reservoir (GLSR) and Sewage Treatment Plant (STP) of value not less than ₹ 25 crore; and
 - (iii) building works of value not less than ₹ 8 crore.
- d) If a consultant was not having all the expertise for the assignment, it might obtain a full range of expertise by forming Joint Venture (JV). The lead consultant of JV must meet the eligibility criteria and satisfy the requisite technical qualification of either road works or for water supply/UGD works compulsorily.

Audit observed (December 2021) that none of these three consultants satisfied the mandatory criteria and were liable to be rejected as technically non-responsive for the reasons detailed below:

- i) M/s Civil Technologies India Pvt. Ltd. (lead) and M/s CADD Station Technologies Pvt. Ltd. (JV):
 - a) The consultant did not have the minimum annual financial turnover of ₹ 2.60 crore in any two years in last five years (*i.e.*, 2009-10 to 2013-14);
 - b) The consultant had not rendered supervision services for works for road, drain and culverts works of value not less than the ₹ 50 crore;
 - c) DMA had stipulated (July 2014) that curriculum vitae (CV) of same key professional staff could be used only for two CCs. Despite this, the consultant proposed same key professional staff for three CCs.
- ii) M/s CADD Station Technologies Pvt. Ltd. had neither prepared DPR nor rendered supervision services for works for road, drain and culverts works of value not less than ₹ 50 crore during the period 2009-14.
- iii) M/s Infra Support Engineering Consultants Pvt. Ltd. had rendered supervision services for water supply and UGD works costing ₹ 23.93 crore, which was less than the prescribed limit of ₹ 25 crore.

Despite these, DMA/UDD accepted the above tenders which resulted in extension of undue favour to these PMCs (details are given in **Appendix 3.2**). Incorrect technical evaluation by DMA led to award of works aggregating ₹ 14.63 crore to these ineligible consultants.

The State Government stated (April 2022) that some of the minor qualification criteria were relaxed by Tender Scrutiny Committee in order to create competitiveness and complete the project within the stipulated time. The reply is factually incorrect as these were the mandatory criteria and there was no documentary evidence on record relaxing these qualification criteria. Further, the reply does not address the audit observations highlighting obvious mistakes in the tender evaluation at DMA/UDD leading to award of works to ineligible consultants, for which responsibility needs to be fixed on the officials concerned.

3.5.2 Deficiencies noticed in evaluation of Technical Bid

Clause 5.13 of the tender documents stipulated minimum qualification and experience of key professional staff. In terms of this clause, the team leader proposed should have led a team on project costing ₹ 100 crore or more and should have minimum experience of 15 years. The deputy team leader was required to have worked on project costing not less than ₹ 50 crore. Similarly, Clause 5.14 prescribed qualification and experience of sub-key personnel. Also, as per addendum to RFP, key professional staff was not to be more than 65 years of age.

Audit observed (December 2021) that tender scrutiny by DMA was flawed as it did not identify following shortcomings in the requisite experience/qualification of key staff proposed by selected three agencies:

- i) the team leader proposed for Davanagere, Shivamogga and Tumakuru (JV of M/s Civil Technologies India Pvt. Ltd. and M/s CADD Station Technologies Pvt. Ltd) had not led a team in project costing ₹ 100 crore.
- ii) experience of the team leader proposed for Vijayapura (M/s Infra Support Engineering Consultants Pvt. Ltd.) was only 14 years and one month;
- iii) the deputy team leader proposed for Belagavi and HDMC (M/s Infra Support Engineering Consultants Pvt. Ltd.) had not worked on project costing ₹ 50 crore; and
- iv) The age of the team leader proposed for Mysuru (M/s CADD Station Technologies Pvt. Ltd.) was more than 65 years.

Audit also observed that instead of mentioning the names and experience of sub-key personnel in bid documents, two of these three agencies (M/s Civil Technologies and M/s Infra Support) had mentioned 'to be deployed' and 'TBA'. DMA qualified these two agencies though possession of requisite qualification and experience of sub-key personnel could not be ensured.

3.5.3 Award of multiple packages

Clause 2.7.3 of the tender documents stipulated that in case a consultant applied for more than one CC package, DMA had the right to ascertain their combined capacities to undertake the works of multiple packages. However, in no case, one consultant would be awarded more than three CC packages.

In contravention, M/s CADD Station Technologies Pvt. Ltd. was awarded PMC works in six packages as detailed in **Appendix 3.3**.

The State Government replied (April 2022) that M/s CADD Station Technologies was awarded only two packages by DMA and Kalaburagi package was awarded in separate tender. Rest of the packages were awarded to the JV of M/s Civil Technologies and M/s CADD Station Technologies, which was allowed as per the tender conditions. The reply is not acceptable as joint venture partners were jointly and severely responsible for all the obligation and liabilities relating to the consultancy work in accordance with the terms of reference of the Request for Proposal for the Consultancy Services.

3.5.4 Variations in key professional staff proposed and deployed

The State Level Committee (headed by the Secretary to Government, UDD) for *Nagarothana* in its 32nd meeting (January 2015) had approved the financial proposal for appointing PMCs in seven CCs with the condition that the agency should deploy the key professionals named in the proposal.

Audit, however, observed (December 2021) that there were variations in the key staff proposed *vis-à-vis* deployed in five out of these seven CCs. Details are given in **Appendix 3.4**.

Failure of the DMA in ensuring that the agencies deployed key professional staff named in the tender proposals contravened the order of the 32nd State Level Committee headed by the Secretary to Government, UDD besides violation of the tender agreements.

3.5.5 Inadequate assessment of technical capacity by City Corporation, Ballari

Consequent to receipt of instructions (6 June 2014) from DMA for indicating requirement of PMC, Commissioner, CC, Ballari *vide* letter dated 18 June 2014 requested DMA for appointment of PMC. However, DC, Ballari in telephonic conversation with Director, DMA on 20 June 2014 indicated that there was no necessity for appointing PMC for implementing the Scheme.

As a result, DMA excluded Ballari while inviting centralised tenders for PMC. Audit observed (November 2021) that after the invitation (June 2014) of centralised tender by DMA for seven CCs and their technical evaluation (September 2014), DC, Ballari requested (November and December 2014) DMA to permit CC, Ballari, to invite tenders for PMC citing non-availability of requisite technical capacity. DMA accorded approval and Ballari CC invited (January 2015) individual tenders for PMC.

Audit also observed that single bid was received from joint venture of M/s Niketan Consultants Pvt. Ltd. (lead) and M/s Unison Project Management Pvt. Ltd. Instead of rejecting the single bid and inviting fresh tender, work was entrusted (August 2015) to the single bidder.

The State Government stated (April 2022) that Ballari CC had planned (June 2014) to prepare and execute the works through CC Engineers. Subsequently, it was decided to appoint PMC in December 2014 as these were major works which required detailed surveys, field test, preparation of design/drawings and

quality supervision. The reply is not acceptable as the nature of works was already defined in the Scheme guidelines issued in September 2013/May 2014 and action plan of Ballari was approved before June 2014.

3.5.6 Insufficient evaluation of Project Management Consultants' eligibility at City Corporation, Ballari

Consequent to receipt of approval (December 2014) from DMA, Ballari CC invited (January 2015) tenders for appointing PMC. Audit observed (November 2021) the following discrepancies in tender evaluation:

- i) As per the tender conditions, the lead consultant of JV must meet the eligibility criteria and satisfy the requisite technical qualification of either road works or water supply/UGD works compulsorily. The work was awarded to the JV of M/s Niketan Consultants Pvt. Ltd. (lead) and M/s Unison Project Management Pvt. Ltd. However, Audit observed that M/s Niketan Consultants did not have the requisite technical qualification of supervising road works and the experience of M/s Unison Project Management Pvt. Ltd. was considered for road works. Audit also observed that the experience of M/s Niketan Consultants (lead) considered for water supply/UGD works was for schemes which were completed more than five years ago for which no weightage was to be given during technical evaluation.
- ii) Tender documents stipulated that in case the JV was selected to provide consultancy services, a detailed MoU indicating the specific project inputs and role of each Consultant along with percentage sharing of cost of services should be submitted to the Employer. However, no such MoU was available on record. Audit also observed that that none of the staff proposed for employment belonged to M/s Unison Project Management Pvt. Ltd. though its experience on road works assignments was given weightage in technical evaluation.

The State Government stated (April 2022) that the criteria was relaxed during evaluation process since the water supply and UGD works under the Scheme were entrusted to Karnataka Urban Water Supply and Drainage Board (KUWSDB). The reply is misleading as the technical evaluation was conducted during June 2015, whereas the approval to entrust water supply/UGD works to KUWSDB was accorded in August 2017. Also, as per the technical evaluation sheet, there was no such relaxation on record.

3.6 Tendering Process for Scheme Works

Audit found deviations from laid down criteria in evaluation of bids for Scheme works as detailed below:

3.6.1 Inadequate publicity and insufficient participation of bidders

As per the guidelines issued (December 2002) by the State Government, fresh tenders were to be invited when less than three tenders were received for a work. Paragraph 173 of KPWD Code stipulated that tender should be invited in the

most open and public manner possible by advertisement in the local newspapers by notice in English and Kannada.

Audit noted (August to December 2021) that for 13 out of 52 test-checked packages (25 per cent), costing ₹ 18.81 crore, Notice Inviting Tenders (NIT), containing information about invitation/opening of tenders, were published only in one local newspaper, instead of two newspapers. In respect of another 13 packages (25 per cent) costing ₹ 17.05 crore, NITs were not produced to audit.

Out of 52 packages test-checked, 31¹⁹ packages (60 per cent), costing ₹ 39.14 crore, were awarded on the basis of single bids. In another 10²⁰ packages (19 per cent) costing ₹ 13.88 crore, test-checked CCs awarded works on the basis of two bids.

Failure of CCs to give wide publicity to tenders and award of works without inviting fresh tenders in cases of insufficient participation of bidders contravened Government instructions/KPWD Code. This also indicated the lackadaisical effort by the CCs for obtaining competitive rates for the works undertaken under the Scheme.

The State Government, while agreeing to follow the procedure in future, stated (April 2022) that the single tenders were accepted due to necessity and urgency of works. The reply cannot be accepted as Audit observed there were instances of delays/non-execution of works taken up under the Scheme (Paragraph 3.8).

3.6.2 Irregular award of works

Rule 21 of KTPP Rules mandated that the tender accepting authority should cause the evaluation of tenders to be carried out strictly in accordance with evaluation criteria indicated in tender documents.

Scrutiny (September to November 2021) in two test-checked CCs (Ballari and Mysuru) showed that discrepancies in tender evaluations led to award of 6 out of 31 test-checked packages (19 per cent), costing ₹ 9.26 crore, to ineligible contractors. Details are as follows:

(i) Ballari

A) Package 19: As per the clause 3.2 (c) of tender document, each tenderer in its name should have executed a minimum quantity of 430 cubic metre (cum) of asphalt work in last five years *i.e.*, 2010-11 to 2014-15 to qualify for award of contract for road works under Package 19. The four road works (costing ₹ 1.85 crore) under this package were awarded (November 2016) to a contractor.

As per the technical evaluation report (August 2016) by DMA, executed quantity of asphalt work by the contractor was 403.27 cum which was less than the quantity stipulated in the tender document. The DMA qualified him citing that shortfall in executed quantity of asphalt was minor. As the

¹⁹ Ballari – 6 packages (₹ 8.91 crore), Mysuru - 15 packages (₹ 15.64 crore), Tumakuru – 7 packages (₹ 11.55 crore) and Vijayapura – 3 packages (₹ 3.04 crore).

²⁰ Ballari – 1 package (₹ 1.66 crore), Mysuru – 3 packages (₹ 4.33 crore), Tumakuru – 3 packages (₹ 4.87 crore) and Vijayapura – 3 packages (₹ 3.02 crore).

minimum criteria fixed in the tender document was not fulfilled, technical qualification and award of work to the contractor was inadmissible.

- B) Packages 32A and 36: The KW-4²¹ standard tender document prescribed that the contractors should achieve in two out of last five years minimum financial turnover not less than two times the estimated annual payments under the contract. CC, Ballari entrusted (July and August 2017) two test-checked packages, costing ₹ 2.22 crore²², to a contractor.

Comparison of bid documents submitted by the contractor for different works showed that there was huge variation in the contractor's turnover furnished for the years 2010-11 and 2011-12. For 2011-12, it was exhibited as ₹ 29.93 crore for a work (Indent No.54096) whereas it was ₹ 5.68 crore in bid documents submitted for another works (Indent Nos. 24917 and 12088). Similarly, the annual turnover (2010-11) was ₹ 29.38 crore as per bid documents of a work (Indent No.37800) and it was ₹ 2.79 crore for another works (Indent Nos. 24917 and 12088). Hence, possibility of fabricating the records and misrepresentations of facts in order to influence the tender procedure could not be ruled out. As per the progress report, CC, Ballari had entrusted another five Scheme packages²³ (costing ₹ 6.13 crore) to the same contractor.

The State Government replied (April 2022) that clarification was called for from the Chartered Accountant for the discrepancies in the annual turnover certified for the same year.

- C) Package 50: Tender documents specified that each tenderer should demonstrate, *inter alia*, availability of having one vibratory roller for executing road works.

As per the technical evaluation report (November 2017), technical bid of a contractor was approved though he did not furnish the information of having the vibratory roller. Instead of rejecting the bid for not complying with the mandatory criterion, CC, Ballari approved the technical bid and subsequently awarded (December 2017) the work at ₹ 2.89 crore (estimated cost - ₹ 3.00 crore), which was irregular.

In respect of Package 19 and 50 in Ballari, the State Government in its reply (April 2022) stated that relaxation in criteria was given for the bidders who were substantially responsive. The reply was not acceptable as the standard tender document prescribed that a substantive responsive tender should conform to all terms, conditions and specifications of tender document and any relaxation provided amounted to extending undue benefit to the bidder.

ii) Mysuru

- A) Package 10: Financial evaluation of this package costing ₹ 0.99 crore was done on 26 August 2015 and the work order was issued to the contractor on 27 August 2015.

²¹ Standard tender document prescribed for works costing ₹ 1 crore to ₹ 10 crore.

²² Packages 32A (₹ 1.21 crore) and 36 (₹ 1.01 crore).

²³ Packages 2 (₹ 1.01 crore), 30 (₹ 1.20 crore), 31 (₹ 1.28 crore), 33 (₹ 1.46 crore) and 35 (₹ 1.18 crore).

Audit, however, observed that for another package²⁴, the contractor had submitted fake certificates and EE, UGD, CC, Mysuru informed (25 August 2015) DMA about the matter before completion of financial evaluation. Despite possessing the above information, DMA qualified his tender and CC issued the work order, which was irregular.

- B) **Package 13:** As per Clause 3.6 of the tender documents, tenderers who meet the specified minimum qualifying criteria, would only be qualified, if their available tender capacity²⁵ was more than the total tender value.

Audit observed that as per technical evaluation report (January 2016) of the package costing ₹ 1.20 crore, DMA assessed the available tender capacity of the lone bidder as ₹ 1.25 crore²⁶ considering the existing commitments as ₹ 7.83 crore. However, in technical evaluation of other Scheme packages (Indent 31121, 31009, 31116), value of existing commitments of the same contractor was taken as ₹ 7.98 crore and the assessed available tender capacity worked out to ₹ 1.10 crore²⁷ which resulted in rejection of his tenders. The inconsistency in calculation of available bid capacity of the same bidder for different tenders during the same period indicates deficiencies in technical evaluation carried out by DMA.

Thus, the deficiencies/inconsistencies in technical evaluation indicate lack of transparency in tender process, resulting in selection of ineligible contractors. The State Government replied (April 2022) that the above discrepancies would be avoided in future technical evaluations.

3.6.3 Transparency in Bidding procedure

Provisions of KTPP Act and Rules specified that the contract should be awarded to the lowest evaluated technically and commercially responsive tenderer, who meets the prescribed qualification criteria including bid capacity and past performance. Test-check of records in two CCs (Ballari and Tumakuru) showed that there was unjustified rejection of technically responsive bids, as detailed below:

i) Ballari

Scrutiny of records (November 2021) at CC, Ballari showed that tenders for four²⁸ (44 *per cent*) out of nine test-checked packages were invited along with another 18 packages. NIT for these 22 packages was published on 11 March 2016. CC, Ballari conducted (May 2016) technical evaluation and submitted (July 2016) the report to DMA for approval. DMA carried out the technical

²⁴ Indent No. DMA/2014-15/WS/WORK_INDENT30664.

²⁵ Assessed available tender capacity = $(A \times N \times 1.50 - B)$, where

A = Maximum value of civil engineering works executed in any one year during the last five years (updated to 2015-16 price level) taking into account the completed as well as works in progress.

N = Number of years prescribed for completion of the works for which tenders are invited.

B = Value, at 2015-16 price level of existing commitments and on-going works to be completed during the next year.

²⁶ ₹ 124.63 lakh = ₹ 1,210 lakh \times 0.5 \times 1.50 – ₹ 782.87 lakh.

²⁷ ₹ 109.63 lakh = ₹ 1,210 lakh \times 0.5 \times 1.50 – ₹ 797.87 lakh.

²⁸ Packages 1, 4, 10 and 19.

evaluation (August 2016) and financial evaluation (September 2016) and accorded approval for the tenders during October 2016. Audit observed the following irregularities in tender evaluation:

a) Rejection of bids due to shortage in tender capacities

Out of 22 packages, DMA rejected (August 2016) the technical bids of one or more of three bidders (Shri K Ravikumar, Shri M Siddaramannagowda and Shri Vontaru Chandra Mohan) in 14 packages citing shortage in assessed available tender capacities. Audit scrutiny revealed that DMA wrongly included estimated cost/quoted rates of those packages (out of 22 packages) for which financial approval was accorded subsequently (21 October 2016) along with the existing commitments and on-going works of these three bidders. Details are as follows (**Table 3.2**):

Table 3.2: Statement showing incorrect adoption of existing commitments leading to unjustified rejection of bids

(₹ in lakh)

Name of bidder (Shri)	Number of bids submitted out of 22 packages	Cost of existing commitment and on-going works as on last date (20.04.2016) of bid submission	No. of packages in which technically qualified and accorded approval on 21.10.2016		No. of packages rejected technically from 06.08.2016 to 09.08.2016 due to shortage in available tender capacity	
			Number	Aggregate tender amount	Number	Existing commitment and on-going works adopted by DMA
K Ravikumar	9	24.66	3 ²⁹	385.35	6 ³⁰	410.01 (24.66 + 385.35)
M Siddaramannagowda	14	2,192.00	4 ³¹	455.52	10 ³²	2,647.52 (2,192 + 455.52)
Vontaru Chandra Mohan	7	17.38	2 ³³	328.83	5 ³⁴	346.21 (17.38 + 328.83)

Source: Files related to technical and financial evaluation of 22 packages by DMA

Indent-wise and package-wise details are given in the **Appendix 3.5**. It could be seen that cost of the packages, which were yet to be approved and awarded to these bidders, were also included as existing commitments. These works could not be considered as existing or on-going works as on the date of technical evaluation. This resulted in incorrect calculation of the available tender capacity of the above bidders and hence, their disqualification on the above grounds was not justifiable.

b) Tendering procedure

The State Government stipulated (December 2002) that negotiations even with the lowest tenderer defeated the very ethics of competitive tendering and should not be resorted solely for the purpose of reduction of rates. Negotiations solely for the purpose of obtaining lower prices would be appropriate only in exceptional circumstances, such as lack of competition

²⁹ Indent Nos. 38093, 38119 and 38126.

³⁰ Indent Nos. 38073, 38091, 38106, 38351, 38103 and 38105.

³¹ Indent Nos. 38073, 38090, 38091 and 38354.

³² Indent Nos. 38351, 38102, 38103, 38104, 38105, 38353, 38110, 38120, 38124 and 38135.

³³ Indent Nos. 38110 and 38120.

³⁴ Indent Nos. 38102, 38353, 38116, 38124 and 38135.

(less than three), single bid, suspected collusion, or where the lowest evaluated responsive bid was substantially above the estimated cost. In such cases also, the first choice was rejection of all tenders and re-inviting fresh tenders.

In contravention to these, CC, Ballari invited (August 2016) lowest (L1) bidders in these 22 packages for negotiations and DMA accorded (October 2016) financial approval of the tender.

Comparison of quoted rates, negotiated rates and estimated costs of these 22 packages showed that negotiated rates in four packages were less than the estimated costs as per current Schedule of Rates (SR) 2016-17 and in remaining 18 packages, these ranged between 2.98 to 6.50 *per cent* of the estimated costs.

Audit observed that DMA disregarding the negotiated rates, restricted the award costs in 15 of these 18 packages to the estimated costs *i.e.*, at 'nil' tender *per cent*. In respect of remaining three packages (numbers 10, 17 and 18) where Shri S Guruva Reddy was L1, DMA awarded the works at the negotiated rates (tender premium ranging from 6.25 to 6.40 *per cent*). Details are given in **Appendix 3.6**.

The action of DMA in awarding only three out of 18 packages at tender premium and restricting the awards for the other packages at the estimated cost indicated differential treatment and lack of consistency in award of works. Difference in estimated costs and awarded costs of these three packages aggregated ₹ 25.70 lakh which was the benefit extended to Shri S Guruva Reddy and denied to the other contractors.

The State Government replied (April 2022) that technical evaluations in future would be conducted as per prescribed norms. Regarding inconsistency in negotiation of tender premiums, it was stated that the negotiations for tender premiums varied with the nature of the work. The reply was not acceptable as there was no consistency in negotiations conducted which resulted in extension of undue benefit to a particular contractor.

ii) Tumakuru

a) Incorrect technical evaluation and award of work at substantially high rate

CC, Tumakuru grouped five road and drain works in Package 26 at an estimated cost of ₹ 1.65 crore. Scrutiny showed that out of three bids received for the package, two technical bids (Shri C R Harish and Shri Y R Venugopal) were rejected on the following grounds:

- i) The contractor (Shri C R Harish) did not extend the bid validity.
- ii) The contractor (Shri Y R Venugopal) did not have the requisite bid capacity and also did not extend the bid validity.

The above work was awarded (July 2015) to the single qualified bidder (M/s Amrutha Constructions) at 6.80 *per cent* above CSR 2014-15. Audit

observed (September 2021) that reasons for rejection of tenders were not justified as detailed below:

- There was no correspondence on record requesting the tenderers to extend the bid validity.
- As per the tender conditions, the Available Tender Capacity of the contractor during 2009-10 to 2014-15 should be equal to or more than the estimated cost. In respect of Shri Y R Venugopal, the financial turnover for the year 2009-10 amounting to ₹ 4.54 crore³⁵ was not considered for calculating the Available Tender Capacity, resulting in incorrect rejection of the technical bid.

Audit noted that in another test-check Package No. 15 under the Scheme during the similar period, Shri Y R Venugopal was awarded the work at 10.91 *per cent* below the 2014-15 CSR. Comparison of the rates quoted for Package 15 (Shri Y R Venugopal)³⁶ and those paid for Package 26 (M/s Amrutha Constructions) showed that the CC paid ₹ 61.99 lakh to M/s Amrutha Constructions for seven³⁷ out of eight items whereas the amount payable to Shri Y R Venugopal would work out to ₹ 49.06 lakh. Thus, there was avoidable expenditure to an extent of ₹ 12.93 lakh due to unjustified rejection of bid (details are given in **Appendix 3.7**).

Further, as per the guidelines (December 2002) for conducting negotiations, contract at 10 *per cent* above the updated estimate would be termed as substantially high tender. In such cases, the tender scrutiny committee should identify the items for which rates were high, get the break-up of rates and make a thorough examination of the reasonableness before awarding the work.

As per the financial evaluation and tender approval accorded (June 2015) by DMA, the tender premium in respect of Package 26 was 6.80 *per cent* above the CSR 2014-15 (quoted rate was ₹ 193.27 lakh against the CSR 2014-15 rate of ₹ 180.96 lakh).

Audit scrutiny of the financial evaluation showed that the rates adopted for two items³⁸ were incorrect, which inflated the updated estimate cost by ₹ 5.80 lakh. Thus, instead of ₹ 180.96 lakh, the updated estimate cost (CSR 2014-15) would be ₹ 175.16 lakh and tender premium would work out to 10.34 *per cent*. Since the tender premium was more than 10 *per cent*, the CC/DMA were to make thorough examination of the rates and negotiate, if necessary. However, the prescribed procedure was not followed and the work was awarded at substantially high rates.

³⁵ Considering the turnover for 2009-10 as ₹ 4.54 crore, the Available Tender Capacity worked out to (+) ₹ 1.91 crore which was more than the estimated value of ₹ 1.65 crore.

³⁶ There was no work entrusted to Shri C R Harish under *Nagarothana* Phase-III. Hence, rates could not be compared.

³⁷ Item no.6 was not in Package 15. Hence, it was excluded from comparison.

³⁸ a) Item No.4 (Providing TMT steel reinforcement for RCC work) - rate adopted was ₹ 7,538/cum instead of CSR rate of ₹ 7,358/cum.

b) Item No.14 (Cleaning the existing WBM road surface) - rate adopted was ₹ 32.60/sq m instead of CSR rate of ₹ 11.30/sq m.

The State Government replied (April 2022) that CC, Tumakuru had requested the contractors to extend the bid validity which was not accepted by the rejected tenderer. It was also stated that the available tender capacity of the rejected tenderer was satisfactory only during 2013-14. Reply cannot be accepted as no documentary evidence was produced in respect of correspondence regarding extension of bid validity. Further, as pointed out, the department failed to consider the annual turnover of the contractor during 2009-10 for calculating available tender capacity which resulted in rejection of his tender.

3.6.4 Award of works after the expiry of bid validity

In terms of Rule 22 of KTPP Rules, 2000 and Clause 12 of Invitation to Tender in tender documents, evaluation of tenders and award of contract was to be completed within the period for which the tenders were held valid. In exceptional circumstances, prior to expiry of the original time limit, the Employer could request the tenderers to extend the period of validity for a specified additional period. The request and the tenderers' responses were to be made in writing or by cable. In case the evaluation of tenders and award of contract was not completed within extended period, all the tenders should be deemed to have become invalid and fresh tenders were to be called for.

Audit observed (August to November 2021) that three test-checked CCs (Ballari, Mysuru and Tumakuru) awarded contracts in 18³⁹ (42 *per cent*) out of 43 packages after the expiry of bid validity. These CCs also did not seek extension of bid validity from the contractors in any of these cases. The award of the works in the above cases carried financial risk as contractors were not bound to adhere to the rates agreed upon due to the lapse of bid validity.

The State Government replied (April 2022) that bid validity period in the above cases was extended through oral instructions to the contractor which was not acceptable.

Execution of Works

3.7 Deviation in allotment of package/work cost

The Scheme guidelines (Paragraph 23) stipulated that the works to be taken up were to be grouped in packages and the cost of each package was not to be less than ₹ 100 lakh. Also, each work under the Scheme should be of minimum ₹ 50 lakh.

During 2015-21, in contravention to the Scheme guidelines, test-checked CCs took up 32 (14 *per cent*) out of 227 packages for which the estimated cost was less than ₹ 100 lakh. Moreover, the cost of 452 (70 *per cent*) out of 643 works in these CCs was less than the mandated minimum cost of ₹ 50 lakh. The details are given in **Appendix 3.8**.

³⁹ Ballari – 4 packages (Nos. 1, 4, 10 and 19); Mysuru – 9 packages (Nos. 1, 3, 13, 14, 17, 29, 81, 82 and 83) and Tumakuru – 5 packages (Nos. 6, 9, 15, 26 and 34).

Thus, the execution of majority of works with less than prescribed minimum financial outlay resulted in thin spreading out of resources without providing tangible benefit to the CCs as envisioned under the Scheme.

The State Government, while agreeing to follow the guidelines in future, stated (April 2022) that the action plan for implementation of the Scheme was prepared as per the Government instructions issued in September 2013 which allowed minimum value of works to be ₹ 25 lakh. The reply was not acceptable as the action plans were to be revised based on the detailed guidelines issued by the Government in May 2014.

3.8 Non-execution and delay in execution of works

Paragraph 23 of the Scheme guidelines mandated that action plan should not include works for which sites were not available.

Audit scrutiny (August to November 2021) of 43 test-checked packages in three CCs (Ballari, Mysuru and Tumakuru) revealed that 11 (69 *per cent*) out of 16 works in seven packages (costing ₹ 8.53 crore) were not executed due to non-availability of work sites. This indicated that the CCs did not visit the worksites before including these works in the action plan. Out of these, places of execution were changed subsequently in four works for construction of OHTs at Mysuru. Further in respect of the packages detailed below, the works were not taken up or partially completed the reasons for which were not furnished to audit:

- i) In test-checked packages (Nos. 36, 38 and 50) at Ballari, two works of laying interlocking stones (costing ₹ 31 lakh) and one work of rainwater harvesting (costing ₹ 2.32 lakh) were not executed.
- ii) Similarly, none of the three works in Package 35 at Vijayapura were completed and expenditure incurred was only ₹ 43.84 lakh against the estimated cost of ₹ 123.40 lakh.

Scrutiny also showed that there were delays ranging from 75 days to 547 days in completion of eight (19 *per cent*) out of 43 packages in Ballari, Mysuru and Tumakuru CCs. Expenditure incurred on these eight packages was ₹ 9.93 crore. Delays were mainly attributable to non-completion of UGD works, not shifting of electric poles, *etc.*, before entrusting works. CC-wise details are given in **Appendix 3.9**.

Audit could not verify the above issues in Vijayapura as CC, Vijayapura did not furnish the requisite information (December 2021).

3.9 Irregular execution of works

In terms of tender documents and KPWD Code, contractors should not be paid at rates in excess of those provided in the agreements. Details of quantities, rate and amount of each item for which payments were made should be clearly traceable into the relevant measurement book.

Scrutiny (August to December 2021) showed that expenditure of ₹ 68.95 lakh incurred in test-checked CCs was inadmissible/irregular, as detailed in succeeding paragraphs:

3.9.1 Adoption of incorrect rates

As per paragraph 151 of KPWD Code, the payment for item rate contracts were to be done for the actual quantities of work executed at the rates quoted by the contractor for each item.

Audit observed (August to October 2021) that there was inadmissible payment of ₹ 7.90 lakh in following five (15 per cent) out of 34 packages of two CCs (Mysuru and Tumakuru) as the payments were made at incorrect rates:

(i) Mysuru

- A) Package 1: Instead of using RCC M25 grade for providing and laying plain/reinforced CC for Box drain wall (218.90 cum), RCC M20 grade (@ ₹ 5,953.35) was used but payment was made at the rate of RCC M25 grade (@ ₹ 7,506). Also, scarifying the existing bituminous surface (2,476.30 sqm) was paid at ₹ 81.38/sqm (stone metal layer) though it was payable at ₹ 2.62/sqm (bituminous surface). As a result, there was inadmissible payment of ₹ 5.35 lakh.
- B) Package 3: Earthwork excavation (3,000.43 cum) in ordinary soil was payable @ ₹ 63.45/cum but it was incorrectly paid at the rate applicable for earthwork excavation in hard soil (523.60 cum @ ₹ 88.83/cum) and earthwork excavation and forming in embankment (2,476.83 cum @ ₹ 81.58/cum). This resulted in inadmissible payment of ₹ 0.58 lakh.
- C) Package 13: Earthwork excavation in ordinary soil for road work (327.75 cum @) ₹ 66.73/cum) was incorrectly paid at the higher rate of earthwork in surface excavation in hard soil (@ ₹ 165/cum). Thus, there was an excess payment of ₹ 0.32 lakh due to adoption of incorrect rate.

(ii) Tumakuru

- A) Package 5: Extra item was paid at ₹ 1,324.05/cum whereas it was payable at ₹ 1,262.10/cum. Thus, there was excess payment of ₹ 0.48 lakh for the executed quantity of 780.13 cum.
- B) Package 34: Scarifying the existing surface was paid at ₹ 15/sqm (granular surface) though it was payable at ₹ 2.71/sqm (bituminous surface). Thus, there was excess payment of ₹ 1.17 lakh on executed quantity of 9,505.46 sqm.

The State Government replied (April 2022) that the excess payments were made due to the additional works carried out depending on the site conditions prevalent during the execution of works. Reply was not acceptable as documentary evidence such as test reports necessitating the changes were not produced for audit verification. Further, recoveries were yet (April 2022) to be made from the contractors for the excess rates paid.

3.9.2 Irregular payments made to contractors

Scrutiny (August to December 2021) also showed that test-checked CCs made payments to the contractors for the item executed in disregard of prescribed specification, quantity already paid for, etc. This resulted in irregular payment of ₹ 40.45 lakh in three (10 per cent) out of 31 test-checked packages, as detailed below:

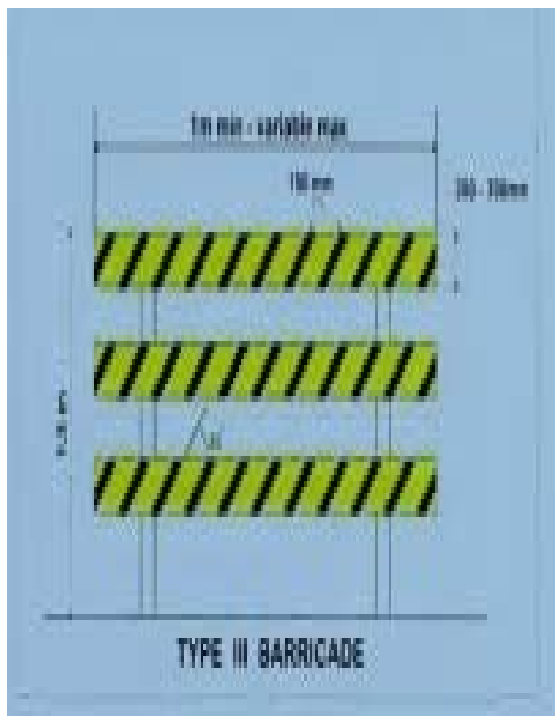

(i) Mysuru

Package 3: SDBC was laid for the SJH Road (Chainage 0 to 194.60 m and 202.20 to 387.50 m). Audit observed that double payments were made for the above item for a length of 20.60 m in front of Veena Provision Store (Chainage 312.20 to 367.20 m). The excess payment amounted to ₹ 0.29 lakh (3.66 cum @ ₹ 8,030.70). Similarly, earthwork excavation for same stretch of road was paid more than once (**Appendix 3.10**) and the amount involved was ₹ 3.94 lakh.

(ii) Vijavapura

(A) Package 53/4: Work included installation of 250 permanent type barricades as per the specifications provided in the estimate. However, CC paid ₹ 12.46 lakh to the contractor for installing 235 barricades (at ₹ 5,300 each), which were totally in variance (**Exhibit 3.1**) with the approved estimates and specifications, as seen from the photographs attached to the work file and also seen during JPV (December 2021).

Exhibit 3.1: Barricades to be installed *vis-à-vis* actually installed at CC, Vijavapura

	
<p><u>To be installed:</u> Barricades made of steel components, 1.5 metre high from road level, fitted with three horizontal rails 200 mm wide and 4 metre long on 50 × 50 × 5 mm angle iron vertical support, painted with yellow and white strips, 150 mm in width at an angle of 45 degrees, complete as per IRC:SP:55-2001.</p>	<p><u>Actually installed:</u> 50mm × 25mm steel rectangular pipes placed vertically and one pipe for same dimension on top and bottom horizontally 2 metres long. Two 75 mm × 35 mm rectangular steel pipes placed vertically on both the ends of a single unit. In some places median barricades were constructed by placing three 25 mm cylindrical pipes horizontally in running metres from one end to other end through MS railings with hole placed vertically at two metres distance.</p>

Source: Approved estimates and photographs as available in work file

(B) Package 28: As per Measurement Book (MB), measurements for third and part bill were recorded in the months of November and December 2017. However, the payment of ₹ 23.76 lakh was already made in the month of March 2017 before measurements were recorded.

The State Government replied (April 2022) that the variations/change in specifications were necessitated due to the site conditions prevalent during the execution of works. Reply was not acceptable as documentary evidence such as test reports necessitating the changes were not produced for audit verification.

3.9.3 Double payments to contractors

Paragraph 8 of KPWD Code, 2014 specified that the design, construction and maintenance of roads shall be in accordance with MORTH and IRC standards, as amended from time to time. In terms of Clause 504.8 of MORTH 5th Revision, the contract unit rate for bituminous macadam was inclusive of the cost of cleaning the surface. Similarly, as per Clause 507.9, the contract unit rate for SDBC was inclusive of the cost of cleaning the surface.

Audit scrutiny (August to October 2021) showed that two CCs (Mysuru and Tumakuru) paid separately for items of cleaning the surface in four (12 *per cent*) out of 34 test-checked packages. This resulted in unjustified expenditure of ₹ 2.15 lakh.

Also, as per SR, item of removing unserviceable soil (item 19.20) included the cost of excavation, loading and disposal.

Audit observed that estimates of three (33 *per cent*) out of nine test-checked packages at Ballari contained an item of removal of unserviceable soil which included excavation, loading and disposal. Despite this, the contractors were paid separately for excavation of soil by mechanical means which resulted in unjustified payment of ₹ 3.99 lakh. Package-wise details are given in **Appendix 3.11**.

The State Government replied (April 2022) that there was accumulation of debris and other unserviceable materials on road and these materials were removed for level formation. The reply is not acceptable as no documentary evidence were produced to Audit in support of the reply.

3.9.4 Payment for earthwork excavation at higher rates

The SR provides for separate rates for excavation by mechanical and manual means and the cost of excavation by mechanical means was lower when compared to excavation by manual means.

Audit scrutiny (August to November 2021) revealed that three CCs (Ballari, Mysuru and Tumakuru) in seven (16 *per cent*) out of 43 packages had included in the estimates earthwork excavation by manual means and payments made accordingly. However, Audit observed from the photographs attached to the work files that the excavation was carried by mechanical means utilising machinery. Thus, payment for excavation at manual rates while allowing the use

of mechanical means for excavation resulted in undue benefit of ₹ 14.46 lakh⁴⁰ to the contractors.

The State Government replied (April 2022) that mechanical means were used only at places where hard soil, soft rock, tree roots, *etc.*, were encountered during execution of the work. The reply cannot be accepted as the department did not produce documentary evidence in support of the reply and entire payment on this item was made at manual rates.

3.10 Execution of works in disregard of Codal provisions

Paragraph 8 of KPWD Code, 2014 specified that the design, construction and maintenance of roads shall be in accordance with MORTH and IRC standards, as amended from time to time. Clause 501.8.3.2 (scarifying existing bituminous surface) of MORTH 5th Revision stipulated that before laying bituminous course, the existing bituminous layer, if any, should be removed with care and without causing undue disturbance to the underlying layers. The underlying layers which might have been disturbed should be suitably reworked and compacted to line and level. Also, existing potholes and cracks should be repaired and sealed and after applying a tack coat, the bituminous profile corrective course should be laid (Clauses 501.8.3.3 and 501.8.3.4).

Audit observed (August to December 2021) that estimates in eight (19 *per cent*) out of 43 test-checked packages at three CCs (Mysuru, Tumakuru and Vijayapura) included the item of scarifying the existing bituminous surface. In contravention to the MORTH specification, underlying layers were also removed and re-laid. This led to avoidable expenditure of ₹ 312.32 lakh⁴¹.

Audit also observed that three test-checked CCs (Ballari, Mysuru and Tumakuru) incurred additional expenditure of ₹ 38.23 lakh in six (14 *per cent*) out of 43 packages, which was not justified for the reasons detailed below:

(i) **Ballari**

- (A) Package 10: Clause 7.2 of IRC 36 stipulated that soils having laboratory maximum dry density (MDD) of less than 1.44 gm per cubic centimetre were ordinarily considered unsuitable and should be avoided for use in embankments. In contravention, even soil having MDD of 1.548 gm per cubic centimetre was considered unsuitable and expenditure of ₹ 16.51 lakh was incurred on removing soil and constructing sub-grade which was unwarranted.
- (B) Packages 36 and 38: In disregard of Clause 4.3 of IRC 63, interlocking stones of 75 mm thickness were used instead of 60 mm. This resulted in avoidable expenditure of ₹ 3.54 lakh.

⁴⁰ Ballari – Package 4 (₹ 0.10 lakh) and Package 32A (₹ 9.05 lakh); Mysuru - Package 17 (₹ 1.04 lakh) and Package 29 (₹ 0.89 lakh); Tumakuru - Package 5 (₹ 1.73 lakh), Package 9 (₹ 0.75 lakh) and Package 34 (₹ 0.90 lakh).

⁴¹ Mysuru - Package 1 (₹ 5.20 lakh), Package 3 (₹ 1.58 lakh), Package 13 (₹ 13.78 lakh) and Package 29 (₹ 35.06 lakh); Tumakuru - Package 34 (₹ 36.32 lakh); Vijayapura - Package 37 (₹ 108.37 lakh), Package 64 (₹ 25.93 lakh) and Package 65 (₹ 86.08 lakh).

(ii) Mysuru

- (A) Package 3: As per MORTH (Clause 504.5), BM layer should be covered with either the next pavement course or wearing course. Despite this, avoidable expenditure of ₹ 0.81 lakh was incurred on covering BM surface with tack coat.
- (B) Package 82: Estimate included the items of providing heavy duty cobble stones and fixing MS Grill for windows under the work of renovation of parks. The photographs attached with the work estimates indicated the above items in good condition. The renovation carried out was unwarranted and expenditure of ₹ 8.11 lakh was avoidable.

(iii) Tumakuru

Package 5: Vacuum dewatering was used to achieve high strength, longer life, better finish and faster work suitable for heavy traffic situations. However, payment amounting to ₹ 9.26 lakh was made for the item of vacuum dewatering for cross roads which was not necessary.

The State Government replied (April 2022) that condition of the roads was dilapidated at the time of execution, and hence the CCs made additional provision for strengthening the base and to make the roads more durable. The reply is not acceptable as no documentary evidence were furnished to indicate the condition of the road and the works carried out were in contravention to codal provisions.

3.11 Execution of works without approval

Paragraph 137 of KPWD Code stipulated that it was not permissible to apply any actual saving, whether due to the abandonment of a part of the work or due to obtaining lower tender rates, to carry out additional work not contemplated in the original estimate without the sanction of the competent authority.

In contravention, two CCs (Ballari and Mysuru) utilised savings of ₹ 74.69 lakh⁴² on three (10 *per cent*) out of 31 packages for executing additional works without approval from DMA.

The State Government replied (April 2022) that savings were utilised to carry out additional works under the orders of local representatives. Reply was not acceptable as the procedure prescribed in KPWD Code for taking up additional works out of savings was not followed.

3.12 Inadmissible payments to contractors

Audit observed (August to December 2021) that three test-checked CCs (Ballari, Tumakuru and Vijayapura) paid a sum of ₹ 104.54 lakh to the contractors in following six (20 *per cent*) out of 30 packages for the quantities not executed:

(i) Ballari

- (A) Package 4: Contractor was paid ₹ 3.50 lakh for 1,030.45 rmt for supplying PVC ringtite pipes' though there was no such entry in the EMB. Hence, it was not admissible.

⁴² Ballari - Package 1 (₹ 31.08 lakh); Mysuru – Package 14 (₹ 21.32 lakh) and Package 41 (₹ 22.29 lakh).

(B) Package 44: Test reports enclosed to RA bills stated that work for constructing bund was taken up for 70 m (chainage 195 to 265 m), but the payment was made for 100 m. Hence, amount of ₹ 39.76 lakh paid for 30 m was not admissible.

(ii) **Tumakuru**

Package 26/2: Payment was made for 75 mm BM+SDBC whereas work was done for 70 mm (as per PMC report). This resulted in inadmissible payment of ₹ 1.27 lakh.

(iii) **Vijayapura**

(A) Package 53/4: Contractor was paid ₹ 3.75 lakh for providing traffic islands in 10 different locations. Information furnished (January 2022) by CC and joint physical verification (December 2021) by Audit with department officials indicated that the item was not executed.

(B) Package 56: As per RA bill (2nd and final), 24 RCC poles and 16 PSC poles were installed in Ward Nos.17 and 22. JPV revealed (December 2021) installation of 14 PSC poles only. Thus, there was inadmissible payment of ₹ 1.74 lakh towards 2 PSC poles (@ ₹ 4,215) and 24 RCC poles (@ ₹ 6,878).

(C) Package 65: Against the executed quantities of Subgrade (732.93 cum), Granular Sub Base (359.04 cum), Wet Mix Macadam (694.57 cum) and Bituminous Macadam (312.51 cum) as per PMC Report, payments were made for 2,700.34 cum, 1,440.69 cum, 1,417.87 cum and 464.86 cum respectively. This resulted in inadmissible payment of ₹ 54.52 lakh.

3.13 Idle expenditure on unutilised assets

3.13.1 Purchase of Diesel Generator Sets at City Corporation, Tumakuru

CC, Tumakuru invited (December 2016) tenders for purchasing two 500 KVA Diesel Generator (DG) sets for the pump houses at CMC and Vidyanagar and construction of roads/CC drains at an estimated cost of ₹ 1.47 crore (Package 38). The DG sets were purchased to provide uninterrupted power supply to the 24×7 water supply schemes implemented by KUWSDB. As per the tender documents, due date for completion of works was three months. In contravention to this, CC awarded (July 2017) the works to L1 bidder with instructions to complete the work within 18 months *i.e.*, by 14 January 2019. Modification of tender conditions after award of work amounted to undue favour to the contractor and denied fairness in competition to other bidders who participated in the tender.

Audit observed (September 2021) that the contractor did not execute the work of construction of roads/CC drains. Only the installation of two DG sets were completed (May 2019) for which he was paid ₹ 0.90 crore. Verification of the concerned logbooks of the DG sets at CMC and Vidyanagara pump house showed that their total run time was 21 and 13 hours respectively (up to 8 September 2021). These were last operated during October-December 2019. JPV conducted (September 2021) by Audit with CC officials revealed that both

the DG sets were completely unattended and getting rusted and the DG set at Vidyanagara pump house was not in working condition. In the absence of functioning DG sets, the water pumps were running without any power back up and the objective of purchasing DG sets to provide uninterrupted power supply for 24×7 water supply schemes was not achieved, resulting in unfruitful expenditure of ₹ 0.90 crore.

The State Government replied (April 2022) that the DG sets were installed with the intention to provide uninterrupted power supply for 24 × 7 water supply schemes implemented by KUWSDB. As this scheme was not completed by KUWSDB, the DG sets were not fully utilized. The reply is not acceptable as the CC purchased DG sets well in advance of completion of works by KUWSDB. Further, the reply was silent regarding the lack of maintenance and non-functioning of the DG sets.

3.13.2 Defective selection of site for constructing bus terminal

CC, Ballari, floated (March 2017) tender for ‘Upgradation of Private Bus Terminal and Commercial Complex in Ballari City’ at an estimated cost of ₹ 3.00 crore. The objective was to provide a single boarding point for all private buses including luxury buses. The work was awarded (December 2017) to a contractor and was completed (March 2019) at a cost of ₹ 2.88 crore.

Audit observed (November 2021) that the site selected for the work was near a railway under bridge. This site selection was inappropriate as the height arrester fixed at both the sides of the railway under bridge did not allow the buses to pass through it to make use of the private bus stand. Also, CC, Ballari did not arrange for providing electricity connection to the private bus stand. As the newly upgraded private bus terminal was non-operational, the eleven shops constructed in the complex could not be let out. During JPV (November 2021) conducted with CC officials, Audit observed that toilets, urinals, wash basins and water taps in the complex were found to be non-functional and unhygienic (**Exhibit 3.2**). Thus, defective selection of site rendered the expenditure of ₹ 2.88 crore incurred in the construction of bus terminal and commercial complex unfruitful.

Exhibit 3.2: Status of private bus terminal constructed at Ballari



The State Government replied (April 2022) that the proposal would be sent to railway authorities to address the issue of height arrester and that action would be taken to auction the shops constructed. The matter, however, remains that the objective of providing single boarding point for all private buses was not accomplished even after three years of completion of the construction work of the bus stand.

3.14 Loss to the exchequer due to non-revision of Schedule of Rates

Test-checked CCs (except Ballari) took up electrical works such as supply of LED streetlights, high pressure metal halide street/flood lights, decorative horizontal street lights, high pressure sodium vapour street lights, *etc.*, under the Scheme. Estimates for these items were prepared on the basis of PWD electrical SR.

A comparison of the rates as mentioned in PWD SR with the market rates (as per invoice copies of the electrical items) indicated that SR rates were much higher than the prevailing market rates. This anomaly resulted in loss to the Government to an extent of ₹ 1.29 crore in five test-checked packages⁴³ in three CCs. Details are given in **Appendix 3.12**.

The State Government replied (April 2022) that the estimates were prepared based on the prevailing electrical SR of PWD (2010-11 and 2014-15). Taking cognisance of excess rate in electrical SR (August 2018), the Government instructed all ULBs to adopt PWD electrical SR 2019-20 which was in line with the market rates. However, the fact remains that Government exchequer incurred a loss of ₹ 1.29 crore due to the excess rates in electrical SRs of earlier years.

3.15 Non-execution of supplementary agreements for extra items

In terms of Paragraphs 184(9) and 184(14) of KPWD Code, extra items should be executed only after the approval of the authority who had approved the original estimate and a supplementary agreement should be entered into with the contractor, indicating his acceptance of rates and payments for the extra items.

In contravention to this provision, test-checked CCs executed 55⁴⁴ extra items in 17 (33 *per cent*) out of 52 packages without entering into supplementary agreements with the contractors. Amount paid on these items worked out to ₹ 1.38 crore.

⁴³ Mysuru – Package 83 (₹ 13.77 lakh) and Package 82 (₹ 0.77 lakh); Tumakuru - Packages 59 and 60 (₹ 97.95 lakh), Vijayapura – Package 56 (₹ 16.88 lakh).

⁴⁴ Ballari – 10 items (₹ 40.41 lakh), Mysuru – 20 items (₹ 77.46 lakh), Tumakuru – 16 items (₹ 13.84 lakh), Vijayapura – 9 items (₹ 6.62 lakh).

The State Government in its reply stated (April 2022) that supplementary agreement was not required in cases where revised contract amount was within the original contract amount. Reply was not acceptable as execution of supplementary agreement for extra items was mandated as per the provisions of KPWD Code.

Conclusion

The City Corporations took up the works under the Scheme without basic data and conducting stipulated investigations, leading to preparation of unrealistic estimates. CCs also failed to create tangible assets as the cost of majority of the works was less than the prescribed limit of ₹ 50 lakh. CCs did not ensure the availability of sites before entrustment of works, resulting in delay and non-execution of works.

The flaws in tender process resulted in selection of PMCs who did not fulfil the technical criteria such as financial turnover, experience and availability of technically qualified key professionals.

Tendering process for works in test-checked CCs and DMA lacked transparency and fairness as evidenced by acceptance of single bids, irregular award of works to technically non-responsive tenderers, unjustified rejection of bids and award of works after the expiry of bid validity.

Execution of works in disregard of prescribed norms and specifications led to irregular, avoidable and extra expenditure, resulting in undue benefit to the contractors. There were also instances of assets created under the Scheme remaining unutilised due to improper planning and execution.

Recommendations

- *Responsibility needs to be fixed for the irregularities in tender procedure leading to selection of ineligible bidders.*
- *Action may be taken to recover the avoidable/extra expenditure incurred in execution of works along with fixing responsibility on the delinquent officials.*