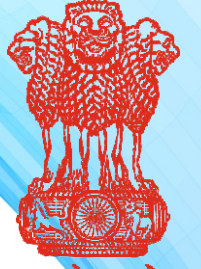




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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

PERFORMANCE AUDIT OF MUKHYAMANTHRIGALA NAGAROTHANA YOJANE (PHASE-III) FOR CITY CORPORATIONS



GOVERNMENT OF KARNATAKA
REPORT No.6 OF THE YEAR 2022

**Report of the
Comptroller and Auditor General of India**

**Performance Audit of
Mukhyamanthrigala Nagarithana Yojane
(Phase-III) for City Corporations**

for the year ended March 2021

**Government of Karnataka
Report No.6 of the year 2022**

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Preface

1. This Report of the Comptroller and Auditor General of India for the year ended 31 March 2021 has been prepared for submission to the Governor of Karnataka under Article 151(2) of the Constitution of India for being placed in the State Legislature.
2. The Report covering the period 2014-21 contains the results of Performance Audit of '*Mukhyamanthrigala Nagarothana Yojane* (Phase-III) for City Corporations'.
3. The Audit was conducted in conformity with the Auditing standards issued by the Comptroller and Auditor General of India.

Executive Summary

Government of Karnataka (GoK) launched ‘*Mukhyamanthrigala Nagarothana Yojane* (Phase-III) for City Corporations (CCs) at the estimated cost of ₹ 1,000 crore with the objective to upgrade infrastructure and civic amenities in the 10 CCs of the State. The Scheme was to be implemented during the period from 2014-15 to 2016-17. Each CC was allotted ₹ 100 crore funded with 50 *per cent* allocation by Government Grants and remaining 50 *per cent* by obtaining loan borrowed through Karnataka Water and Sanitation Pooled Fund Trust (KWSPFT). The Urban Development Department (UDD) was the nodal department for the implementation of the Scheme and the Director of Municipal Administration (DMA) under UDD was to monitor the implementation of the Scheme.

Performance audit of Chief Minister’s Special Grant of ₹ 100 crore each to seven CCs (*Nagarothana* Phase-I) for the period 2008-12 was conducted during April to July 2012 and the findings were included in Paragraph 4.2 of the Report of the Comptroller and Auditor General of India (Local Bodies) for the year ended 31 March 2012 (Report No.6 of the year 2013). The Committee on Local Bodies and Panchayat Raj Institutions discussed this performance audit report during August and September 2015. The Committee, in its 13th Report (June 2016), recommended to initiate disciplinary action against the officials concerned, recover the amount from the officers responsible and ensure due care for third party consultancy. The Action Taken Report was awaited from the State Government (March 2022).

The current performance audit of the Scheme was conducted for the period from 2014-15 to 2020-21 to assess whether planning was carried out as prescribed in the guidelines, financial management was efficient, the works were executed economically, efficiently and effectively and monitoring was effective. The Audit involved examination of records at Urban Development Department, Directorate of Municipal Administration, Karnataka Water and Sanitation Pooled Fund Trust, four (Ballari, Mysuru, Tumakuru and Vijayapura) out of 10 City Corporations and the District Urban Development Cells. Against the available amount of ₹ 931.63 crore, expenditure of ₹ 922.35 crore was incurred (March 2021) under the Scheme. Audit test-checked 52 (23 *per cent*) out of 227 packages in four CCs, covering an expenditure of ₹ 59.96 crore.

Audit findings are organised into three chapters namely Planning and Financial Management; Contract Management and Execution of Works; and Monitoring. The major deficiencies noticed are detailed below:

A) Planning and Financial Management

Pursuant to announcement (July 2013) of the Scheme, the State Government issued (September 2013) the first set of implementation guidelines. This circular, however, did not contain any criteria to be adopted for preparing the action plans. Detailed guidelines containing the instructions for preparing the actions plans were issued only in May 2014. The test-checked four CCs had already submitted (November 2013 to April 2014) their action plans before these instructions were issued. The Government/DMA also did not instruct CCs

to revise the action plans in accordance with the detailed guidelines issued. Thus, the action plans in test-checked CCs were not comprehensive. None of the test-checked CCs provided any data/record based on which the works were prioritised and selected. The CCs did not execute around 19 *per cent* of the works originally included in the action plans.

There were subsequent revisions (four to five times) to the action plans in all the test-checked CCs. The Government, in disregard of its own instructions, accorded approvals to revised action plans and did not restrict the funds to the cost of remaining works. Further, the Government had accorded approvals to revised action plans of two test-checked CCs (Ballari and Mysuru) without obtaining concurrence from the respective District Level Committees (DLCs).

Budgetary Control was deficient as there were instances of savings/excess over the budget estimates. The envisaged objective of releasing funds over a period of three years (2014-15 to 2016-17) was not adhered to and release of grants was not commensurate with the requirement of funds.

With regard to category-wise limits prescribed under the Scheme, none of the test-checked CCs attained the minimum allocation of ₹ 15 crore stipulated in respect of water supply and underground drainage (UGD) works. Out of four test-checked CCs, traffic management works were executed in CC, Vijayapura only. In contravention to the Scheme guidelines, test-checked CCs diverted ₹ 108.75 crore (40 *per cent* of total expenditure of ₹ 269.28 crore) towards works taken up under other schemes.

KWSPFT incurred avoidable interest liability of ₹ 5.09 crore due to non-recoupment of loan diverted from *Nagarothana* Phase-II to Phase-III, which was availed at a higher interest rate. There was additional expenditure of ₹ 4.87 crore due to availing loans at higher than the quoted interest rate, non-exercising the option of availing loans which were available at lower interest rates and delay in repayment of loan as per the schedule prescribed in the agreements. The incorrect estimation of the demand of grants by KWSPFT for loan repayment resulted in release of grants by UDD in excess of requirement for the purpose.

Failure of CC, Vijayapura to follow due procedure of law and delay in paying land compensation led to additional liability aggregating ₹ 3.96 crore.

B) Contract Management and Execution of Works

The Detailed Project Reports (DPRs) for test-checked packages were not furnished to Audit in three CCs (Mysuru, Tumakuru and Vijayapura). California Bearing Ratio values to ascertain the strength of soil were also not referred to by these three CCs while preparing estimates for the road works. The Benkelman Beam Deflection tests and traffic studies had not been appended to the estimates in any of the test-checked CCs. These omissions led to preparation of unrealistic and defective estimates.

Technical evaluation and award of Project Management Consultant (PMC) works by DMA was flawed as none of the three consultants satisfied the

mandatory criteria such as financial turnover, experience and availability of technically qualified key professionals and were, therefore, liable to be rejected as technically non-responsive. CC, Ballari did not assess its technical capacity properly and awarded PMC work to ineligible consultant.

CCs did not give wide publicity to tenders and awarded works without inviting fresh tenders in cases of insufficient participation of bidders. Two CCs (Ballari and Mysuru) awarded six (19 *per cent*) out of 31 test-checked packages to ineligible contractors. Such irregular award of works was attributable to discrepancies in tender evaluations such as inconsistency in calculation of available bid capacity, non-rejection despite being aware of submission of fake certificates and non-adherence to the minimum qualifying criteria stipulated in the tender documents. There was unjustified rejection of technically responsive bids in two CCs (Ballari and Tumakuru) due to improper calculation of tender capacities and adoption of incorrect turnover. Further, DMA awarded 3 out of 18 packages at tender premium in CC, Ballari and restricted the awards for the other 15 packages at the estimated cost, indicating lack of consistency in tendering process. Three test-checked CCs (Ballari, Mysuru and Tumakuru) awarded contracts in 18 (42 *per cent*) out of 43 packages after the expiry of bid validity.

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.

Eleven (69 *per cent*) out of 16 works in seven packages of three CCs (Ballari, Mysuru and Tumakuru) were not executed due to non-availability of work sites. Further, there were delays ranging from 75 to 547 days in completion of eight (19 *per cent*) out of 43 packages in Ballari, Mysuru and Tumakuru CCs. Delays were mainly attributable to non-completion of UGD works, not shifting of electric poles, *etc.*, before entrusting works.

Expenditure of ₹ 68.95 lakh incurred in test-checked CCs was inadmissible/irregular, which was attributable to adoption of incorrect rates, item executed in disregard of prescribed specification, payment for earthwork excavation at higher rates, *etc.* In contravention to the Codal provisions, underlying layers were also removed and re-laid while scarifying the existing bituminous surface in eight (19 *per cent*) out of 43 packages of three CCs (Mysuru, Tumakuru and Vijayapura). This led to avoidable expenditure of ₹ 3.12 crore. Three test-checked CCs (Ballari, Mysuru and Tumakuru) incurred additional expenditure of ₹ 38.23 lakh in six (14 *per cent*) out of 43 packages as the works were executed in disregard of prescribed norms. In six (20 *per cent*) out of 30 packages, three test-checked CCs (Ballari, Tumakuru and Vijayapura) paid a sum of ₹ 104.54 lakh to the contractors for the quantities not executed. Two CCs (Ballari and Mysuru) utilised savings of ₹ 74.69 lakh on three (10 *per cent*) out of 31 packages for executing additional works without approval from DMA.

Defective selection of site by CC, Ballari for constructing bus terminal and non-utilisation of diesel generator sets at CC, Tumakuru rendered the expenditure of

₹ 3.78 crore unfruitful. Comparison of the rates of electrical items as mentioned in PWD Schedule of Rates (SR) with the market rates indicated that SR rates were much higher than the prevailing market rates. This anomaly resulted in loss to the Government exchequer to an extent of ₹ 1.29 crore in five packages of test-checked CCs (except Ballari).

C) Monitoring

Against 84 review meetings to be held at DMA during 2014-15 to 2020-21, DMA held 25 meetings. Also, DLCs in test-checked four CCs did not conduct any meeting to monitor the implementation of Scheme.

Irregularities were noticed in quality inspection reports submitted by PMCs such as variation in dates/quantity of works executed, non-certification of the quality of works inspected, *etc.* Financial reporting was also deficient due to discrepancies such as improper accounting, non-maintenance of records and inconsistencies in expenditure exhibited in various sources due to non-reconciliation. Management Information System (MIS) of the Scheme was not reliable due to data inconsistencies. The internal audit was not functional in test-checked CCs and DMA.

As majority of the works taken up under the Scheme were disaggregated and below the prescribed financial limit of ₹ 50 lakh, assessment of the holistic development of the urban infrastructure was not feasible. The Government/DMA also did not conduct impact assessment of the Scheme by identifying measurable indices. The envisaged objective of recognising good performance was not achieved as the Government did not take any action to disburse incentive to good performing CCs.

Conclusion

The CCs did not follow the Government guidelines for preparation of action plans detailing the works to be taken up under the Scheme. There was absence of need-based analysis in planning and selection of works. Delay in issuing detailed guidelines and non-adherence to the prescribed criteria deprived the CCs the opportunity of following a prioritised and holistic approach to its infrastructure development needs. The revision of action plans without concurrence of DLCs was against the community/ participatory planning concept prescribed in Scheme guidelines.

Failure of CCs to adhere to the limits prescribed in the Scheme guidelines for various categories of works resulted in non-selection of works related to traffic management, water supply and UGD works, ignoring overall infrastructure development of cities.

Financial management was deficient as there were instances of lapse of grants, diversion/blockage of Scheme funds and avoidable interest liability owing to non-reconciliation and discrepancies in availing loan and its repayment.

In the absence of DPRs and basis data, Audit could not verify how the pavement designs had been firmed up and whether the provisions made in the estimates

were consistent with the requirement. This also resulted in variations/cost escalation during execution.

Incorrect technical evaluation by DMA led to award of PMC works aggregating ₹ 14.63 crore to ineligible consultants. 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.

CCs 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. 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.

Monitoring was not effective as shortfalls were noticed in the stipulated review meetings to be conducted by DLCs and at DMA/Government level. Discrepancies in financial progress reports and quality inspection reports submitted by PMCs rendered them unreliable. The Government/ DMA did not conduct impact assessment of the Scheme by identifying measurable indices and also did not incentivise good performing CCs.

Recommendations

- *Planning for infrastructure development in the cities were to be undertaken only after need analysis and in consultation with the stakeholders to aid in the holistic development of infrastructure of the cities.*
- *The availing of loans and their servicing need to be exercised with due diligence and loan accounts should be periodically reconciled to preclude risk of additional liabilities to Government.*
- *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.*
- *The monitoring mechanism should be strengthened by instituting robust reporting through quality inspection reports, establishing reliable MIS, constituting internal audit and conducting prescribed review meetings at various levels.*
- *The Government should identify measurable indices for assessing the performance of CCs and conduct impact assessment of the Scheme.*

1.1 Introduction

Mukhyamanthrigala Nagarothana Yojane (Phase-III)¹ for City Corporations (henceforth referred to as Scheme) was announced (July 2013) at the estimated cost of ₹ 1,000 crore with the objective to upgrade infrastructure and civic amenities in all existing seven City Corporations (Ballari, Belagavi, Davanagere, Hubballi-Dharwad, Kalburgi, Mangaluru and Mysuru) and the newly upgraded² three City Corporations (Shivamogga, Tumakuru and Vijayapura).

The State Government notified (September 2013) guiding principles for implementing the Scheme and allocated ₹ 100 crore each to these 10 City Corporations (CCs). The funds were to be released during three financial years, commencing from the year 2014-15. The State Government issued (May 2014) detailed guidelines which provided for the Scheme to be funded with 50 *per cent* of the allocation by Government grants and remaining 50 *per cent* by obtaining loan borrowed through Karnataka Water and Sanitation Pooled Fund Trust (KWSPFT)³. The loan amount was to be adjusted against future State Finance Commission (SFC) grant of respective CC.

The categories of works that were admissible under the Scheme were:

- i) Roads, roadside drains, footpaths, pedestrian underpass/subways;
- ii) Water Supply distribution network renewal/ augmentation, overhead tanks, water reservoirs and other types of water supply works;
- iii) Underground drainage distribution network/laterals works;
- iv) Traffic management improvement works such as Vehicle Actuated Signal (Solar/UPS) integrated with surveillance enforcement cameras; and
- v) Storm water drains, streetlights, multi-level parking complex, shopping complex, energy saving works and other infrastructural works.

Performance audit of Chief Minister's Special Grant of ₹ 100 crore each to seven CCs (*Nagarothana* Phase-I) for the period 2008-12 was conducted during April to July 2012 and the findings were included in Paragraph 4.2 of the Report of the Comptroller and Auditor General of India (Local Bodies) for the year ended 31 March 2012 (Report No.6 of the year 2013).

¹ *Nagarothana* (Phase-I) and *Nagarothana* (Phase-II) schemes were implemented in seven City Corporations during the period from 2008-09 to 2009-10 and 2011-12 to 2013-14 respectively.

² Upgraded as City Corporations with effect from 20 December 2013.

³ KWSPFT was constituted (September 2003) by the State Government as a fully-owned trust under the Indian Trusts Act, 1882, and was managed by the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC). It was set up mainly for the purpose of mobilising financial resources for urban infrastructure development in the State.

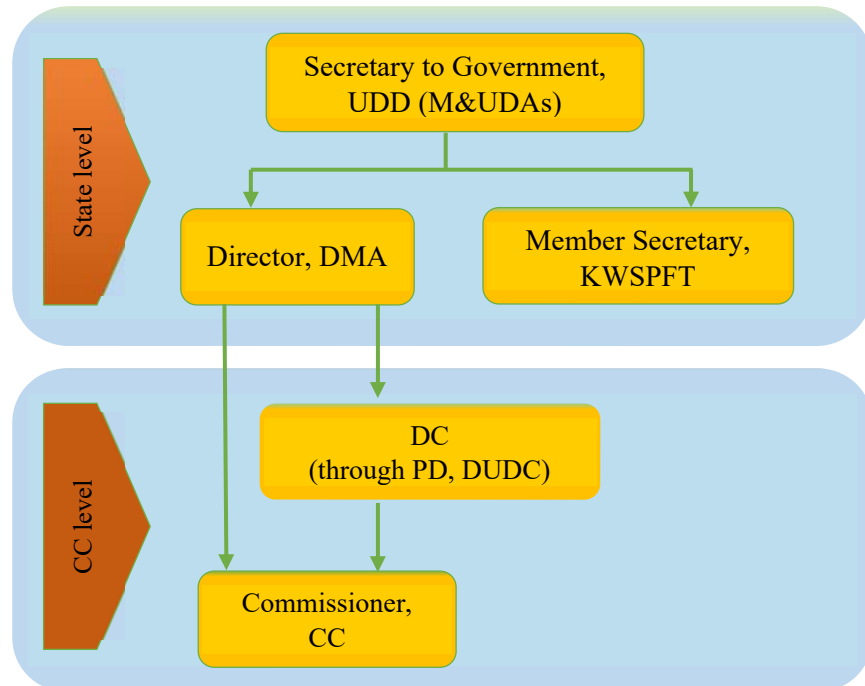
The Committee on Local Bodies and Panchayat Raj Institutions discussed this performance audit report during August and September 2015. The Committee, in its 13th Report (June 2016), recommended to initiate disciplinary action⁴ against the officials concerned, recover the amount from the officers responsible (Paragraphs 4.2.21.6 and 4.2.24) and ensure due care for third party consultancy (Paragraphs 4.2.22.1 and 4.2.22.2). Objections in brief and gist of the recommendations of the Committee are detailed in **Appendix 1.1**.

The Action Taken Report was awaited from the State Government (March 2022).

1.2 Organisational structure

The Urban Development Department (UDD) was the nodal department for the implementation of the Scheme. The Directorate of Municipal Administration (DMA) under UDD monitored the implementation of Scheme through a network of District Urban Development Cells (DUDC) headed by a Project Director (PD) who reported to the Deputy Commissioner (DC) of the concerned district. The executive head of the CC was Commissioner who was assisted by the Chief Engineer (CE), Superintending Engineer (SE), Executive Engineers (EE) and Assistant Executive Engineers (AEE) in executing development works. The organizational structure for implementation of the Scheme is illustrated in **Chart 1.1**.

Chart 1.1 Organizational structure for implementation of the Scheme



⁴ Paragraphs 4.2.8, 4.2.11, 4.2.12, 4.2.13, 4.2.14, 4.2.15, 4.2.17, 4.2.23, 4.2.27, 4.2.28 and 4.2.29.

1.3 Audit objectives

The objectives of the Performance Audit were to assess/examine whether:

- i) the planning was carried out as set out in the Scheme and the financial management was efficient;
- ii) the works were executed economically, efficiently and effectively; and
- iii) the monitoring of the implementation of the Scheme was effective.

1.4 Audit criteria

The criteria for evaluating the performance audit were derived mainly from:

- i) Scheme Guidelines issued *vide* Government order dated 12 May 2014;
- ii) Karnataka Municipal Accounting and Budgeting Rules (KMABR), 2006;
- iii) Karnataka Transparency in Public Procurement (KTPP) Act, 1999 and Rules, 2000; and
- iv) Karnataka Public Works Departmental (KPWD) Code, 2014.

1.5 Audit scope and methodology

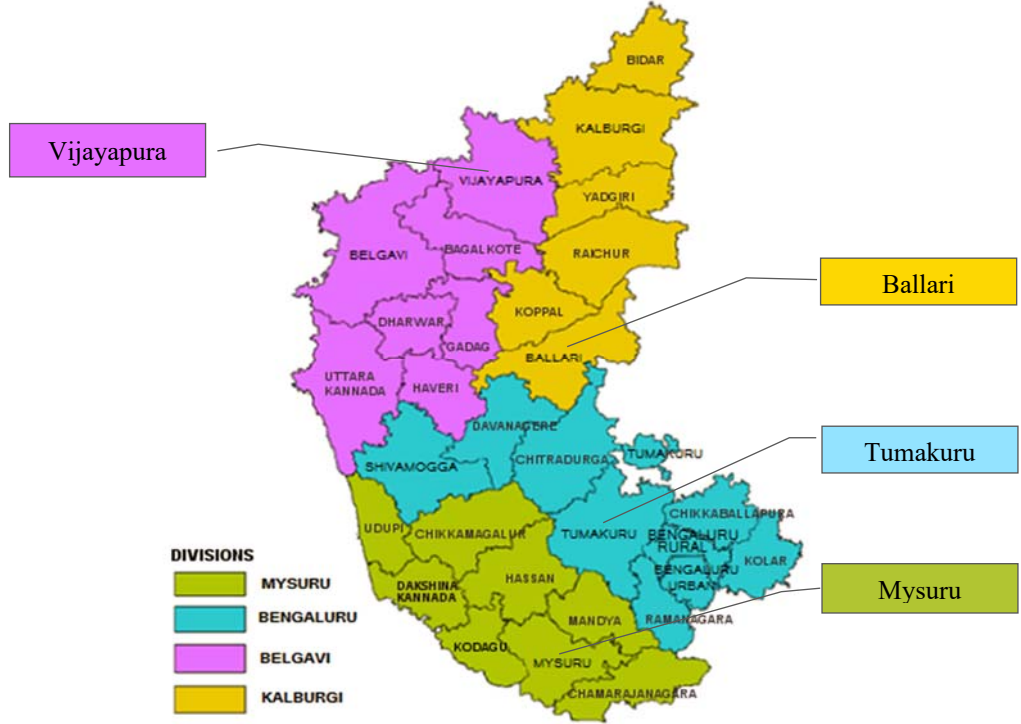
The performance audit was carried out during August 2021 to January 2022 and covered the implementation of Scheme during the period 2014-21. It involved examination of records at UDD, DMA, KWSPFT, four out of 10 CCs (40 *per cent*), and the DUDCs. Four CCs selected for sample were Ballari, Mysuru, Tumakuru and Vijayapura (**Exhibit 1.1**). The sampling methodology adopted was Probability Proportional to Size without replacement (PPSWOR) method with size measure as total expenditure under the Scheme. Twenty-three *per cent* of the packages were test-checked in four CCs covering an expenditure of ₹ 59.96 crore (25 *per cent*) out of the total expenditure of ₹ 244.43 crore. CC-wise details are given in **Appendix 1.2**.

The entry conference was held with the Secretary to Government, UDD (M&UDAs⁵) on 11 August 2021 wherein the audit methodology, scope, objectives and criteria were discussed. The audit methodology involved document analysis, responses to audit queries, Joint Physical Verifications (JPV) with municipal staff and collection of photographic evidence, wherever necessary. The results of the performance audit were discussed with the Secretary to Government, UDD (M&UDAs) in the exit conference held on 8 April 2022. Replies of the State Government received on 28 April 2022 and 6 May 2022 have been suitably incorporated in the report.

⁵ Municipalities and Urban Development Authorities.

Exhibit 1.1

Geographical presentation of sample selection (4 out of 10 CCs)



1.6 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the officers and officials of UDD, DMA, KWSPFT, CCs and DUDCs in conducting the performance audit.

1.7 Chapters

Audit findings are organised into three chapters:

- Planning and Financial Management;
- Contract Management and Execution of Works; and
- Monitoring.

Chapter-II

Planning and Financial Management

Planning

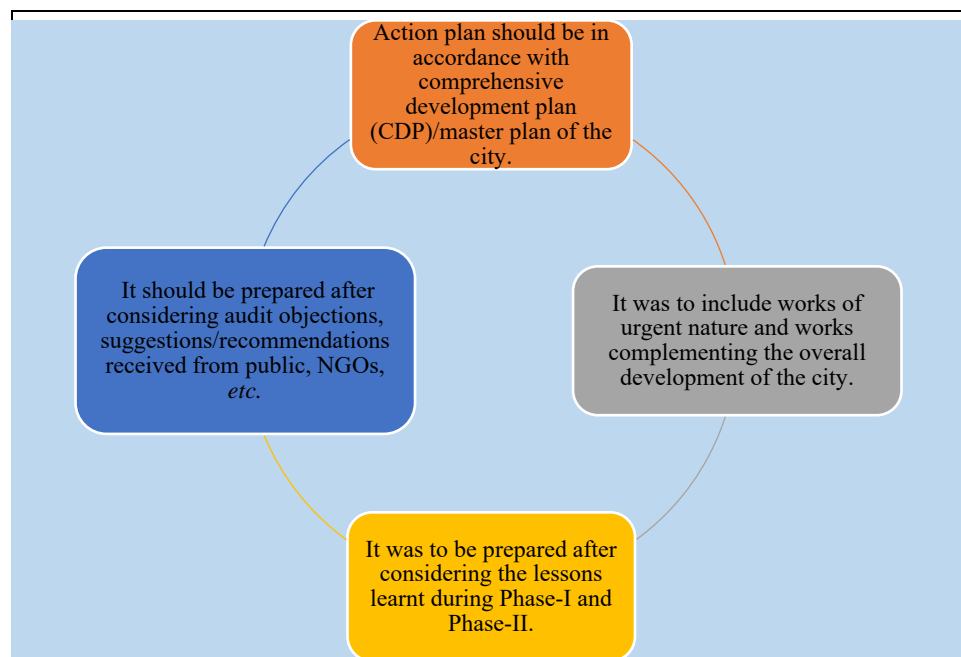
The CCs were required to prepare one time action plan detailing the works to be taken up under the Scheme during the period 2014-17. The works selected were to aid in the overall development of the city covering various components of urban infrastructure. The action plans so prepared were to be placed before the District Level Committee (DLC)⁶, headed by the District-in-charge Minister. The DLC was empowered to scrutinise the plans and revise it based on the specific requirements of the city. After the approval of DLC, the action plans were submitted for the approval of the Government through DMA. Audit observed following deficiencies in the planning process of the Scheme:

2.1 Absence of comprehensive planning

Pursuant to announcement (July 2013) of the Scheme in Budget, the State Government issued (September 2013) the first set of implementation guidelines and allocated ₹ 100 crore each to these 10 CCs. Accordingly, DMA instructed (September 2013) all the DCs and CCs to submit one time action plan for implementation of the Scheme. This circular, however, did not contain any criteria to be adopted for preparing the action plans.

Subsequently, the Government issued (May 2014) detailed instructions for Scheme implementation. This order, *inter alia*, contained instructions for preparing the action plans based on the criteria depicted in **Chart 2.1**:

Chart 2.1: Pre-requisites for preparing the action plan



Source: Paragraph 4 of the Scheme guidelines

⁶ Headed by District in-charge Minister, the Committee consisted of local MP, MLA, Mayor, Deputy Mayor, Commissioner and Superintending Engineer of CC, Project Director of DUDC.

Audit observed (August to December 2021) that all the four test-checked CCs had submitted their one-time action plans to DMA during November 2013 to April 2014 *i.e.*, before detailed instructions were issued (as detailed in **Appendix 2.1**). However, the Government/DMA did not issue any instructions to CCs to revise the action plans in accordance with the detailed guidelines issued.

Thus, the CCs were not given opportunity to revise the action plans in line with the guidelines issued, resulting in the following deficiencies in their preparation:

- i) None of the four test-checked CCs prepared the action plans based on the CDP/master plan of the city;
- ii) CCs did not provide any data/record which had been used to prioritise the works; and
- iii) No impact assessment or evaluation study was conducted for Phase-I and Phase-II and many of the audit objections pointed in previous audit persisted such as, deficient planning, deficiencies in estimates preparation, lack of transparency in tender evaluation, ineffective contract management, lacunae in monitoring, *etc.*

In the absence of these, planning and selection of works in the CCs, were, to a large extent, driven by the perceived availability of funds rather than a need-based analysis. Delay in issuing detailed guidelines and non-adherence to the prescribed criteria deprived the CCs the opportunity of following a prioritised and holistic approach to its infrastructure development needs.

The State Government replied (April 2022) that the action plans were not revised as the circular issued during September 2013 contained instructions which were in similar lines with the guidelines issued in May 2014. Reply is incorrect as the detailed guidelines were issued only during May 2014 and it has been verified during the course of audit that the circular issued during September 2013 did not contain specific instructions for adhering to the master plan of the city or prioritisation for selection of works under the Scheme.

2.2 Non-execution of works as per original action plans

The Scheme guidelines mandated that there was no scope for subsequent changes/revisions in the approved action plan. In case, some works could not be taken up then such works would be deemed to have been abandoned and funds would be restricted to cost of remaining works (Paragraph 23).

Audit observed (August to December 2021) that there were subsequent revisions (four to five times) to the action plans in all the test-checked CCs. Out of 735 works planned and included in the original action plan of the Scheme, 141 works (costing ₹ 91.35 crore) were not taken up by these CCs (**Appendix 2.2**). The Government also accorded approvals to revised action plans instead of restricting the funds to the cost of remaining works.

The non-execution of 141 works out of 735 (19 *per cent*) works planned indicated that the action plans were not need based and were prepared in *ad hoc* manner without exercising due diligence.

The State Government in its reply (April 2022) stated that the revisions to the action plans were made as per the decision of DLC to accommodate works of urgent nature and due to non-availability of sites for originally planned works. Reply was not acceptable as the action plans were to be prepared after considering the prioritised infrastructure requirements of the city. Further, the Scheme guidelines also prohibited inclusion of works in the action plan for which availability of site was not ensured.

2.3 Revision of action plans without approval of District Level Committees

The Scheme guidelines stipulated that once action plan of a CC was approved by the DLC headed by the District in-charge Minister, the CC would submit it to DMA. The DMA would scrutinize the action plan and submit it, with its recommendations, to the Government for approval. Finally, the Government would accord approval to the plan after due verification.

Audit observed (September to November 2021) in two test-checked CCs (Ballari and Mysuru) that the Government had accorded approvals to revised action plans involving an amount of ₹ 43.57 crore⁷ without obtaining concurrence from the respective DLCs. The non-involvement of DLCs while revising the action plans was against the community/participatory planning concept prescribed in the guidelines.

The State Government replied (April 2022) that the action plan of Ballari was revised based on the relevant Government order (August 2017) to utilise ₹ 16.43 crore as CC's contribution towards Atal Mission for Rejuvenation and Urban Transformation (AMRUT) scheme. The reply cannot be accepted as the involvement of DLC in preparation of action plan was to be adhered to ensure the community planning concept prescribed in the guidelines. It was also stated that revised action plan of Mysuru was approved by the DLC. However, no documentary evidence was produced in support of the reply.

Financial Management

As per the Scheme guidelines, the funds were to be released during three financial years, commencing from the year 2014-15. The Scheme was funded with 50 *per cent* of the allocation as grants and remaining 50 *per cent* by obtaining loan borrowed through Karnataka Water and Sanitation Pooled Fund Trust (KWSPFT). The Government of Karnataka had unconditionally and irrevocably undertaken and committed to make budgetary allocation on annual basis for the timely and full payment of principal and interest, to be met through securitisation of the future SFC devolution to the CCs.

⁷ Ballari: G.O. dated 18.08.2017 - ₹ 16.43 crore
Mysuru: G.O dated 06.04.2015 - ₹ 15 crore and G.O. dated 13.08.2021 - ₹ 12.14 crore.

Government released the grants to the DCs concerned through UDD. Grants for the first year (2014-15) were drawn on payee receipt and grants for subsequent years (2015-16 onwards) were released through treasury. DMA, being the nodal agency, was to monitor the progress of expenditure of CCs and submit proposals to Government/KWSPFT for releasing further grants/loan. KWSPFT was to avail the loan instalments based on demand received from DMA and transfer it to DMA main (loan) account. This account was linked to 10 sub-accounts in the names of different CCs and operated by DCs of respective districts. These sub-accounts had the facility of sweep-in from the DMA main account as and when payment requests were made in sub-accounts. DMA was responsible to convey to the banks the maximum amount to be withdrawn from sub-accounts (loan authorisations).

As per the information furnished (January 2022) by DMA, expenditure of ₹ 922.35 crore was incurred (March 2021) against the available amount of ₹ 931.63 crore. The unit-wise details are given in **Table 2.1**:

Table 2.1: Financial progress under the Scheme as on 31 March 2021

S. No.	City Corporation	Releases			Expenditure			Percentage
		Grants	Loan	Total	Grant	Loan	Total	
1	Ballari	40.45	35.85	76.30	40.45	35.58	76.03	99.65
2	Belagavi	50.00	42.96	92.96	50.00	41.32	91.32	98.24
3	Davanagere	50.00	49.77	99.77	50.00	49.56	99.56	99.79
4	Hubballi-Dharwad	50.00	47.15	97.15	50.00	46.37	96.37	99.20
5	Kalaburagi	49.50	43.50	93.00	49.50	43.50	93.00	100.00
6	Mangaluru	50.00	42.40	92.40	50.00	40.73	90.73	98.19
7	Mysuru	48.68	34.47	83.15	48.68	34.12	82.80	99.58
8	Shivamogga	50.00	44.25	94.25	50.00	42.39	92.39	98.03
9	Tumakuru	50.00	47.90	97.90	50.00	47.74	97.74	99.84
10	Vijayapura	50.00	47.66	97.66	50.00	45.38	95.38	97.67
	Total	488.63	435.91	924.54	488.63	426.69	915.32	99.00
	Administrative expenses	0.82	6.27	7.09	0.82	6.21	7.03	99.15
	Grand total	489.45	442.18	931.63	489.45	432.90	922.35	99.00

Source: Information furnished by DMA

A) GRANTS

2.4 Status of Grants

As per Karnataka Budget Manual, each Head of Department was to prepare budget estimates separately for each head of account (Paragraph 88). In terms of KMABR, 2006, every CC was to prepare an annual budget containing the annual estimate of the anticipated receipts and payments for the next financial year (Rules 131 and 132).

Scheme guidelines specified that funds (₹ 1,000 crore) were to be released over a period of three years (2014-15 to 2016-17) in the ratio of 20:40:40. It was, however, seen that it was not adhered to as ₹ 931.63 crore was released over a span of seven years (2014-15 to 2020-21). This included loans aggregating

₹ 442.18 crore availed during the period from 2016-17 to 2020-21. Balance of ₹ 68.37 crore was yet to be released (March 2021).

Scrutiny further showed that release of grants was not commensurate with the requirement of funds as grants aggregating ₹ 43.33 crore had lapsed during the period from 2015-16 to 2019-20. Details are given in **Table 2.2**.

Table 2.2: Statement showing release of Scheme funds up to 2020-21

(₹ in crore)					
Year	Grants released	Grants lapsed	Net grant	Loan	Total funds
2014-15	33.50	NA	33.50	-	33.50
2015-16	169.12	27.64	141.49	-	141.49
2016-17	124.92	1.59	123.34	100.60	223.94
2017-18	157.95	0.14	157.81	141.00	298.81
2018-19	37.10	8.58	28.52	98.77	127.29
2019-20	9.39	5.38	4.01	75.45	79.46
2020-21	0.79	-	0.79	26.36	27.15
Total	532.78	43.33	489.45	442.18	931.63

Source: Information furnished by DMA

NA: Not applicable as the grants for the year 2014-15 was released on payee receipt and deposited in bank accounts.

2.5 Non-adherence to category-wise limits

As per Paragraph 5 of the Scheme guidelines, works under five categories were to be taken up with upper and lower limits mentioned therein (**Table 2.3**).

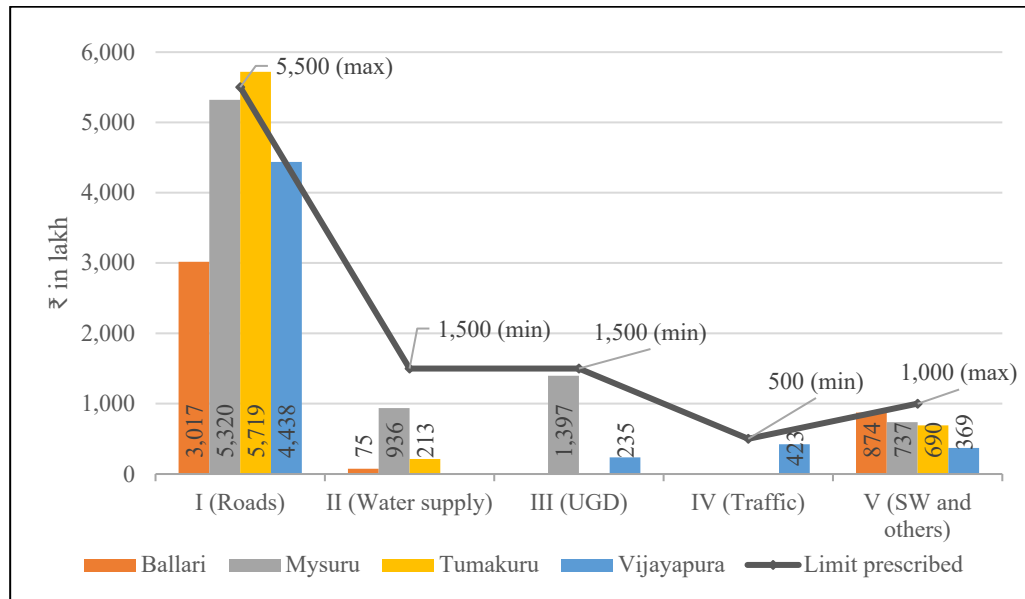
Table 2.3: Categories of works admissible under the Scheme

Category	Types of works	Upper/lower limit of allocation
I	Roads, roadside drains, footpaths, pedestrian underpass/ subways	Maximum ₹ 55 crore
II	Water Supply distribution network renewal/ augmentation, overhead tanks (OHT), Ground Level Storage Reservoir (GLSR) and other types of water supply works	Minimum ₹ 15 crore
III	Underground drainage (UGD) distribution network/laterals works and other UGD works	Minimum ₹ 15 crore
IV	Traffic management improvement works such as Vehicle Actuated Signal (Solar/UPS) integrated with surveillance enforcement cameras	Minimum ₹ 5 crore
V	Storm Water Drains (SWD), Street lights, Multi-level parking complex, Shopping complex, Energy Savings works and other infrastructural works	Maximum ₹ 10 crore

Source: Scheme guidelines

As per the progress reports furnished by four test-checked CCs, Audit observed (August to December 2021) that none of the CCs adhered to the prescribed limits in three (II, III and IV) out of five categories during the period 2015-21. Details are given in **Chart 2.2**.

Chart 2.2: Expenditure incurred under various categories against the prescribed limits during 2015-21



Source: Progress reports of test-checked CCs

As observed above, out of four test-checked CCs, traffic management works were executed in Vijayapura CC only. The minimum allocation of ₹ 15 crore stipulated in respect of water supply and UGD works was not attained in any of the test-checked CCs. CC, Ballari and CC, Tumakuru did not execute any UGD works while CC, Vijayapura did not execute any water supply works under the Scheme. Further, CC, Tumakuru incurred expenditure of ₹ 57.19 crore under Category-I (road works) against the maximum limit of ₹ 55 crore, leading to excess expenditure of ₹ 2.19 crore. These not only contravened the criteria laid down for selecting works but also led to ignoring the need for upgrading other infrastructure and civic amenities such as water supply, UGD and traffic management.

The State Government replied (April 2022) that the shortfall in implementation of water supply, UGD and traffic management categories was due to the fact that the above components were taken up under other Government schemes. The reply is not acceptable as the allocation under the above components were utilised towards works taken up under other schemes (detailed in Paragraph 2.6) in contravention to the Scheme guidelines, besides non-adherence to the category-wise limits prescribed under the Scheme guidelines.

2.6 Diversion of Scheme funds

Paragraph 4(g) of the Scheme guidelines stipulated that action plan should be prepared after excluding the works taken up under other schemes.

In contravention to the guidelines, three test-checked CCs (Ballari, Tumakuru and Vijayapura) diverted ₹ 108.75 crore (40 per cent of total expenditure of ₹ 269.28 crore) towards paying their contribution amounts for other schemes (AMRUT, Rajiv Gandhi Awas Yojana and 24*7 water supply) or on works being executed under other grants, as detailed in **Appendix 2.3**.

The diversion of Scheme funds to works taken up under other schemes/grants were in contravention of the Scheme guidelines and deprived the CCs the full benefit which was to be accrued from the Scheme.

The State Government in its reply (April 2022) stated that the instances pointed out by Audit were not diversion of funds but utilisation of Scheme funds towards providing share of CC for schemes such as AMRUT, RAY, etc. Reply was not acceptable as Scheme guidelines specifically prohibited funding of works taken up under other schemes. Reply was also silent regarding utilisation of Scheme funds for ineligible components such as payment of land compensation, construction of building, etc.

2.7 Diversion of funds from Heritage Grants towards Nagarothana (Phase-III)

The Government had announced ₹ 100 crore special grant for improvements of Heritage Buildings and other works in Mysuru CC during 2014-15.

Scrutiny of records (September to October 2021) showed that DC, Mysuru diverted (March 2017) Heritage grants of ₹ 1.51 crore towards four works under the Scheme. There was no approval from DMA/UDD for diverting the grants. Audit also observed that expenditure of ₹ 1.51 crore did not form part of the progress report/UC of the Scheme though the amounts were utilised for works under the Scheme. As a result, expenditure of *Nagarothana* works was understated to that extent.

The State Government stated (April 2022) that Heritage grant was diverted to avoid lapse of grant during the year end. The reply is not acceptable as drawal of funds to avoid lapse of grants is against the codal provisions. The reply also did not address the audit observation regarding absence of approval from DMA/UDD for diverting the grants and understatement of *Nagarothana* expenditure.

2.8 Non-renewal of bank guarantee

Rule 115(2) of KMABR, 2006, mandated that wherever bank guarantees (BG) were furnished by contractors in lieu of security deposit (SD), the Accounts Department should enter the details in the Register of BGs. The Accounts Department was also to ensure that the BGs should be kept in force during the term specified in the procurement order by renewing them as and when they expired.

As per the tender documents, the contractors were to furnish SD at the rate of five *per cent* of award cost and these were to be valid up to 30 days from defect liability period (two years).

Audit scrutiny (August to December 2021) revealed that none of the test-checked CCs had maintained/updated BG register. Out of 51 test-checked packages (excluding one package entrusted to KRIDL at Ballari), details of SD/BG were not available on record in 16 packages (31 *per cent*) costing ₹ 22.80 crore. In 30 packages (59 *per cent*), contractors had furnished SD in the form of BG aggregating ₹ 2.08 crore but these were not renewed up to defect

liability periods. In one package (Package 26/2 at Tumakuru), the contractor had submitted (April 2019) SD in the form of fixed deposit receipt for ₹ 3.52 lakh which was not pledged in the name of the Commissioner, CC in violation of Clause 29 of tender document.

In the absence/non-renewal of BGs, the CCs did not have adequate security to safeguard Government interests in respect of the contracts entered into.

The State Government accepted the observation and stated (April 2022) that BG registers would be maintained in future.

B) LOANS

2.9 Discrepancies in availing loan and repayment

To avail the loan, KWSPFT entered into loan agreements for ₹ 200 crore with SBI bank (April 2017) and for ₹ 300 crore with ICICI bank (January 2018). In terms of loan agreements and Government instructions, KWSPFT was to repay the amount to banks and would demand the funds from Government (UDD). KWSPFT was to raise demand with UDD on the basis of loan amounts outstanding and applicable rate of interest.

As of March 2021, KWSPFT availed loan aggregating ₹ 368.70 crore⁸. Against the loan amount of ₹ 368.70 crore drawn under the Scheme (Phase-III), KWSPFT had repaid ₹ 176.42 crore⁹ to banks (March 2021).

Audit observations highlighting discrepancies in availing loans and repayments are discussed in succeeding paragraphs.

2.9.1 Loan repayment

Karnataka Budget Manual mandated that budget estimates should be as close and accurate as possible and the provision to be included in respect of each item should be based on what was expected to be actually paid or spent during the year. An avoidable extra provision in an estimate was as much a financial irregularity as an excess expenditure over the sanctioned estimate (Paragraph 108). As per Scheme guidelines, the loan amount was to be adjusted against the future SFC grants and expenditure (charged) was to be borne under the head of account 3604-00-191-0-51-240 (Debt servicing). KWSPFT would request the Government to release funds for repaying the loan amounts (interest and principal). On receipt of funds, it would deposit the amounts in the respective escrow accounts for servicing the loan. In case of delays in receipt of funds from the Government, KWSPFT would repay the loan out of funds available.

Scrutiny of records (December 2021) showed that KWSPFT communicated to UDD/DMA the budgetary provisions to be made out of SFC grants for servicing the loans. Thereafter, based on demands received, UDD released funds to KWSPFT towards principal and interest repayable to banks.

⁸ ₹ 200 crore through SBI and ₹ 168.70 crore through ICICI bank.

⁹ Loan repaid by KWSPFT: SBI – ₹ 66.56 crore (Principal) and ₹ 49.59 crore (interest); ICICI - ₹ 34.08 crore (Principal) and ₹ 26.19 crore (interest).

During the period 2016-21, the budget allocation for loan repayment of Scheme was ₹ 239.05 crore, against which the UDD released ₹ 176.23 crore based on demands received through KWSPFT. The budget estimates were not realistic as there was excess budget provision of ₹ 62.82 crore. Year-wise analysis indicated extra provision (savings over budget) ranging from 38 to 100 *per cent* during the years 2016-17 to 2019-20 whereas expenditure during the year 2020-21 exceeded the sanctioned estimate by 21 *per cent*. Details are given in **Appendix 2.4**.

The State Government attributed (May 2022) these variations to delays in programme implementation and other factors such as changes in Marginal Cost of Funds Based Lending Rate (MCLR) on annual reset basis, change in date of availing first instalment, non-drawal of the loan amount as per the schedule, *etc.* The fact, however, remained that there were instances of savings (38 to 100 *per cent*) and excess of 21 *per cent* over the budget estimates, which were against the provisions of Karnataka Budget Manual.

2.9.2 Diversion of loan and avoidable interest liability

Based on Government instruction (August 2016), KWSPFT issued (October 2016) tender notification to avail ₹ 200 crore for the Scheme at the most competitive rate. Pending the drawal of loan, the Government accorded (September 2016) approval for temporary utilisation of loan amount of ₹ 100 crore from *Nagarothana* Phase-II to Phase-III. One of the conditions was that the amount would be recouped to Phase-II once the loan was availed for Phase-III.

Accordingly, KWSPFT availed loan of ₹ 100 crore from Phase-II (₹ 60.00 crore from Syndicate Bank on 26 September 2016 at 9.95 *per cent* and ₹ 40.00 crore from Bank of India on 23 September 2016 at 9.95 *per cent*) which was diverted for Phase-III.

Scrutiny further showed that KWSPFT entered (April 2017) into loan agreement (Phase-III) for ₹ 200 crore with SBI at 8.25 *per cent*. Despite the availability of loan for Phase-III during April 2017, UDD/KWSPFT did not immediately replenish the amount of ₹ 100 crore to Phase-II, which was availed at higher rate of interest. Only part amount aggregating ₹ 33.20 crore was recouped (July 2017, April 2018 and December 2019) from Phase-III to Phase-II account (till March 2021).

The failure of KWSPFT to recoup the transferred amount of ₹ 100 crore, despite availability of funds drawn at lower interest rate from Phase-III resulted in avoidable interest liability of ₹ 5.09 crore (till March 2021). Details are given in **Appendix 2.5**.

Audit also observed that loans amounting to ₹ 58.10 crore (₹ 45.30 crore from Axis Bank and ₹ 12.80 crore from Bank of India) was availed for Phase-II during 2017-18 to 2019-20. The drawal of above loans was not necessitated as an amount of ₹ 66.80 crore was pending to be recouped from Phase-III. Justification for not availing this amount from Phase-III and rates of interest at which the above loan was availed were not furnished to audit. In the absence of this, audit could not quantify the further loss of interest, if any.

The State Government replied (May 2022) that DMA communicated (November 2021) to avail balance loan sanctioned towards *Nagarothana* Phase-III based on progress in works and to replenish the amount to *Nagarothana* Phase-II. It was further stated that there was no avoidable interest liability as loan amounts were utilized based on the needs and were being serviced on time. The reply is not acceptable as failure to replenish the diverted loan amount contravened the Government order (September 2016) which resulted in additional liability as rate of interest for Phase-III was less than that of Phase-II.

2.9.3 Improper increase of margin above the Marginal Cost of Funds Based Lending Rate resulting in avoidable liability

In response to tender notification (October 2016) for ₹ 200 crore loan, twelve bidders participated and the SBI, Commercial Branch, Bengaluru, quoting the lowest rate as 8.98 per cent (MCLR¹⁰ + 0.08 per cent margin) was selected.

SBI, while communicating (4 March 2017) the acceptance of the offer, revised the rate of interest as 8.25 per cent (one-year MCLR + 0.25 per cent margin). KWSPFT entered into (April 2017) agreement at the revised rate of 8.25 per cent. Audit observed that KWSPFT accepted the offer of SBI without considering the fact that SBI had increased the margin from 0.08 per cent to 0.25 per cent and the reduction in effective rate of interest was attributable to change in MCLR from 8.90 per cent (November 2016) to 8.00 per cent (March 2017). Failure of KWSPFT to ensure that SBI adhered to its quoted margin rate of 0.08 per cent resulted in avoidable interest liability of ₹ 2.72 crore¹¹.

The State Government stated (May 2022) that there was reduction in the rate of interest from 8.98 per cent to 8.25 per cent which was accepted by KWSPFT. The reply did not address the audit observation regarding the improper increase in margin from 0.08 per cent to 0.25 per cent. Further, the reduction, which SBI had communicated, was due to change in MCLR from 8.90 per cent to 8.00 per cent, which was as per the bank's policy but the margin rate, which was arbitrarily increased from 0.08 per cent to 0.25 per cent had no justification. In case KWSPFT had insisted SBI to adhere to its quoted margin rate of (+) 0.08 per cent, the rate of interest would have been 8.08 per cent.

2.9.4 Availing loan instalments at higher rates of interest

KWSPFT entered into loan agreements for ₹ 200 crore with SBI bank (April 2017) and for ₹ 300 crore with ICICI bank (January 2018). As of March 2021, KWSPFT availed loan aggregating ₹ 368.70 crore (₹ 200 crore through SBI and ₹ 168.70 crore through ICICI bank).

A comparison of the rates of interest available on the dates of fund requirements showed that instead of the available lower rate of interest (8.24 per cent) from ICICI bank, KWSPFT availed (April 2018 to January 2019) ₹ 85 crore in four instalments through SBI at the higher rate of 8.40 per cent. Details are given in **Appendix 2.6**.

¹⁰ MCLR-Marginal Cost of Funds Based Lending Rate.

¹¹ ₹ 200 crore × 0.17 per cent × 8 years = ₹ 2.72 crore.

Avoidable liability of additional interest (@ 0.16 per cent) on this ₹ 85 crore worked out to ₹ 34.45 lakh (March 2021). Reason/justification for availing loan instalments aggregating ₹ 85 crore at higher rate of interest despite the availability of lower rate was not furnished to audit.

The State Government stated (May 2022) that in terms of loan agreements/dates of first disbursement by SBI and ICICI, loans were to be availed by 6 April 2019 and 1 February 2020 respectively. Therefore, balance loan amount of ₹ 85 crore was drawn from SBI and there was no adverse financial implication. The reply is not acceptable for the following reasons:

- i) Before exhausting balance loan of ₹ 85 crore from SBI, KWSPFT had drawn an amount of ₹ 64 crore from ICICI on 2 February 2018 and 24 April 2018;
- ii) Before drawing ₹ 66.50 crore from SBI in September 2018, KWSPFT had proposed to draw ₹ 40 crore from ICICI bank. Since ICICI bank did not release this amount, ₹ 40 crore was drawn from SBI;
- iii) KWSPFT availed loan amount of ₹ 40 crore from ICICI bank after the loan availing period was over *i.e.*, after 1 February 2020 and ₹ 131.30 crore was yet to be drawn (March 2021);
- iv) There was financial implication as interest was paid at the higher rate to SBI (8.40 per cent) than ICICI (8.24 per cent).

2.9.5 Delay in loan repayments (principal) leading to avoidable payment of interest

In terms of agreement with SBI (Clause 2.9), loan was repayable in 24 quarterly instalments. Repayment was to commence after two years of moratorium period from the date of first disbursement (7 April 2017) and successive instalments would fall due sequentially on completion of three months from then on *i.e.*, 7 April 2019, 7 July 2019, 7 October 2019, 7 January 2020 and so on (every three months).

Similarly, Clause 2.9 of agreement with ICICI bank stipulated that loan was repayable in 24 quarterly instalments with each instalment amounting to 16.67 per cent of the total outstanding term loan amount. Repayment was to commence after two years of moratorium period from the date of first disbursement (2 February 2018) and successive instalments would fall due sequentially from first day of every quarter thereafter *i.e.*, 2 February 2020, 1 April 2020, 1 July 2020, 1 October 2020 and so on (first day of every quarter thereafter). Audit, however, observed that KWSPFT did not repay the loan amounts on the due dates. There were delays ranging from 71 to 84 days in repaying SBI instalments (**Appendix 2.7**) and 32 to 92 days in repaying ICICI instalments (**Appendix 2.8**).

It could be seen that failure of KWSPFT in repaying loan instalments on due dates resulted in avoidable payment of interest aggregating ₹ 1.81 crore¹² (March 2021).

¹² ₹ 119.51 lakh (SBI) + ₹ 61.76 lakh (ICICI).

The State Government stated (May 2022) that SBI had prescribed repayment schedule of principal instalments based on financial quarters and first instalment was due on 30 June 2019. In respect of ICICI bank, principal instalments were to be repaid on the first day of next financial quarter commencing from the end of moratorium as per Credit Agreement Letter. The reply is not acceptable as the repayment schedule mentioned in the reply contravened the conditions in the loan agreements entered with SBI and ICICI banks.

2.9.6 Excess demand of funds and avoidable interest liability

In terms of loan agreements and Government orders for availing loan, KWSPFT would repay the amounts to banks and would demand the funds from Government (UDD). KWSPFT was to raise demand with UDD on the basis of loan amounts outstanding and applicable rate of interest.

A comparison of the amounts paid by KWSPFT to banks and amounts demanded from Government (UDD) showed following discrepancies:

- i) 2018-19: For the months of January to March 2019, as against ₹ 4.12 crore paid to SBI, KWSPFT demanded and received ₹ 5.11 crore from UDD. For the same period, KWSPFT paid ₹ 1.57 crore to ICICI bank, but demanded ₹ 3.61 crore from UDD. Thus, there was excess demand of ₹ 3.03 crore.
- ii) 2019-20: For the months of January to March 2020, though KWSPFT paid ₹ 9.36 crore to ICICI bank, the grants demanded from UDD was ₹ 9.60 crore. Similarly, the amount paid in June 2019 to SBI was ₹ 1.52 crore, whereas the amount demanded from UDD was ₹ 1.58 crore. This resulted in excess demand of ₹ 0.29 crore.
- iii) 2020-21: There was excess demand of ₹ 0.16 crore as KWSPFT had demanded (June and July 2020) ₹ 2.34 crore from UDD whereas it had paid ₹ 2.18 crore to SBI.

Audit observed that these excess demands/releases of funds to KWSPFT were mainly attributable to the following:

- a) Against the outstanding loan of ₹ 64 crore from ICICI bank, KWSPFT demanded interest on ₹ 164 crore (for the months of January to March 2019).
- b) Similarly, instead of demanding interest on ₹ 6.50 crore (SBI), KWSPFT raised the demand with UDD for ₹ 65 crore (January to March 2019).
- c) KWSPFT availed loan instalment of ₹ 20 crore from ICICI bank on 24 February 2020 and hence, interest for February 2020 was payable for six days. However, KWSPFT raised demand with UDD from 3 February 2020 (27 days).
- d) Similarly, KWSPFT availed loan instalment of ₹ 5.00 crore from ICICI bank on 5 February 2020 and rate of interest was 8.24 *per cent* but it raised

demand with UDD for interest from 30 January 2020 at the rate of 8.84 per cent.

- e) KWSPFT paid interest (March 2020) on ₹ 153.70 crore to ICICI bank at the applicable rate of 8.24 per cent but it submitted demand notice at 8.84 per cent.
- f) KWSPFT paid interest (June 2020) on ₹ 174.98 crore to SBI at the applicable rate of 8.00 per cent but the demand was calculated at 8.80 per cent. Also, for the month of July 2020, KWSPFT paid ₹ 1.03 crore to SBI, but demanded ₹ 1.08 crore from UDD.
- g) UDD did not verify the correctness of the demands raised by KWSPFT and released the funds without any reconciliation.

Month-wise details are given in **Appendix 2.9** (SBI) and **Appendix 2.10** (ICICI bank).

Audit also observed that KWSPFT did not utilise the excess amount received from the department to prepay loans. As a result, it failed to reduce the interest liability by ₹ 0.49 crore (March 2021) as detailed in **Appendix 2.11**.

The State Government while accepting the audit observation, stated (May 2022) that banks were being instructed to confirm the estimated demands before a request was made to UDD for releasing funds and also to credit excess amounts available in the escrow account towards loan repayment. The reply is, however, silent about fixing the responsibility for excess release due to incorrect demand of ₹ 164 crore and ₹ 65 crore instead of ₹ 64 crore and ₹ 6.50 crore respectively.

2.9.7 Additional interest charged to loan sub-accounts

Scrutiny (August to December 2021) of bank statements pertaining to loan sub-accounts operated at Canara Bank by test-checked CCs (except Ballari) revealed that an amount of ₹ 27.95 lakh¹³ was debited by the bank as interest capitalised. Possibility of presenting cheques and subsequent withdrawal without ensuring availability of adequate funds in the main account leading to levy of interest amount could not be ruled out. The DMA had not taken any action (January 2022) to seek clarification from the banks regarding the amounts debited and to recover the same.

2.10 Other deficiencies in Financial Management

2.10.1 Avoidable liability of interest

In contravention to the Scheme guidelines which prohibited funding of works executed under other schemes, DC, Vijayapura released (November 2017 and July 2018) an amount of ₹ 19.86 crore to Commissioner, CC, Vijayapura for paying land compensation for widening a road in connection with implementation of master plan for the city (detailed in Paragraph 2.6).

¹³ Mysuru – ₹ 10.77 lakh, Tumakuru – ₹ 2.60 lakh and Vijayapura – ₹ 14.58 lakh.

Audit scrutiny (November and December 2021) revealed that Commissioner issued (September 2014) notice and offered compensation amount to the affected persons. Of these, 48 property owners contested (September 2014) the proposed compensation and filed Writ Petitions (WPs) in the High Court of Karnataka (Kalaburagi Bench). During pendency of WP, CC gave an undertaking in the High Court, not to act against the petitioners, without following the due process of law.

However, in violation of the undertaking given, CC demolished (October 2014) the properties belonging to the aggrieved parties. Consequently, the High Court ordered (July 2016) to fix the land compensation at current market rate along with 100 *per cent* solatium with 12 *per cent* interest per annum for two years. The CC was to pay the advance settlement of 30 *per cent* of the compensation on or before 30 July 2016 and the remaining 70 *per cent* within four months from the date of first instalment *i.e.*, on or before 30 November 2016, failing which the remaining amount would carry an interest at 15 *per cent* per annum.

In this regard, audit observations are as follows:

- i) Since CC did not follow the due procedure of law, it had to pay the interest of 24 *per cent* (12 *per cent* for two years) on the compensation amount payable. This interest amount worked out to ₹ 1.94 crore, out of which ₹ 1.36 crore was paid out of Scheme funds.
- ii) CC paid 30 *per cent* of the compensation amount during the month of July-August 2016 and hence, balance 70 *per cent* was to be paid before 30 November 2016, failing which interest at 15 *per cent* per annum was leviable. Audit noticed that despite the availability of sufficient funds, CC paid the balance 70 *per cent* in the month of November 2017, July 2018 and February 2019. These delays led to additional liability of interest at 15 *per cent* aggregating ₹ 2.60 crore.

Details are given in **Appendix 2.12** and **Appendix 2.13**.

The State Government stated (April 2022) that CC, Vijayapura made payment to the landowners as per the Court order and hence, there was no fault on part of the CC. The reply is not acceptable as the CC neither followed the due procedure of law nor paid 70 *per cent* of the compensation amount within the prescribed date, which led to avoidable liability of interest.

2.10.2 Blockage of funds

Rule 73 of KMABR stated that in respect of deposit works carried out by other Government agency on behalf of CC, the gross estimated expenditure could be released in one lump sum or instalments as agreed. CC was to monitor the progress of expenditure on such works and ensure refund of unspent balances.

DLC, Tumakuru approved (February 2014) the proposal to reserve ₹ 5.50 crore out of the Scheme funds for the work “Construction of approach road by PWD from Bhadramma Circle to Shettihalli Railway Gate” based on the proposal submitted by Assistant Executive Engineer, PWD Sub-division, Tumakuru. The

work estimated at ₹ 11 crore was to be funded out of *Nagarothana* Scheme and by Infrastructure Development Department, GoK (50 *per cent* each). Accordingly, the Commissioner, CC, Tumakuru, submitted (February 2014) the proposal to Secretary, UDD, to revise the Action Plan.

However, contrary to the approved proposal, CC, Tumakuru deposited (August/October 2017) the entire estimated cost of ₹ 11 crore out of Scheme funds¹⁴ with PWD, resulting in excess deposit of ₹ 5.50 crore. The expenditure under this work was only ₹ 1.61 crore (as of July 2021). The lack of due diligence by CC, Tumakuru in releasing excess deposit of ₹ 5.50 crore in one instalment without ensuring the progress of work resulted in blocking of Scheme funds amounting to ₹ 9.39 crore for more than four years.

The State Government stated (April 2022) that proposal for increasing the amount to ₹ 11 crore was made *vide* Government Order dated 4 March 2014. The reply is not verifiable as copy of the G.O. was not enclosed. Further, the reply does not clarify the audit observation regarding deposit of entire amount without ensuring progress of work.

Conclusion

The CCs did not follow the Government guidelines for preparation of action plans detailing the works to be taken up under the Scheme. None of the test-checked CCs provided any data/record based on which the works were prioritised and selected. There was absence of need-based analysis in planning and selection of works.

The CCs also did not execute around 19 *per cent* of the works originally included in the action plan and the State Government, in disregard of its own instructions, accorded approvals to revised action plans. The revision of action plans without concurrence of DLCs was against the community/participatory planning concept prescribed in Scheme guidelines.

Budgetary Control was deficient as there were instances of savings/excess over the budget estimates and lapse of grants released due to non-utilisation.

Failure of CCs to adhere to the limits prescribed in the Scheme guidelines for various categories of works resulted in non-selection of works related to traffic management, water supply and UGD, ignoring overall infrastructure development of cities. The CCs diverted the Scheme funds towards works taken up under other schemes in contravention of the guidelines.

KWSPFT incurred avoidable interest liability of ₹ 5.09 crore due to non-recoupment of loan diverted from *Nagarothana* Phase-II to Phase-III which was availed at a higher interest rate. There was additional expenditure of ₹ 4.87 crore due to availing loans at higher than the quoted interest rates, non-exercising the option of availing loans which were available at lower interest rates and delay in repayment of loan as per the schedule prescribed in the agreements. The

¹⁴ ₹ 4.67 crore out of Grants (August 2017) and ₹ 6.33 crore out of loan (October 2017).

incorrect estimation of demand of grants by KWSPFT for loan repayment resulted in release of grants by UDD in excess of requirement for the purpose.

Other deficiencies in financial management such as payment of avoidable interest due to delay in payment of land compensation and blocking of Scheme funds in deposit works in excess of requirement were also noticed.

Recommendations

- *Planning for infrastructure development in the cities were to be undertaken only after need analysis and in consultation with the stakeholders to aid in the holistic development of infrastructure of the cities.*
- *The availing of loans and their servicing need to be exercised with due diligence and loan accounts should be periodically reconciled to preclude risk of additional liabilities to Government.*

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:

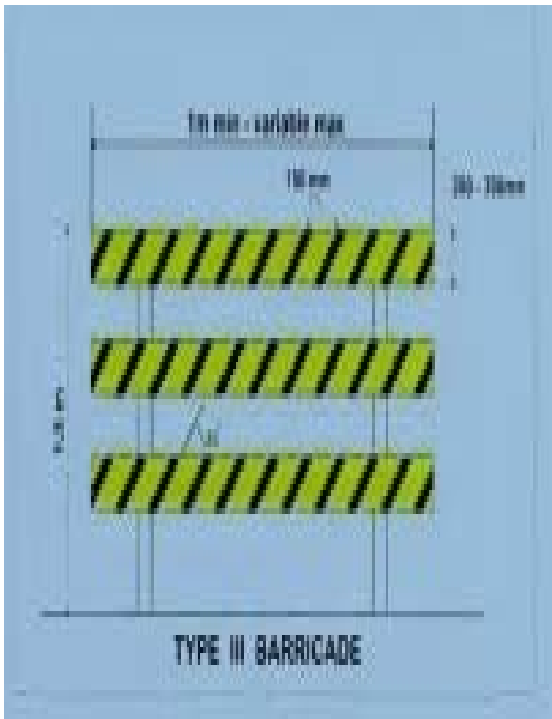

(i) Mysuru

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 style="text-align: center;">TYPE III BARRICADE</p>	
<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.*

Paragraph 19 of the Scheme guidelines envisaged multi-level monitoring of the Scheme *i.e.*, at DLC, DMA and UDD levels. Audit observed (August to December 2021) that there were deficiencies in internal controls and monitoring which rendered progress reports/MIS unreliable and also led to lack of transparency in tendering process, inadmissible/unwarranted expenditure, *etc.*, under the Scheme. Detailed observations are brought out in the succeeding paragraphs.

4.1 Meetings at DMA/Government level

Scheme guidelines mandated that DMA should monitor Scheme implementation every month and UDD should review it once in three months.

Against 84 meetings to be held at DMA during 2014-15 to 2020-21, DMA held 25 meetings. Details of the meetings held at UDD were called for; information was not furnished to Audit (April 2022).

The State Government stated (April 2022) that monthly meetings had been conducted and reviewed regularly by DMA and UDD. The reply is contrary to the information furnished earlier wherein it was stated that DMA had held only 25 meetings during the period from 2014-15 to 2020-21 against the mandatory 84 meetings.

4.2 District-level Committee Meetings

DLC headed by the District in-charge Minister, was to hold meetings once in two months to monitor the Scheme implementation.

Audit observed (August to December 2021) that against the mandated 42 meetings (once in two months) during the period from 2014-15 to 2020-21, DLCs in test-checked four CCs did not conduct any meeting to monitor the implementation of Scheme. As a result, the envisaged monitoring at the district level was absent which adversely affected the implementation of Scheme.

The State Government replied (April 2022) that instructions would be issued to the DCs to review the progress of the Scheme in the Karnataka Development Programme meetings.

4.3 Deficiencies in quality inspection reports of Project Management Consultants

As per Paragraph 12 of the Scheme guidelines, PMCs were to inspect/supervise the works along with CC Engineers, monitor the progress of works and submit reports to CC, DC and DMA. Further, DMA was to ensure quality execution of works through quality inspection reports submitted by PMCs.

An amount of ₹ 3.21 crore was paid (November 2021) to the PMCs in the test-checked four CCs. Scrutiny (August-December 2021) showed that there were discrepancies in the reports submitted by PMCs, rendering them unreliable for ensuring the quality of 42 (81 *per cent*) out of 52 packages test-checked in four CCs. Expenditure incurred on these 42 packages amounted to ₹ 47.37 crore. Illustrative cases were as follows:

- i) Dates and quantities of works executed were not mentioned;
- ii) Quality of the works was not certified;
- iii) Dates of taking samples, locations, *etc.*, were not mentioned;
- iv) In respect of Package 26 (Tumakuru), PMC certified (September 2017) that all the five works were executed though only two works had been completed and three works could not be taken up due to non-availability of work front. Its report (September 2015) included sample testing of mix design for SDBC (Grade-II) at site but this item was not executed;
- v) Variations in bill submission dates as per PMC reports when compared with MBs, *etc.*

CC-wise details are given in **Appendix 4.1**.

The State Government stated (April 2022) that notices would be issued to officers concerned and PMCs for further action.

4.4 Discrepancies in Financial progress reports

Karnataka Budget Manual mandated that each disbursing officer should maintain a register of expenditure under each detailed head of account and submit monthly statement of expenditure containing the numbers and dates of treasury vouchers to the controlling officers (Paragraphs 236 and 239). The subordinate officers should also maintain register of expenditure (Paragraph 243). Provisions of KMABR (Rule 79 and 87) stipulated that CC should keep an account for every work undertaken and maintain fixed asset registers comprising land, buildings and all other infrastructure, immovable and movable properties.

As per the Scheme guidelines, works were to be undertaken by CCs and releases/payments were to be made through DCs of respective districts. DCs were to monitor the grants through District Urban Development Cells (DUDCs).

Audit observed (August to December 2021) in test-checked CCs that there were following financial irregularities:

- i) DCs/DUDCs (except Mysuru) did not maintain any register of expenditure under the Scheme containing voucher-wise/work-wise details. DMA also did not insist on maintenance and submission of such details.
- ii) DUDC, Ballari did not have any record related to implementation of the Scheme.
- iii) CCs neither maintained register of expenditure nor kept the account for works undertaken.
- iv) CCs did not maintain any asset register under the Scheme.
- v) Since the funds were not routed through CCs, assets created under the Scheme were not taken to the books of accounts (certified accounts) of CCs.
- vi) UCs were submitted to DMA at regular intervals, but these were not supported with work-wise details. As a result, there were mismatches in UCs when compared with work-wise progress reports.

- vii) In respect of Ballari CC, ₹ 5.50 crore released under the Scheme was utilised as per UCs and there was nil balance in the SBI account. This was incorrect and misleading as the amount of interest earned (₹ 0.44 crore) and closing balance of ₹ 0.42 crore (March 2021) were not intimated/included in UCs.
- viii) Estimated cost in progress report was indicated work-wise whereas expenditure was exhibited for the whole package. Also, in cases where final expenditure of a package exceeded the estimated cost, balance amount was met out of other grants/funds and such excess expenditure was not exhibited in the progress reports. Hence, work-wise expenditure was not ascertainable and comparison of expenditure with estimated cost was not feasible.
- ix) There was no congruence in respect of Scheme expenditure (March 2021) exhibited in records maintained at various offices, evidencing absence of reconciliation as detailed in **Table 4.1**.

Table 4.1: Variations in expenditure of test-checked CCs

Source	Ballari	Mysuru	Tumakuru	Vijayapura
DMA	76.03	82.80	97.74	95.38
MIS	53.58	83.11	97.82	81.87
DUDCs	Not available	84.26	97.81	95.51
Progress reports of CCs	75.17	83.90	97.68	96.43
Bank and treasury records	75.26	Not available	98.89	Not available
UCs	75.17	82.80	97.77	95.38

Source: Information furnished by DMA and test-checked CCs/DUDCs

- x) The Scheme guidelines was silent about accounting and utilisation of interest earned in loan account. As of March 2021, interest amount in loan account aggregated ₹ 6.67 crore (₹ 6.61 crore in sweep account and ₹ 0.06 crore in SB account), for which neither UDD nor DMA had issued any instructions. Audit also observed that there was a difference of ₹ 0.16 crore in amount of loan utilised (March 2021) as per DMA (₹ 432.90 crore) when compared with the Canara Bank data (₹ 432.74 crore).

The State Government replied (April 2022) that requisite registers would be maintained and MIS would be upgraded in future. The reply did not address the audit observations about mismatches in Scheme expenditure as per various records, submission of incorrect UCs, assets created but not taken to books of accounts and accounting/utilisation of interest earned in loan account.

4.5 Deficiencies in Management Information System

Scrutiny of records (August to December 2021) showed that there was no specific Management Information System (MIS) for the Scheme. Instead, a common application of Karnataka Municipal Data Society (KMDS) used for monitoring ULB schemes, was utilised for this Scheme as well.

Audit observed that there were following lacunae which rendered MIS unreliable for monitoring and ensuring efficiency/effectiveness in fund utilisation under the Scheme:

- i) There was no system to tally MIS data with the data available at CCs and to validate it. There was also no mechanism of sample verification to ensure correctness of data reported by CCs.
- ii) MIS could provide the progress as on date, but it did not have provision for year-wise reports. There was no option for generating customised reports for various category of users and provide audit trail of all transactions processed and maintained.

The State Government stated (April 2022) that instruction would be issued to KMDS and DUDCs for effective monitoring.

4.6 Internal control

Neither the UDD/DMA nor test-checked CCs had established internal audit mechanism to oversee the implementation of the Scheme.

The State Government stated (April 2022) that internal audit wing was already established at CC level and a separate wing would be established at UDD/DMA level. However, Audit observed that no internal audit wing was functioning in the four test-checked CCs. Thus, there was no mechanism to apply certain preliminary checks to the Scheme records and suggest corrective action, wherever necessary.

4.7 Absence of impact assessment and non-disbursal of incentive for good performance

As per Paragraph 25 of the Scheme guidelines, incentive would be given to CCs for good quality work and timely completion of works under the Scheme. In this regard, DMA was to recommend the names of CCs every financial year and the amount was to be paid out of SFC (incentive) grants. The guidelines also stipulated that after the completion of assigned project period of three years (2014-15 to 2016-17), Hon'ble Chief Minister would confer award to three best CCs.

Majority of the works taken up under the Scheme were disaggregated and below the prescribed financial limit of ₹ 50 lakh, hence assessment of the holistic development of the urban infrastructure was not feasible. Audit observed (August to December 2021) that the Government/DMA/CC also did not conduct any impact assessment of the Scheme. They did not identify any minimum threshold measure for city's growth expected to be achieved by works to be taken up under the Scheme and prescribe any methodology to assess the utilisation of assets created. As a result, the Government did not have reliable data for making decisions regarding improvements/course corrections to be made to the Scheme and to incentivise good performing CCs. Consequently, no incentive amount had been given to any CC during the period from 2014-15 to 2020-21. Evidently, the envisaged objective of recognising good performance was not achieved.

The State Government stated (April 2022) that impact assessment would be conducted in future. The Government's reply is non-committal since it does not specify the period within which impact assessment would be conducted.

Conclusion

Monitoring was deficient as shortfalls were noticed in the stipulated review meetings to be conducted by DLC and at DMA/Government level.

Discrepancies were noticed in quality inspection reports submitted by PMCs such as variation in dates/quantity of works executed, non-certification of the quality of works inspected, etc.

Financial reporting was also deficient due to discrepancies such as improper accounting, non-maintenance of records and inconsistencies in expenditure exhibited in various sources due to non-reconciliation.

MIS of the Scheme was not reliable due to data inconsistencies. The internal audit was not functional in test-checked CCs and DMA.

The Government/ DMA did not conduct impact assessment of the Scheme by identifying measurable indices and also did not incentivise good performing CCs as prescribed in the Scheme guidelines.

Recommendations

- *The monitoring mechanism should be strengthened by instituting robust reporting through quality inspection reports, establishing reliable MIS, constituting internal audit and conducting prescribed review meetings at various levels.*
- *The Government should identify measurable indices for assessing the performance of CCs and conduct impact assessment of the Scheme.*



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Appendices

Appendix 1.1

(Reference: Paragraph 1.1/Page 2)

Gist of audit objections and recommendations of the Committee on previous performance audit (Nagarothana Phase-I)

Sl. No.	Paragraph No.	Objection in brief	Recommendations of the Committee
1	4.2.8	Utilisation of interest for unauthorised purposes	Disciplinary action to be initiated against the DC who utilised the interest for unauthorised purposes. The Chief Secretary is directed to submit an action taken report to the Committee at the earliest,
2	4.2.11	Non-availability of basic information in respect of road works executed	An inquiry is to be initiated against the officials who have executed the works without prior approval of the authority.
3	4.2.12	Splitting up of works	Inquiry to be initiated against those responsible for splitting the works to avoid sanction of higher authority.
4	4.2.13	Other deficiencies in preparation of estimates	Inquiry to be initiated against those responsible for deficiencies in preparation of estimates.
5	4.2.14	Excess provision towards unforeseen and miscellaneous expenditure	Appropriate action to be initiated against the concerned and personal responsibility to be fixed.
6	4.2.15	Award of works	The relevant records should be made available to the audit officials whenever Audit is undertaken. Action to be taken against the erring officials who have flouted the rules in award of works.
7	4.2.17	Irregular fixing of criteria in selection of contractors	Action to be taken against the officers who were responsible for this irregularity.
8	4.2.21.6	Incomplete road work	The amount of ₹ 11.36 lakh to be recovered from the officers who were responsible for the lapse.
9	4.2.22.1	Irregularities in selection of third party consultancy	Due care should be taken for selecting the third party consultancy devoid of irregularities.
10	4.2.22.2	Irregular entrustment of third-party inspection	
11	4.2.23	Irregular refund of security deposit	Action to be taken against those responsible for tampering the contract clause and also to recover, from the contractor, the cost of maintenance of the road incurred from the second year.
12	4.2.24	Short recovery of royalty	Personal responsibility to be fixed against the officials in this regard and necessary action to be initiated to recover royalty charges.
13	4.2.27	Payment without the approval of the competent authority	Action to be initiated against the officials for the unauthorised payments. The Committee directed that the officials should follow the rules scrupulously in future.
14	4.2.28	Non-levy of liquidated damages	
15	4.2.29	Monitoring and evaluation	

Source: Recommendations of Committee on Local Bodies and Panchayat Raj Institutions

Appendix 1.2

(Reference: Paragraph 1.5/Page 3)

Category-wise and CC-wise details of works selected for test-check

Category of works	Total			Sample selected			Percentage of test-check		
	Number of packages	Number of works	Expr. (₹ in lakh)	Number of packages	Number of works	Expr. (₹ in lakh)	Packages	Works	Expr.
Ballari									
I	34	84	3,017	6	21	603	18	25	20
II	4	4	75	1	1	75	25	25	100
III	0	0	0	0	0	0	-	-	-
IV	0	0	0	0	0	0	-	-	-
V	9	24	874	2	3	409	22	13	47
Total (Ballari)	47	112	3,966	9	25	1,087	19	22	27
Mysuru									
I	48	124	5,320	8	19	991	17	15	19
II	10	10	936	8	8	663	80	80	71
III	13	55	1,397	3	16	348	23	29	25
IV	0	0	0	0	0	0	-	-	-
V	7	23	737	3	11	237	43	48	32
Total (Mysuru)	78	212	8,390	22	54	2,239	28	25	27
Tumakuru									
I	40	159	5,719	9	32	1,383	23	20	24
II	2	6	213	1	3	90	50	50	42
III	0	0	0	0	0	0	-	-	-
IV	0	0	0	0	0	0	-	-	-
V	4	19	690	2	8	200	50	42	29
Total (Tumakuru)	46	184	6,622	12	43	1,673	26	23	25
Vijayapura									
I	39	100	4,438	4	8	697	10	8	16
II	0	0	0	0	0	0	-	-	-
III	5	10	235	1	3	25	20	30	11
IV	6	6	423	2	5	151	33	83	36
V	6	19	369	2	7	124	33	37	34
Total (Vijayapura)	56	135	5,465	9	23	997	16	17	18
Grand total	227	643	24,443	52	145	5,996	23	23	25

Source: Progress reports of test-checked CCs

Appendix 2.1

(Reference: Paragraph 2.1/Page 6)

Statement showing the details of submission of action plans in test-checked CCs

Sl. No.	CC	Date of approval by DLC	Date of forwarding to DMA	Date of forwarding to UDD	Date of approval by UDD
1.	Ballari	18.10.2013	28.11.2013	27.12.2013	14.02.2014
2.	Mysuru	10.02.2014	30.04.2014	26.06.2014	18.07.2014
3.	Tumakuru	22.12.2013	28.12.2013	09.01.2014	25.02.2014
4.	Vijayapura	13.12.2013	06.01.2014	17.02.2014	15.11.2014

Source: Information furnished by DMA

Appendix 2.2

(Reference: Paragraph 2.2/Page 6)

Category-wise details of works included in original action plans but not taken up in test-checked CCs

(₹ in lakh)

Category of works	Ballari		Mysuru		Tumakuru		Vijayapura		Total	
	No. of works	Estd. cost	No. of works	Estd. Cost	No. of works	Estd. Cost	No. of works	Estd. Cost	No. of works	Estd. Cost
I	10	813	2	70	2	74	3	286	17	1,243
II	3	640	14	1,124	49	1,500	12	1,082	78	4,346
III	-	-	7	207	-	-	7	1,289	14	1,496
IV	13	500	3	500	9	500	-	-	25	1,500
V	2	75	1	30	2	195	2	250	7	550
Total	28	2,028	27	1,931	62	2,269	24	2,907	141	9,135

Source: Original action plans and progress reports of CCs

Appendix 2.3

(Reference: Paragraph 2.6/Page 10)

Statement showing amount diverted for other schemes/works

(₹ in crore)

Sl. No.	Name of CC	Name of work	Other scheme/works name	Amount paid by CC
1	Ballari	Laying of pipeline from Allipur pump house to Allipur reservoir from chainage 2250 to 2900 and fixing 3 number of 250 HP motor	13th /14th FC	4.08
2		CC contribution to AMRUT Scheme	AMRUT	16.43
3		Extension work of UGD to the remote areas of Ballari City	AMRUT	15.00
4	Tumakuru	Construction of approach road by PWD from Bhadramma Circle to Shettihalli Railway Gate	Deposit contribution PWD	11.00
5		CC contribution to AMRUT Scheme	AMRUT	5.00
6		Deposit amount towards UIDSSMT Scheme 24*7 for water supply	UIDSSMT	12.28
7		Contribution towards Rajiv Gandhi Awas Yojana (RAY)	RAY	3.19
8	Vijayapura	Compensation for master plan roads	Master Plan 2006	19.86
9		CC contribution to AMRUT Scheme	AMRUT	10.82
10		Construction of Corporation office building	Kalaburagi Cabinet Grants	4.14
11		Construction of 10 MLD water purification plant at Bhootnal lake	KUWSDB	6.95
		Total		108.75

Source: Information furnished by CCs

Appendix 2.4

(Reference: Paragraph 2.9.1/Page 13)

Details of budget estimates and amounts released for loan repayment

(₹ in crore)

Financial Year	Budget allocation for Nagarothana Phase-III	Amount released by UDD for Nagarothana Phase-III	Excess (+) / savings (-) over budget	Percentage
2016-17	5.35	0	(-) 5.35	(-) 100
2017-18	29.94	7.36	(-) 22.58	(-) 75
2018-19	34.72	20.68	(-) 14.04	(-) 40
2019-20	95.57	59.18	(-) 36.39	(-) 38
2020-21	73.47	89.01	(+) 15.54	(+) 21
Total	239.05	176.23	(-) 62.82	(-) 26

Source: Information furnished by UDD and KWSPFT

Appendix 2.5

(Reference: Paragraph 2.9.2/Page 13)

Statement showing avoidable interest liability due to non-replenishment of amount to Phase-II from Phase-III (March 2021)

(₹ in crore)

Sl. No.	Amount to be replenished	Details of replenishment			Avoidable liability of interest		
		Amount	Month	Balance	Period in months	Rate of interest	Amount
1	100.00	0.00	-	100.00	3 (Apr 2017 to Jun 2017)	1.70	0.43
2	100.00	15.00	Jul 2017	85.00	9 (Jul 2017 to Mar 2018)	1.70	1.08
3	85.00	12.00	Apr 2018	73.00	20 (Apr 2018 to Nov 2019)	1.70	2.07
4	73.00	6.20	Dec 2019	66.80	16 (Dec 2019 to Mar 2021)	1.70	1.51
	Total	33.20					5.09

Source: Information furnished by KWSPFT

Note: In the absence of details of annual reset in rate of interest of Syndicate Bank and Bank of India, interest liability was calculated at the rates applicable on the date of diverting loan (9.95-8.25=1.70 per cent)

Appendix 2.6

(Reference: Paragraph 2.9.4/Page 14)

Details of loan availed at higher rate of interest

Sl. No.	Date	Amount required (₹ in crore)	Loan instalments availed		Available Rate of interest on the date of fund requirement		Avoidable liability of interest		
			From	Rate of interest (%)	SBI (%)	ICICI (%)	Excess rate of interest (%)	No. of months up to March 2021	Amount (₹ in crore)
1	27.04.2018	12.00	SBI	8.40	8.40	8.24	0.16	35	0.06
2	27.09.2018	26.50	SBI	8.40	8.40	8.24	0.16	30	0.10
3	29.09.2018	40.00	SBI	8.40	8.40	8.24	0.16	30	0.16
4	17.01.2019	6.50	SBI	8.40	8.40	8.24	0.16	26	0.02
	Total	85.00							0.34

Source: Information furnished by KWSPFT

Appendix 2.7

(Reference: Paragraph 2.9.5/Page 15)

Avoidable interest due to delays in repaying SBI loan instalments (as of March 2021)

Instalment	Amount (₹)	Due on	Paid on	Delay in days	Rate of Interest	Avoidable payment of interest (₹)
1	8,18,00,000	07.04.2019	18.06.2019	72	8.80	14,19,958
2	8,34,00,000	07.07.2019	27.09.2019	82	8.80	16,48,807
3	8,34,00,000	07.10.2019	24.12.2019	78	8.80	15,68,377
4	8,34,00,000	07.01.2020	18.03.2020	71	8.80	14,27,625
5	8,34,00,000	07.04.2020	26.06.2020	80	8.00	14,62,356
6	8,34,00,000	07.07.2020	28.09.2020	83	8.00	15,17,195
7	8,34,00,000	07.10.2020	30.12.2020	84	8.00	15,35,474
8	8,34,00,000	07.01.2021	23.03.2021	75	8.00	13,70,959
	Total					1,19,50,751

Source: Information furnished by KWSPFT

Appendix 2.8

(Reference: Paragraph 2.9.5/Page 15)

Avoidable interest due to delays in repaying ICICI loan instalments (as of March 2021)

Instalment	Amount (₹)	Due on	Paid on	Delay in days	Rate of interest	Avoidable payment of interest (₹)
1	6,42,00,000	02.02.2020	23.03.2020	50	8.24	7,24,668
2	6,40,41,666	01.04.2020	02.07.2020	92	8.24	13,30,102
3	7,08,59,849	01.07.2020	29.09.2020	90	8.24	14,39,717
4	7,08,59,848	01.10.2020	01.01.2021	92	8.24	14,71,711
5	7,08,59,848	01.01.2021	02.02.2021	32	8.24	5,11,899
	7,08,59,848	02.02.2021	23.03.2021	49	7.34	6,98,232
Total						61,76,329

Source: Information furnished by KWSPFT

Appendix 2.9

(Reference: Paragraph 2.9.6/Page 17)

Month-wise details of amount demanded in excess by KWSPFT for loan repayment (SBI)

(₹ in lakh)

Month	Amount paid by KWSPFT to bank				Amount demanded by KWSPFT/ amount released by UDD				Excess demand/ release	
	Outstanding loan	Rate of interest applicable	Amount paid	Date of payment	Outstanding loan considered	Rate of interest	Amount demanded	Date of receipt from UDD		
For the year 2018-19										
Jan-19	19,350.00	8.40	138.05	25.01.2019	19,350.00	8.40	138.05	11.02.2019		
	650.00	8.40	2.24		6,500.00	8.40	22.44	18.10.2019		
Sub-total			140.29				160.49			20.20
Feb-19	19,350.00	8.40	124.69	25.02.2019	19,350.00	8.40	124.69	18.02.2019		
	650.00	8.40	4.19		6,500.00	8.40	41.88	18.10.2019		
Sub-total			128.88				166.57			37.69
Mar-19	19,350.00	8.40	138.05	25.03.2019	19,350.00	8.40	138.05	08.03.2019		
	650.00	8.40	4.63		6,500.00	8.40	46.37	18.10.2019		
Sub-total			142.68				184.42			41.74
Total (2018-19)			411.85				511.48			99.63
For the year 2019-20										
Jun-19			152.16	18.06.2019	20,000.00	8.40	138.08	01.07.2019		
Arrears of Apr-Jun 19					20,000.00	0.40	19.92	01.08.2019		
Total (2019-20)			152.16				158.00			5.84
For the year 2020-21										
Jun-20	17,498.00	8.00	115.06	25.06.2020	17,498.00	8.80	126.56	24.06.2020		11.51
Jul-20			103.08	27.07.2020	15,835.71	8.00	107.60	19.08.2020		4.52
Total (2020-21)			218.14				234.16			16.02

Source: Information furnished by KWSPFT

Appendix 2.10
(Reference: Paragraph 2.9.6/Page 17)
Month-wise details of amount demanded in excess by KWSFFT for loan repayment (ICICI bank)

(₹ in lakh)

Month	Amount paid by KWSFFT to bank				Amount demanded by KWSFFT/ amount released by UDD				Excess demand/ release	
	Outstanding loan	Rate of interest applicable	Amount paid	Date of payment	Outstanding loan considered	Rate of interest applicable	Amount demanded	Date of receipt from UDD		
For the year 2018-19										
Jan-19	6,400.00	8.34	45.33	25.01.2019	16,400.00	8.34	116.17	11.02.2019		
	1,350.00	8.34	4.01		1,350.00	8.84	4.25	16.05.2019		
Sub-total			49.34				120.42			71.08
Feb-19	6,400.00	8.34	40.95	25.02.2019	16,400.00	8.34	104.92	18.02.2019		
	1,350.00	8.34	8.64		1,350.00	8.84	9.15	16.05.2019		
Sub-total			49.59				114.07			64.48
Mar-19	6,400.00	8.84	48.05	25.03.2019	16,400.00	8.34	116.17	08.03.2019		
	1,350.00	8.84	10.14		1,350.00	8.84	10.14	16.05.2019		
			0.27							
Sub-total			58.46				126.31			67.85
Total (2018-19)			157.39				360.80			203.41
For the year 2019-20										
Jan-20	12,870.00	8.84	96.63	22.01.2020	12,870.00	8.84	96.63	25.02.2020		
					500.00	8.84	0.24	13.05.2020		
Sub-total			96.63				96.87			0.24
Feb-20			83.85	20.02.2020	12,870.00	8.84	90.39	25.02.2020		
			3.38	24.02.2020	500.00	8.84	3.51	13.05.2020		
	500.00	8.24	2.71	26.02.2020	2,000.00	8.84	13.08	13.05.2020		
Sub-total			89.94				106.98			17.04
Mar-20	12,870.00	8.24	90.07	18.03.2020	12,870.00	8.84	96.63	11.03.2020		
	500.00	8.24	3.50		500.00	8.84	3.75	13.05.2020		
	2,000.00	8.24	14.00		2,000.00	8.84	15.02	13.05.2020		
	Principal		642.00	23.03.2020			640.42	13.05.2020		
Sub-total			749.57				755.82			6.25
Total (2019-20)			936.14				959.67			23.53

Source: Information furnished by KWSFFT

Appendix 2.11

(Reference: Paragraph 2.9.6/Page 17)

Avoidable interest liability due to non-remittance of excess amount received from UDD

(₹ in lakh)

Bank	Excess amount	Date of receipt from UDD	No. of months from month of receipt to March 2021	Calculation of avoidable interest liability	
				Months and applicable rate of interest	Amount
SBI	99.63	18.10.2019	17	5 months at 8.80 % and 12 months at 8.00 %	11.63
SBI	5.84	01.08.2019	20	8 months at 8.80 % and 12 months at 8.00 %	0.81
SBI	11.51	24.06.2020	9	9 months at 8.00 %	0.69
	4.52	19.08.2020	7	7 months at 8.00 %	0.21
ICICI	203.41	11.02.2019 to 08.03.2019	24	10 months at 8.84%, 12 months at 8.24% and 2 months at 7.34%	34.23
ICICI	23.54	13.05.2020	10	8 months at 8.24% and 2 months at 7.34%	1.58
		Total			49.15

Source: Information furnished by KWSPFT and UDD

Appendix 2.12

(Reference: Paragraph 2.10.1/Page 18)

Details of avoidable interest on land compensation paid by CC,
Vijayapura on 30.11.2017

(Amount in ₹)

Sl. No.	CTS No.	Name of landowner (Ms./Mr.)	Land Value	24% interest on land value	70% of 24% interest on land value	Annual interest @ 15% for delayed days on 70% amount
1	413/B	Prema Shetty & 7 others	26,33,945	6,32,147	4,42,503	6,38,237
2	410/B	Jaabir Nihal Wati Alta	25,54,200	6,13,008	4,29,106	7,63,190
3	410/A	Wati Mohammad Sayeed Wati Altaf Mohammad	15,30,788	3,67,389	2,57,172	9,08,130
4	99	Sadashiv Shivram Kembhavi & Surendra	17,56,645	4,21,595	2,95,116	4,84,134
5	100 A	Sambhaji S Langoti & Others	11,15,728	2,67,775	1,87,442	2,67,569
6	120 A	Sanjay S Jadhav & Parashuram Shivaji	10,01,728	2,40,415	1,68,290	2,80,376
7	120 B	Indumati Arjun & Others	9,63,918	2,31,340	1,61,938	3,25,704
8	121 A	Shanjay Shivaji Jadhav & Parshuram Shivaji	5,31,525	1,27,566	89,296	1,35,918
9	121 B	Indumati Arjun & Others	5,45,823	1,30,997	91,698	1,59,555
10	216	Mohan Venkatesh Kulkarni	37,810	9,074	6,352	19,551
11	217	Mohan Venkatesh Kulkarni	11,11,120	2,66,669	1,86,668	3,06,552
12	231/C4	Anita Mallappa Nidoni	34,51,445	8,28,347	5,79,843	8,36,442
13	241/C1	Rajaksaheb, Badshah Rajesab Sanglikar	9,87,430	2,36,983	1,65,888	2,82,744
14	241/C1/A	Rajaksaheb, Rajesab & others	16,74,328	4,01,839	2,81,287	3,87,084
15	1454	Ambalpadi Mahabal Ramanna Shetty	21,93,598	5,26,463	3,68,524	6,21,201
16	445	Mohammad Shafeeq Sofilal Bangi	34,63,614	8,31,267	5,81,887	7,99,459
17	260 B	Gopal Ramarao Bagalkotkar	12,58,323	3,01,997	2,11,398	3,44,494
18	260C	Gopal Ramarao Bagalkotkar	9,54,228	2,29,015	1,60,310	2,09,677
19	269	Basavaraj Savalgi	23,92,955	5,74,309	4,02,016	6,73,603
20	270	Basavaraj Savalgi	15,95,145	3,82,835	2,67,984	4,47,912
21	296 B1	Ramesh Bhaurao Kharande	19,93,813	4,78,515	3,34,961	5,64,077
22	260 D	Satish Ramarao Bagalkotkar	7,26,275	1,74,306	1,22,014	3,09,628
23	260 E	Satish Ramarao Bagalkotkar	17,52,038	4,20,489	2,94,342	2,16,765
24	260F	Satish Ramarao Bagalkotkar	2,65,763	63,783	44,648	32,881
25	271	Narasimha K Kulkarni	16,62,120	3,98,909	2,79,236	3,83,562
26	468/3	Basheer Ahamad Mohammad Sutar	7,92,000	1,90,080	1,33,056	1,73,520
27	468/3	Prahlad Shamarao Havaladar	8,55,905	2,05,417	1,43,792	1,43,396
28	462	Basheer Ahamad Mohammad Sutar	5,14,503	1,23,481	86,437	1,15,619
29	220/1A	Mahesh Gangadhar Hiredesai	16,18,610	3,88,466	2,71,926	6,91,610
30	220/1B	Umesh Gangadhar Hiredesai	6,83,335	1,64,000	1,14,800	2,31,127
31	220/2B	Umesh Gangadhar Hiredesai	5,21,788	1,25,229	87,660	1,84,288
32	1120	Samarathmal Jessaji Bati	7,21,668	1,73,200	1,21,240	3,11,742
33	1121	Samarathmal Jessaji Bati	4,27,263	1,02,543	71,780	91,131
34	272	Vijay Jahagirdhar	20,89,383	5,01,452	3,51,016	2,75,487
35	296/A1	Kishor, Arun Kembhavi	22,22,240	5,33,338	3,73,336	4,71,778
36	296/A2	Kishor Gopalrao Kembhavi	17,28,525	4,14,846	2,90,392	3,60,778

Appendix 2.12 (Concl.)

Sl. No.	CTS No.	Name of landowner (Ms./Mr.)	Land Value	24% interest on land value	70% of 24% interest on land value	Annual interest @ 15% for delayed days on 70% amount
37	296/A3	Arun, Kishor Gopalrao	25,92,313	6,22,155	4,35,509	5,20,324
38	296/A4	Arun Gopalrao Kembhave	18,51,693	4,44,406	3,11,084	3,47,555
39	289 &	Padmavati Joshi & Others	20,27,538	4,86,609	3,40,626	10,73,442
40	290	Padmavati Joshi & Others	20,65,348	4,95,683	3,46,978	
41	466	Prahlad Shamarao Havaladar	9,68,525	2,32,446	1,62,712	1,87,071
42	1501/D	Sanjaya Govind Chetra	5,12,620	1,23,029	86,120	1,29,630
43	122/1	Kantilal K Patidar	12,62,883	3,03,092	2,12,164	2,92,452
		Total	6,16,10,434	1,47,86,504	1,03,50,553	1,59,99,395

Source: Information furnished by CC, Vijayapura

Appendix 2.13

(Reference: Paragraph 2.10.1/Page 18)

Details of avoidable interest on land compensation paid by CC,
Vijayapura on 13.07.2018 and 14.02.2019

(Amount in ₹)

Sl. No.	CTS No.	Name (Ms./Mr.)	Land Value	24% interest on land value	70% of 24% interest on land value	Annual interest @ 15% for delayed days on 70% amount
1	1497	Dilip Govind Chatre	13,44,155	3,22,597	2,25,818	8,50,894
2	1498	Dilip Govind Chatre	27,91,623	6,69,989	4,68,993	14,79,679
3	1500	Dilip Govind Chatre	5,55,560	1,33,334	93,334	2,03,480
4	413/A1	Jaya Hotel Complex	22,78,238	5,46,777	3,82,744	9,00,022
5	413/A3	Rajendra Builders	27,57,002	6,61,680	4,63,176	17,45,225
6	260/A	Ramarao BinduRao Bagalkotkar	77,28,831	18,54,919	12,98,444	38,81,732
7	123/2	Basavantrav Vittal Rao Patil	16,51,860	3,96,446	2,77,512	5,82,850
8	122/2	Baba Jahagirdar- Legal Heirs				3,70,235
		Total	1,91,07,268	45,85,742	32,10,021	1,00,14,117

Source: Information furnished by CC, Vijayapura

Note: ₹ 6,60,095 was unpaid as five landowners were out of country

Appendix 3.1

(Reference: Paragraph 3.4/Page 25)

Pavement design as per IRC and actual execution in Package 19
(Ballari)

(Units in mm)

Pavement Crust	Thickness as per IRC	Work 1		Work 3		Work 4	
		Estimate	Executed	Estimate	Executed	Estimate	Executed
GSB/Subgrade	265	300	300	300	300	250	300
Granular base/ WMM	225	150	150	150	150	150	200
BM	50	-	50	-	-	50	50
SDBC	20	40	25	40	40	25	25
Total	560	490	525	490	490	475	575

Source: Pavement design as per IRC 37 and MB of Package 19 (Ballari)

Appendix 3.2

(Reference: Paragraph 3.5.1/Page 26)

Discrepancies in technical evaluation for PMC works by DMA

(i) M/s Civil Technologies India Pvt. Ltd. (lead) and M/s CADD Station Technologies Pvt. Ltd. (JV)

Criteria as per tender document	Information furnished by PMC/Particulars				Audit remarks
	Year	Turnover (₹ in crore)	Wrongly updated to 2014-15 by DMA	Correct updated amount	
Minimum annual financial turnover of ₹ 2.60 crore in any two years in last five years (i.e., 2009-10 to 2013-14). Financial turnover was to be given a weightage of 10% per year to bring them to the price level of 2014-15.	2009-10	1.81	3.21	2.92	DMA gave additional 10% weightage and arrived at incorrect financial turnover (updated). PMC had minimum financial turnover of ₹ 2.60 crore only in one year instead of two years.
	2010-11	1.05	1.69	1.54	
	2011-12	1.83	2.68	2.44	
	2012-13	2.12	2.82	2.56	
	2013-14	Not furnished			
Consultants should have rendered supervision services for road, drain & culverts works of value not less than the ₹ 50 crore.	PMC services for formation of roads, minor bridges, CD works amounting to ₹ 85.70 crore during 2011-12 as per the certificate furnished by General Manager, Rajiv Gandhi Housing Corporation Ltd. (RGHCL).				RGHCL had certified (March 2012) that M/s Civil Technologies was appointed for projects of Teachers Quarters (Gurubhavan) at various locations in Karnataka and entire project cost was ₹ 85.70 crore. However, the share of road and drain works in the above project was not mentioned. Audit ascertained (January 2022) from RGHCL that the work was only for constructing quarters (buildings) and hence this criterion was not fulfilled.
As per pre-proposal conference queries and replies (July 2014), DMA stipulated that curriculum vitae (CV) of key professional staff could be used only for two CCs.	JV of M/s Civil Technologies India Pvt. Ltd. (lead) and M/s CADD Station Technologies Pvt. Ltd. proposed same key professional staff for all the three CCs.				Proposing same key professional staff for three CCs contravened the condition stipulated by DMA.

(ii) M/s CADD Station Technologies Pvt. Ltd.

Criteria as per tender document	Information furnished by PMC/Particulars	Audit remarks
Consultants should have prepared DPR for road, drain & culverts works of value not less than ₹ 50 crore.	DMA considered the work of construction of roads under MUDA limits in Mysuru City amounting to ₹ 88.60 crore on the basis of the certificate issued by Superintending Engineer, MUDA, during 2011-12.	Superintending Engineer, MUDA, had certified (15.06.2012) that M/s CADD Station had completed this work during the year 2007-08. This was not to be considered as only the works executed during the period 2009-14 were eligible.
Consultants should have rendered supervision services for works for road, drain & culverts works of value not less than ₹ 50 crore.		

Appendix 3.2(Conclld.)

(iii) M/s Infra Support Engineering Consultants Pvt. Ltd.

Criteria as per tender document	Information furnished by PMC/Particulars	Audit remarks
Consultants should have rendered supervision services for water supply and UGD works including construction of OHT, GLSR & STP of value not less than ₹ 25 crore.	DMA considered the work of development of composite housing scheme at Surya Nagar Phase-II, Block 7 and 9, in Anekal Taluk amounting to ₹ 56.11 crore during 2009-10 updated to ₹ 90.36 crore (2014-15) based on the certificate issued by Executive Engineer, Karnataka Housing Board(KHB) [considering water supply and UGD component as 30 per cent - ₹ 27.11 crore].	As per the work done certificate furnished by Executive Engineer, KHB, work commenced on 14 September 2010 <i>i.e.</i> , during 2010-11 and not during 2009-10. Further, the cost of work done was ₹ 54.51 crore. Hence, the updated value (2014-15) would be ₹ 79.79 crore (instead of ₹ 90.36 crore) and 30% component of water supply and UGD would be ₹ 23.93 crore. This was less than the prescribed limit of ₹ 25 crore.

Source: Tender evaluation files for appointment of PMC

Appendix 3.3

(Reference: Paragraph 3.5.3/Page 27)

Statement showing appointment of PMC in more than three packages

Sl. No.	Package	Name of PMC
1	Shivamogga <i>Nagarothana</i> Phase-III	M/s Civil Technologies India Pvt. Ltd. (lead) and M/s CADD Station Technologies Pvt. Ltd. (JV)
2	Davanagere <i>Nagarothana</i> Phase-III	M/s Civil Technologies India Pvt. Ltd. (lead) and M/s CADD Station Technologies Pvt. Ltd. (JV)
3	Tumakuru <i>Nagarothana</i> Phase-III	M/s Civil Technologies India Pvt. Ltd. (lead) and M/s CADD Station Technologies Pvt. Ltd. (JV)
4	Mysuru <i>Nagarothana</i> Phase-III	M/s CADD Station Technologies Pvt. Ltd.
5	Kalaburagi <i>Nagarothana</i> Phase-III	M/s CADD Station Technologies Pvt. Ltd.
6	Mysuru Special Grant	M/s CADD Station Technologies Pvt. Ltd.

Source: Tender evaluation files of PMC

Appendix 3.4

(Reference: Paragraph 3.5.4/Page 28)

Statement showing variations in key professional staff proposed and deployed

Sl. No.	PMC	CC	Variations observed in proposed and employed key professional
1	M/s Infra Support Engineering Consultants Pvt. Ltd.	Belagavi	Team Leader, Deputy Team Leader, Survey Engineer
2	M/s Civil Technologies India Pvt. Ltd. (lead) and M/s CADD Station Technologies Pvt. Ltd. (JV)	Davanagere	Team Leader, Deputy Team Leader, Highway Engineer, Senior Quantity Surveyor, Structural Engineer, Survey Engineer
3		Tumakuru	Deputy Team Leader, Survey Engineer
4		Shivamogga	Team Leader
5	M/s CADD Station Technologies Pvt. Ltd.	Mysuru	Team Leader, Deputy Team Leader, Highway Engineer, Senior Quantity Surveyor, Structural Engineer

Source: Tender evaluation files of PMC

Appendix 3.5

(Reference: Paragraph 3.6.3/Page 33)

Details showing incorrect adoption of available tender capacity of three bidders and unjustified rejection of bids

Indent Number	38351	38073	38090	38091	38093	38102	38103	38104	38105	38106	38353	38110	38354	38116	38119	38120	38124	38126	38135
Package Number	1	3	4	5	7	8	9	10	12	13	14	15	16	19	21	24	25	26	28
Estimated cost in lakh	106.00	112.00	123.00	142.00	131.00	123.00	138.00	166.00	134.00	107.00	103.00	173.00	100.00	185.00	121.00	166.00	109.00	145.00	120.00
Amount put to tender in lakh (2015-16)	102.91	108.72	119.38	137.84	127.14	119.40	133.92	161.12	130.07	103.83	99.98	167.75	97.05	179.52	117.43	161.08	105.80	140.76	118.44
Amount put to tender in lakh as per CSR (2016-17)	102.83	108.67	119.38	137.72	127.12	119.34	133.89	161.12	130.03	103.79	99.89	167.61	97.05	178.49	117.31	160.93	105.71	140.66	118.31
Amount quoted by L1	109.40	105.21	118.30	135.00	134.92	126.93	142.36	172.12	138.27	114.63	105.38	186.41	97.02	183.83	130.05	178.99	111.51	152.75	124.83
Negotiated amount	109.15				134.91		142.13	171.44	138.03	110.53	105.37	178.50		183.81	124.94	171.39		149.52	
Award amount	102.83	105.21	118.30	135.00	127.12	119.34	133.89	171.44	130.03	103.79	99.89	167.61	97.02	178.49	117.31	160.93	105.71	140.66	118.31
Number of bids received	3	3	3	3	2	3	3	3	3	2	3	3	3	2	2	3	3	2	3
Bidders technically disqualified	2	2	0	2	1	2	2	1	2	1	2	2	0	1	1	2	2	1	2
Bidders technically disqualified due to insufficient tender capacity	2	1	0	1	0	2	2	1	2	1	2	1	0	1	0	1	2	0	2
K Ravikumar	√X	√X		√X	√√		√X		√X	√X					√√			√√	
M Siddaramannagowda	√X	√√	√√	√√		√X	√X	√X	√X		√X	√X	√√			√X	√X		√X
V Chandramohan						√X					√X	√√		√X		√√	√X		√X

√X Bid submitted but technically disqualified citing major shortage in assessed available tender capacities

√√ Bid submitted and technically qualified

Appendix 3.6

(Reference: Paragraph 3.6.3/Page 34)

Details of tender premium, negotiated rate and final award rate for 22 packages in Ballari

(₹ in lakh)

Contractor (Shri)	Package Number	Amount put to tender as per CSR (2016-17)	Amount quoted by L1	Negotiated amount	Award cost	Tender percent of quoted amount	Tender percent after negotiation	Award percent
B Srinivasraju	8	119.34	126.93	126.93	119.34	6.36	6.36	0.00
	14	99.89	105.38	105.37	99.89	5.50	5.49	0.00
	25	105.71	111.51	111.51	105.71	5.49	5.49	0.00
	28	118.31	124.83	124.83	118.31	5.51	5.51	0.00
K Ravikumar	7	127.12	134.92	134.91	127.12	6.14	6.13	0.00
	21	117.31	130.05	124.94	117.31	10.86	6.50	0.00
	26	140.66	152.75	149.52	140.66	8.60	6.30	0.00
Khaleel Ur Rahman	13	103.79	114.63	110.53	103.79	10.44	6.49	0.00
	19	178.49	183.83	183.81	178.49	2.99	2.98	0.00
N Nagaraj Reddy	1	102.83	109.40	109.15	102.83	6.39	6.15	0.00
	9	133.89	142.36	142.13	133.89	6.33	6.15	0.00
	12	130.03	138.27	138.03	130.03	6.34	6.15	0.00
S Guruva Reddy	10	161.13	172.12	171.44	171.44	6.82	6.40	6.40
	17	132.00	141.00	140.25	140.25	6.82	6.25	6.25
	18	111.62	119.22	118.76	118.76	6.81	6.40	6.40
V Chandramohan	15	167.61	186.41	178.50	167.61	11.22	6.50	0.00
	24	160.93	178.99	171.39	160.93	11.22	6.50	0.00
Y Picheshwara Rao	6	114.44	123.64	121.88	114.44	8.04	6.50	0.00
M Siddaramanna-gowda	3	108.67	105.21	105.21	105.21	-3.18	-3.18	-3.18
	4	119.38	118.30	118.30	118.30	-0.90	-0.90	-0.90
	5	137.72	135.00	135.00	135.00	-1.98	-1.98	-1.98
	16	97.05	97.02	97.02	97.02	-0.03	-0.03	-0.03

Source: Tender files of work packages

Appendix 3.7

(Reference: Paragraph 3.6.3/Page 35)

Statement showing avoidable expenditure due to incorrect rejection of bid of Shri Y R Venugopal

(Amount in ₹)

Sl. No. of estimate	Unit	Executed quantity by Amrutha Constructions (Package 26)	Rate of Amrutha Constructions	Amount paid to Amrutha Constructions	Rate of Shri Y R Venugopal (Package 15)	Amount payable to Shri Y R Venugopal	Avoidable expenditure
1	Cum	1,317.89	114	1,50,239	84	1,10,703	39,536
2	Cum	179.688	5,200	9,34,378	3,973	7,13,900	2,20,478
3	Cum	424.57	6,279	26,65,875	5,222	22,17,105	4,48,770
4	Quintal	164.02	8,406	13,78,752	6,834	11,20,913	2,57,839
5	Sqm	3,175.56	314	9,97,126	215.50	6,84,333	3,12,793
7	Cum	196.88	127	25,004	94	18,507	6,497
17	Rmtr	97.00	488	47,336	416	40,352	6,984
		Total		61,98,710		49,05,813	12,92,897

Source: Package tender files

Note: Item no.6 was not included under Package 15.

Appendix 3.8

(Reference: Paragraph 3.7/Page 36)

Details of packages and works costing less than the prescribed limit

Sl. No.	CC	Number of packages		Number of works	
		Total	Cost less than ₹ 100 lakh	Total	Cost less than ₹ 50 lakh
1.	Ballari	47	8	112	66
2.	Mysuru	78	12	212	141
3.	Tumakuru	46	5	184	162
4.	Vijayapura	56	7	135	83
	Total	227	32	643	452

Source: Progress reports of test-checked CCs

Appendix 3.9

(Reference: Paragraph 3.8/Page 37)

Details of non-availability of work sites leading to delay in completion of works or non-execution of works

(a) Delay in completion of works

(₹ in lakh)

Sl. No.	CC	Package No.	Estd. Cost	Expr.	Delay in days	Reason for delay
1	Tumakuru	7	143.00	142.99	79	Shifting of electric poles and also due to ongoing work of 2 nd phase of UGD work
2	Tumakuru	26/2	105.00	82.35	115	Electric poles were not shifted and UGD works were going on
3	Mysuru	3	133.00	128.55	75	Shifting of electric poles and cutting of old trees led to delay in handing over site by four months.
4	Mysuru	13	120.00	111.04	179	Non-completion of UGD works before taking up the road works
5	Mysuru	41	150.00	145.36	303	Due to land issues, shifting of electric poles and UGD work
6	Ballari	19	185.00	155.95	547	Non-completion of UGD work by KUWSDB & KUIDFC
7	Ballari	10	166.00	154.83	122	Non-completion of UGD works by KUWSDB and 24X7 work by KUIDFC, Ballari
8	Ballari	1	106.00	71.70	179	Non-completion of UGD work by KUWSDB, Ballari
Total			1,108.00	992.77		

Source: Information furnished by test-checked CCs

(b) Non-execution of works

(₹ in lakh)

Sl. No.	CC	Package No.	Estd. Cost	Expr.	Estd. cost of works not executed	Remarks
1	Tumakuru	38	147.00	89.88	60.00	Two out of three works not executed for which reasons were not on record.
2	Tumakuru	26	165.00	62.25	105.00	Three out of five works not executed due to pending work of laying of new UGD pipelines by KUWSDB.
3	Mysuru	4 packages	376.00	-	376.00	Four OHT packages – change of location
4						
5						
6						
7	Mysuru	81	165.00	50.33	115.00	Two out of four works not executed due to demolition of building.
Total			853.00		656.00	

Source: Information furnished by test-checked CCs

Appendix 3.10

(Reference: Paragraph 3.9.2/Page 39)

Details of payments made for same stretches two times (SJH Road) and four times (Sewage Road) in Package 3 at Mysuru

Item No./ MB Page	Item description	Road stretch	Length (m)	Quantity in cum	Rate (₹)	Total paid (₹)
2 (MB page 7)	Earthwork excavation by manual means in ordinary soil	Sewage Farm Road L/S	176.10	266.32	88.83	23,657
		Sewage Farm Road R/S	154.10	1,420.30	88.83	1,26,165
19 (MB page 22)	Earthwork excavation for roadway in soil by mechanical means	Sewage Farm Road L/S	176.10	234.50	59.82	14,028
		Sewage Farm Road R/S	154.10	1,162.86	59.82	69,562
		SJH Road L/S	379.90	353.14	59.82	21,125
		SJH Road R/S	379.90	368.61	59.82	22,050
EIRL 2 (MB page 25)	Removal of unserviceable soil including excavation, loading and disposal	Sewage Farm Road L/S (item 2)	176.10	266.32	30.82	8,208
		Sewage Farm Road R/S (item 2)	154.10	1,420.30	30.82	43,774
		Sewage Farm Road L/S (item 19)	176.10	234.50	30.82	7,227
		Sewage Farm Road R/S (item 19)	154.10	1,162.86	30.82	35,839
		SJH Road L/S	379.90	353.14	30.82	10,884
		SJH Road R/S	379.90	368.61	30.82	11,361
Total						3,93,880

Source: Measurement book of Package 3 (CC, Mysuru)

Appendix 3.11

(Reference: Paragraph 3.9.3/Page 40)

Details of unjustified expenditure on items paid for separately

Sl. No.	CC	Package No.	Amount (₹ in lakh)	Audit observation
(i) Unjustified expenditure on cleaning the surface				
1	Mysuru	13	0.04	As per Clause 507.9 of MORTH 5th Revision, unit rate for SDBC is inclusive of the cost of cleaning the surface. Despite this, ₹ 0.04 lakh was paid for cleaning the surface.
2	Tumakuru	15	0.53	As per Clause 504.8 of MORTH 5th Revision, unit rate for bituminous macadam is inclusive of the cost of cleaning the surface. Despite this, estimate included item of cleaning the existing Water Bound Macadam (WBM) road and black-topped surfaces.
3	Tumakuru	10	0.97	As per Clause 504.8 of MORTH 5th Revision, unit rate for bituminous macadam is inclusive of the cost of cleaning the surface. Despite this, estimate included item of cleaning the existing WBM road and black-topped surfaces.
4	Tumakuru	34	0.61	As per Clause 504.8 of MORTH 5th Revision, unit rate for bituminous macadam is inclusive of the cost of cleaning the surface. Despite this, estimate included item of cleaning the existing WBM road surface.
	Sub-total		2.15	
(ii) Unjustified expenditure on excavation of soil				
1	Ballari	19	1.88	Estimate included an item of removal of unserviceable soil which included excavation, loading and disposal. Despite this, contractor was paid separately for excavation of soil by mechanical means. Hence, payment of ₹ 1.88 lakh on excavating 2,639.867 cum soil (@ ₹ 71.40) was inadmissible.
2	Ballari	4	1.15	Estimate included an item of removal of unserviceable soil which included excavation, loading and disposal. Despite this, contractor was paid separately for excavation of soil by mechanical means. Hence, payment of ₹ 1.15 lakh on excavating 1,635.79 cum soil (@ ₹ 70.00) was inadmissible.
3	Ballari	1	0.96	Estimate included an item of removal of unserviceable soil which included excavation, loading and disposal. Despite this, contractor was paid separately for excavation of soil by mechanical means. Hence, payment of ₹ 0.96 lakh on excavating 1,351.68 cum soil (@ ₹ 71.34) was inadmissible.
	Sub-total		3.99	
	Total		6.14	

Source: Information furnished by test-checked CCs

Appendix 3.12

(Reference: Paragraph 3.14/Page 45)

Details of loss to Government due to excess SR rates (electrical items)

(Amount in ₹)

Sl. No.	Description of the work	Rate as per SR	Rate agreed upon	Rate as per original bill {Unit rate +Taxes+ (overhead charges 10%+ contractor's profit 10%)}	Difference	Number of items purchased	Loss due to excess payment
A	B	C	D	E	F (D-E)	G	H (F*G)
(i) Packages 59 and 60 at CC, Tumakuru							
1	Supplying High pressure.... Watts Metal halide street light with 250 watt. (PWD Ele SR 2010-11, Page no. 20, Item no. 13 III(a).	6,750	6,000	1,704 Unit Rate: 1,240 Add Taxes 14.5%: 180 Total 1,420 Add (10+10) 20%: 284 Total: 1,704 (Vide Invoice No. HTL/DEP/400109838/9839/ Dtd 25/05/2015)	4,296	1,615 (882+733) (For both the packages Indent 22729 & 22730)	69,38,040
2	Supplying Decorative horizontal type street light (PWD Ele SR 2010-11, Page no. 17, Item no. 6 II(a).	2,155	2,155	1,230 Unit Rate: 895 Add Taxes 14.5%: 130 Total 1,025 Add (10+10) 20%: 205 Total: 1,230 (Vide Invoice No. HTL/DEP/400109841/9842/9855/9887 Dtd 25/05/2015, 26/05/2015, 28/05/2015)	925	1,765 (806+959) (For both the packages Indent 22729 & 22730)	16,32,625
3	Supplying and fixing Microprocessor Based Astronomical timer Switch (PWD Ele SR 2010-11, Page no. 43, Item no. 45.	7,515	5,000 (for indent 22729)	2,166 Unit Rate: 1,573 Add Taxes 14.5%: 228 Total 1,801 Add (10+10) 20%: 360 Total: 2,166 (Vide Invoice No. 003, 009, 023 Dtd. 07/06/2015, 26/06/2015, 13/08/2015)	2,834	220 (for indent 22729)	6,23,480
			4,600 (for indent 22730)		2,434	247 (for indent 22730)	6,01,198
Total							97,95,343

Appendix 3.12 (concl.)

Sl. No.	Description of the work	Rate as per SR	Rate agreed upon	Rate as per original bill {Unit rate +Taxes+ (overhead charges 10%+ contractor's profit 10%)}	Difference	Number of items purchased	Loss due to excess payment
A	B	C	D	E	F (D-E)	G	H (F*G)
(ii) Package 83 at CC, Mysuru							
1	Supplying High pressure sodium vapour street light luminaire 250 watt. (PWD Ele SR 2014-15, Page no. 22, Item no. 4.16.	6,900	5,014 (average)	3,360 Unit Rate: 2,445 Add Taxes 14.5%: 355 Total 2,800 Add (10+10) 20%: 560 Total: 3,360 (Vide Invoice No. 56 Dtd 03/07/2015)	1,654	262 (212+20+30) (including extra items)	4,33,348
2	Supplying of LED street light with pressure... 90 watt. (PWD Ele SR 2014-15, Page no. 27, Item no. 4.36.1	31,250	19,000	12,128 Unit Rate: 8,825 Add Taxes 14.5%: 1,280 Total 10,107 Add (10+10) 20%: 2,021 Total: 12,128 (Vide Invoice No. 061 Dtd 08/07/2015).	6,872	126 (106+20) (including extra items)	8,65,872
3	Supplying of LED streetlight with pressure... 65 watt (actually installed 72 watt). (PWD Ele SR 2014-15, Page no. 27, Item no. 4.35.3	18,720	13,899.60	10,030 Unit Rate: 7,300 Add Taxes 14.5%: 1,058 Total 8,358 Add (10+10) 20%: 1,672 Total: 10,030 (Vide Invoice No. 087 Dtd 27/08/2015).	3,869.60	21 (EIRL)	81,262
Total							13,80,482
(iii) Package 82 at CC, Mysuru							
1	Supplying High pressure.... Watts Metal halide flood light with 250 watt. (PWD Ele SR 2014-15, Page no. 23, Item no. 4.18.2.	9,159	8,450	2,109 {(9,159/7,400)X1,704}	6,341	13	82,433
Total							82,433
(iv) Package 56 at CC, Vijayapura							
1	Supplying High pressure sodium vapour street light luminaire 250 watt. (PWD Ele SR 2014-15, Page no. 22, Item no. 4.16.	6,900	5,800	3,360 Unit Rate: 2,445 Add Taxes 14.5%: 355 Total 2,800 Add (10+10) 20%: 560 Total: 3,360 (Vide Invoice No. 56 Dtd 03/07/2015).	2,440	692	16,88,480
Total							16,88,480
Grand Total							129,46,738

Source: Work files and original invoices

Appendix 4.1

(Reference: Paragraph 4.3/Page 48)

Details of discrepancies noticed in PMC reports

(₹ in lakh)

Sl. No.	CC	Package No.	Estd. Cost	Expr.	Discrepancies in PMC reports
1	Ballari	19	185.00	155.95	Quantity of execution, sampling location/source, contractor representative signature in report, etc., not available.
2	Ballari	50	299.79	288.19	As per PMC report, work was completed satisfactorily but rain water harvesting work was not completed; and quantity of work executed/EIRL items not mentioned.
3	Ballari	44	99.70	75.00	Soil test report dated prior to award of work, reports about completion of work not on record.
4	Ballari	32A	121.00	120.61	Quantity of executed work, dates in eMB not mentioned.
5	Ballari	10	166.00	154.83	Quantity of execution, sampling location/source, contractor representative signature in report etc., not available.
6	Ballari	1	106.00	71.70	Quantity of execution, sampling location/source, contractor representative signature in report etc., not available.
7	Ballari	38	78.00	41.45	Date on test reports, executed quantity not mentioned.
8	Ballari	36	101.00	71.67	Date on test reports, executed quantity not mentioned.
9	Mysuru	3	133.00	128.55	Date of sampling, date of testing, location/source, etc., not available.
10	Mysuru	83	65.00	64.51	Did not specify quantity, quality, place of installation, etc., for installed items.
11	Mysuru	82	145.00	122.56	Submission of bills before awarding of work as per report, quantity of execution not mentioned.
12	Mysuru	1	133.00	132.86	PMC report not on record.
13	Mysuru	14	130.00	128.61	Dates not mentioned on test reports, quantity and quality of executed work not mentioned.
14	Mysuru	8 packages	752.00	663.35	Dates in report prior to work order, quantity and quality of executed work not mentioned.
15					
16					
17					
18					
19					
20					
21					
22	Mysuru	4	147.00	146.51	Quantity and quality of executed work not mentioned.
23	Mysuru	3	101.90	102.64	Dates not mentioned on test reports, quantity and quality of executed work not mentioned.
24	Mysuru	17	95.00	95.00	Bill submitted before completion of work (Report v/s MB).
25	Mysuru	13	120.00	111.04	Date of sampling, date of testing, location/source, not available.

Appendix 4.1(Conclld.)

Sl. No.	CC	Package No.	Estd. Cost	Expr.	Discrepancies in PMC reports
26	Mysuru	41	150.00	145.36	Dates not mentioned on test reports, quantity and quality of executed work not mentioned.
27	Mysuru	81	165.00	50.33	Date of sampling, date of testing, location/source, quantities of the work done were not mentioned. As per report, work was completed but work was not completed.
28	Mysuru	RDS/3/56	67.00	66.79	PMC report not on record.
29	Mysuru	29	188.00	183.27	Date on test reports, executed quantity not mentioned, report not submitted for 2nd and 3rd RA bill.
30	Tumakuru	59	160.00	99.51	Quality, brand name, place/location of installation, separate quantity of each items, etc., were not mentioned in the report.
31	Tumakuru	60	180.00	100.11	PMC report not on record.
32	Tumakuru	26	165.00	62.25	PMC report included sample testing report of item which was not executed. There was mismatch in bill submission date (Report v/s MB). As per report, all five works completed but three works were not completed. Executed works quantity not mentioned.
33	Tumakuru	15	140.00	141.51	Mismatch in bill submission dates (Report V/s MB), executed works quantity not mentioned.
34	Tumakuru	10	188.00	237.03	Mismatch in bill submission dates (Report V/s MB), DC order not followed for getting fresh test reports.
35	Tumakuru	5	132.00	145.20	Mismatch in bill submission dates (Report v/s MB), executed works quantity not mentioned.
36	Tumakuru	34	160.00	149.06	Mismatch in bill submission dates (Report v/s MB), executed works quantity not mentioned.
37	Tumakuru	9	193.00	215.76	Mismatch in bill submission dates (Report v/s MB), executed works quantity not mentioned, overwriting in reports.
38	Vijayapura	28	108.80	110.21	Photos taken during inspection in report after the completion of work as per report, work commenced before awarding work.
39	Vijayapura	65	186.35	170.18	Details of EIRL items not mentioned, confusing report stating work in progress and in same report stating work completed.
40	Vijayapura	53/4	83.22	80.17	Signature were not dated in report and MB.
41	Vijayapura	56	115.00	79.75	Place of installation of items were not mentioned.
42	Vijayapura	63	26.00	25.26	Quantity of executed work, EIRL items not mentioned, photos in the inspection report taken after completion of works.
	Total		5,385.76	4,736.78	

Source: Test-checked package files at four CCs

Glossary	
AEE	Assistant Executive Engineer
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
BBD	Benkelman Beam Deflection
BG	Bank Guarantee
BM	Bituminous Macadam
CBR	California Bearing Ratio
CC	City Corporation
CC	Cement Concrete
CD	Cross-drainage
CDP	Comprehensive Development Plan
CE	Chief Engineer
CSR	Current Schedule of Rates
CUM	Cubic metre
CV	Curriculum Vitae
DC	Deputy Commissioner
DG	Diesel Generator
DLC	District Level Committee
DMA	Directorate of Municipal Administration
DPR	Detailed Project Report
DUDC	District Urban Development Cell
EE	Executive Engineer
EIRL	Extra Item Rate List
EMB	Electronic Measurement Book
GB	Granular Base
GLSR	Ground Level Storage Reservoir
GSB	Granular Sub-base
HDMC	Hubballi-Dharwad Municipal Corporation
IRC	Indian Roads Congress
ITT	Instructions to tenderers
JPV	Joint Physical Verification
JV	Joint Venture
KHB	Karnataka Housing Board
KKRDB	Kalyana Karnataka Regional Development Board
KMABR	Karnataka Municipal Accounting and Budgeting Rules
KMDS	Karnataka Municipal Data Society
KPWD	Karnataka Public Works Department
KTPP	Karnataka Transparency in Public Procurement
KUIDFC	Karnataka Urban Infrastructure Development and Finance Corporation
KUWSDB	Karnataka Urban Water Supply and Drainage Board
KVA	Kilovolt Ampere
KWSPFT	Karnataka Water and Sanitation Pooled Fund Trust
LED	Light-emitting Diode
M&UDAs	Municipalities and Urban Development Authorities
MB	Measurement Book
MCLR	Marginal Cost of Funds-based Lending Rate

MDD	Maximum Dry Density
MIS	Management Information System
MLA	Member of Legislative Assembly
MLD	Millions of Litre per Day
MORTH	Ministry of Road Transport and Highways
MOU	Memorandum of Understanding
MP	Member of Parliament
MS	Mild Steel
MUDA	Mysuru Urban Development Authority
NGO	Non-Government Organisation
NIT	Notice Inviting Tender
OHT	Overhead Tank
PCC	Plain Cement Concrete
PD	Project Director
PMC	Project Management Consultant
PPSWOR	Probability Proportional to Size Without Replacement
PSC	Pre-stressed Concrete
PVC	Polyvinyl Chloride
RA Bill	Running Account Bill
RAY	Rajiv Gandhi Awas Yojana
RCC	Reinforced Cement Concrete
RFP	Request for Proposal
RGHCL	Rajiv Gandhi Housing Corporation Limited
SBI	State Bank of India
SD	Security Deposit
SDBC	Semi-Dense Bituminous Concrete
SE	Superintending Engineer
SFC	State Finance Commission
SR	Schedule of Rates
STP	Sewage Treatment Plant
SWD	Storm Water Drain
TMT	Thermo Mechanical Treatment
UC	Utilisation Certificate
UDD	Urban Development Department
UGD	Underground Drainage
UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Towns
ULB	Urban Local Body
UPS	Uninterrupted Power Supply
WBM	Water Bound Macadam
WMM	Water Mix Macadam
WP	Writ Petition

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