

Report of the Comptroller and Auditor General of India Performance Audit on Karnataka Rural Infrastructure Development Limited



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Karnataka
Report No 9. of the year 2022

Report of the Comptroller and Auditor General of
India on Performance Audit of Karnataka Rural
Infrastructure Development Limited

for the year ended March 2021

Government of Karnataka
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Preface

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 to be tabled in the State Legislature.

The Report covering the period 2016-21 contains the results of performance audit of Karnataka Rural Infrastructure Development Limited.

Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

Why CAG did this audit

Karnataka Rural Infrastructure Development Limited (KRIDL) was established in 1971 as a Government of Karnataka (GoK) undertaking under the Rural Development and Panchayat Raj Department (RDPR) with the objectives of (i) execution of rural development projects to improve employment opportunities to rural unemployed, (ii) to build infrastructure by executing works departmentally by eliminating middlemen and (iii) to pass on the full worth of money to the people.

Considering the magnitude of works entrusted to KRIDL during the last five years coupled with exemptions given to KRIDL from KTPP Act and based on previous audit findings, CAG took the Performance audit for the period upto 2016-17 to 2020-21. The Performance Audit was conducted with the objective to assess the entrustment procedures of the departments, efficiency, effectiveness and economy in works executed by KRIDL, the procurement of labour and materials and internal controls and accounting system in KRIDL.

Major Audit Observations

Contrary to 4 (g) exemption notification, Entrustment Agencies (EAs) entrusted works costing more than ₹2.00 crore by splitting such works to suit the entrustment criteria and thereby avoiding regular tender process. Entrustment/execution of ineligible works such as event management, procurement of UPS, shifting of HT line, etc., were also noticed.

There was neither procurement plan for materials nor the details of machinery hired for execution of works. The payment was made to Group Leader (GL) on lumpsum basis. The acceptance of the Government that GL brings the required men and machinery for execution of the works is indicative of sub-contracting in execution of works. A cross verification of GST/TIN status of test-checked GLs in BBMP revealed that their activity was works contract. Outsourced staff, AEs and JEs was treated as GLs and payments were made to them for the job works executed

As against 84,574 works received during the audit period, the KRIDL could complete only 24,014 works (28 *per cent*). There were inordinate delays, ranging from one month to 24 months in commencement of works despite availability of funds. KRIDL does not have a mechanism to analyse the capacity in terms of resources available and works-on-hand.

As against the utilisation of funds ranging from ₹352.88 crore to ₹1,679.74 crore, KRIDL received funds ranging from ₹2,604 crore to ₹4,610.35 crore, which resulted in accumulation of ₹17,320.30 crore at the end of 2020-21. The inability to timely complete the entrusted works resulted in blocking up of funds with KRIDL.

The non-allotment of work code to the tune of ₹303.76 crore, non-settlement of mobilisation advances to the extent of ₹389.90 crore and increase of funds in suspense account from ₹3.95 crore to ₹66.92 crore indicated poor financial

management. KRIDL incurred expenditure before release of funds, in excess of funds released by EAs and in excess of estimated cost indicating poor financial controls. Non-recovery of royalty from the JWB resulted in extending unintended benefit to GLs and loss of revenue to the Government.

There were various lapses in execution of works, non-reporting of completion of works and excess expenditure, non-submission and non-settlement of final bills, and non-surrender of savings to EA indicating poor monitoring and follow-up mechanism.

The quality control system in KRIDL is non-existent. The three-tier Quality Control (QC) mechanism is not implemented in letter and spirit. Third-party monitors were not appointed, QC divisions are defunct and there is no Quality Management System (QMS) and Quality Assurance Programme (QAP) as required under KPWD code.

The KRIDL Standing Orders formulated in 1974 were not revised/updated thereafter to suitably incorporate the KTPP Act, 1999 provisions meant for transparency in public procurement. The Standing Orders were minimally followed indicating lack of requisite accounting controls, non-submission of monthly returns led to non-evaluation of monthly accounts/quarterly financial statements by the Board for suitable interventions.

What CAG recommends

1. The State Government must ensure periodical reconciliation of funds between EAs and KRIDL. Responsibility should be fixed for any delay in commencement of works.
2. The State Government must mandate the departments to provide detailed justification for direct entrustment of works along with reasons for not going through tender process and initiate action against erring officials for violations in entrustment conditions.
3. The State Government must ensure responsibility is fixed at each level for preparation, scrutiny and sanction of estimates. KRIDL standing orders must be suitably modified to ensure accountability.
4. The State Government must ensure KRIDL execute works by itself and not through Group Leaders. Responsibility should be fixed for subletting of works without tendering and ensure KRIDL maintains a digital database of payments made to the labourers in the Project Monitoring Software.
5. The State Government should mandate the departments to enter into agreements with KRIDL as practiced by BBMP to ensure timely release of funds and timely execution of works.
6. The State Government must fix responsibility for procurement of stores in violation of KTPP Act and payments made without valid Measurement Book recordings.
7. The State Government must instruct KRIDL to update/modify the existing Project Monitoring Software (Bhusiri) - for real-time

monitoring of works including stores management along with a module for the Entrustment Departments for tracking the physical and financial progress of entrusted works for suitable interventions.

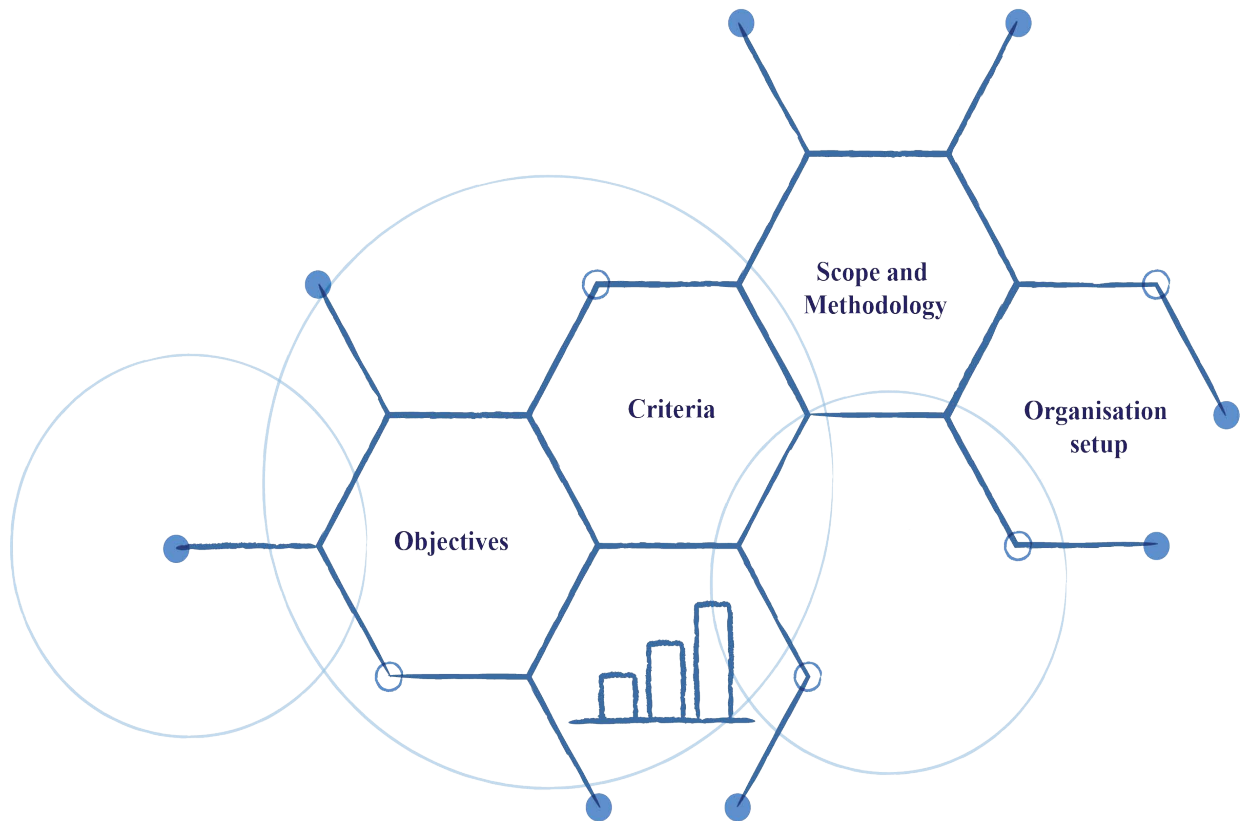
8. The State Government must ensure implementation of 3 tier Quality Monitoring System and operationalise the defunct QC divisions.
9. The State Government must ensure periodical revision of the KRIDL Standing Orders keeping in view the provisions of KTPP Act, revisions in KPW A and D Codes and any other relevant statutes and guidelines related to procurement and execution of works. The KRIDL should evolve a mechanism for constant updation of prices as per Schedule of Rates and prevailing market rates.
10. The State Government must ensure that KRIDL accept or refuse the works based on the manpower available to complete the entrusted works in time.

Management's response to audit recommendations

- The Government replied that the Group Leaders will be empanelled, and payments will be regulated accordingly. It further stated that Board is not able to make online payments as statutory deductions are to be made by Divisions/Sub-Divisions. The response of the Government is not acceptable as online payments brings more transparency and proper control over accounting affairs. Further, empanelment could result in formalisation of contractors as Group Leaders.
- The Government accepted that the Standing Orders issued during 1974 based on the requirements at that time and it felt necessary to amend the Standing Orders in tune with the present-day requirement for effective execution of works.

Chapter I

Introduction



Chapter 1 - Introduction

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

1.1 Objectives of KRIDL

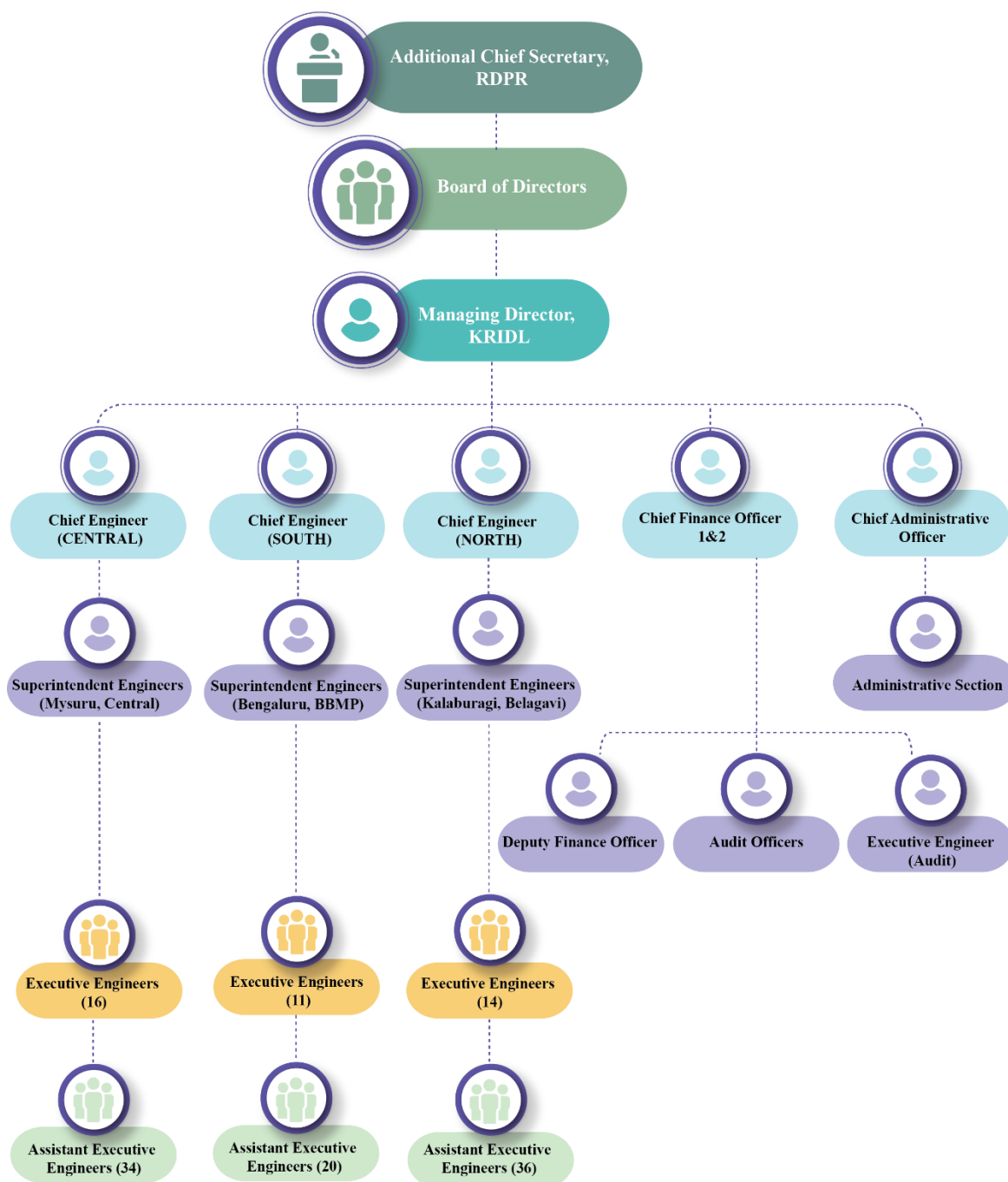
The objectives of the Company are:

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

1.2 Organisation set up

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

Chart 1.1: Organogram of the company



Source: Annual Report of KRIDL

1.3 Audit Objectives

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

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

1.4 Audit Criteria

The main sources of audit criteria for the PA were:

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

1.5 Audit Scope and Methodology

The PA covering the period 2016-17 to 2020-21 was conducted during July 2021 to March 2022 by test-check of records of the offices of the MD, KRIDL and 24 sub-divisions covering all the six zones¹. Audit adopted Random Sampling method for selection of sub-divisions and four sub-divisions from each of the six zones were selected as detailed in **Appendix-I**. The selection of

¹ Belagavi, Bengaluru, Bruhat Bengaluru Mahanagara Palike, Central, Kalaburagi and Mysuru.

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

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

1.6 Acknowledgement

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

1.7 Organisation of Audit Findings

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

Chapter 2: Financial Management

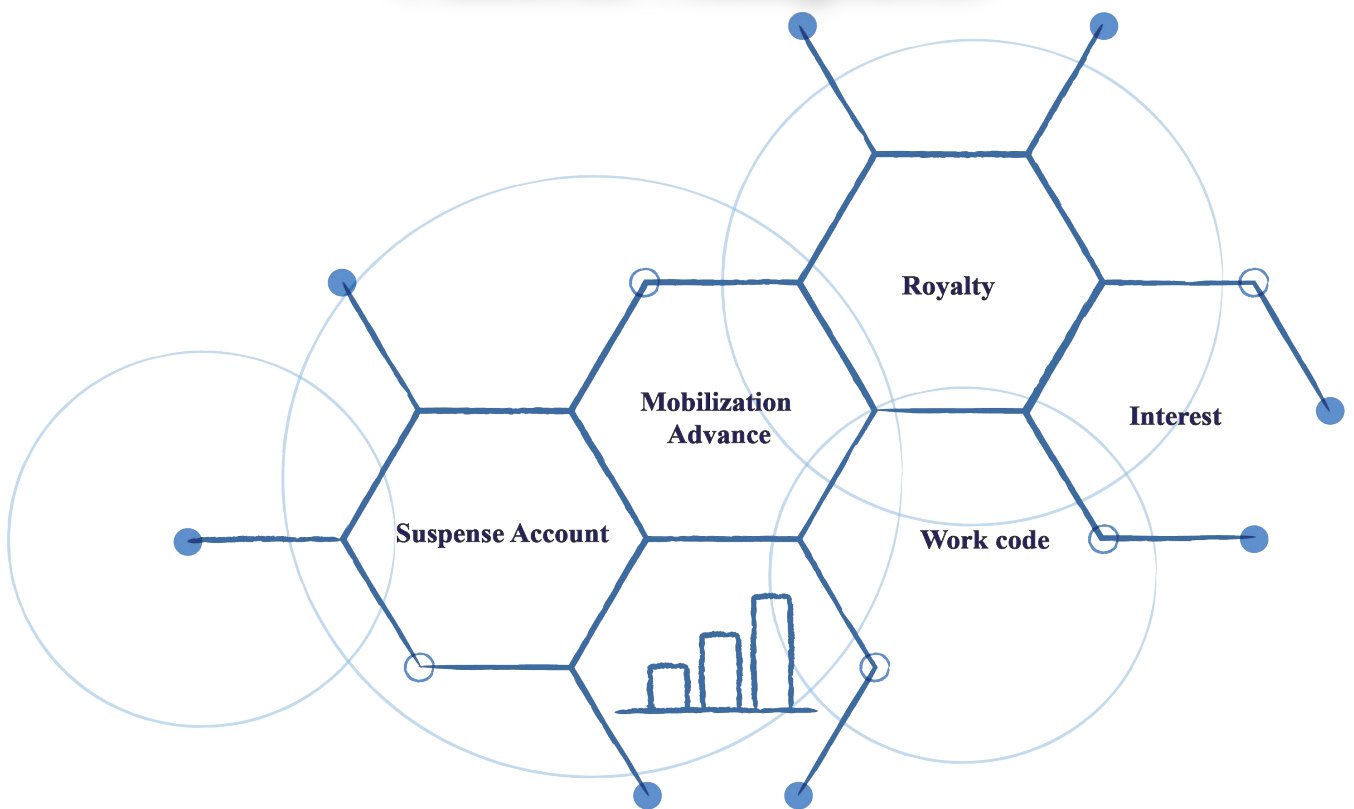
Chapter 3: Entrustment, Estimates and Sanctions of works

Chapter 4: Execution of works

Chapter 5: Accounting, Internal Controls and Monitoring

Chapter II

Financial Management



Chapter 2 - Financial Management

Audit observed that work code, which is a formal acceptance, was not allotted for the funds received from EAs to the tune of ₹303.76 crore, since 2017-18.

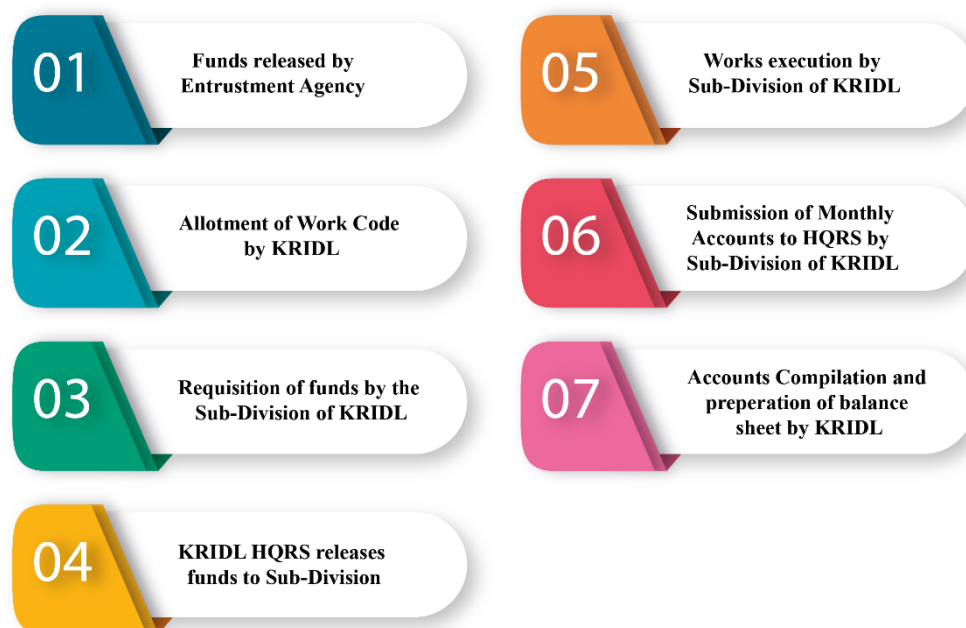
Commencement of works prior to release of funds by the EAs and instances of incurring expenditure more than EAs releases was noticed in audit. Further, KRIDL failed to expedite the dues from EAs, wherein, expenditure has overshoot the estimated costs by ₹3.82 crore in 15 works and actual releases by ₹54.39 crore in 439 works. The funds kept at the disposal of KRIDL by EAs were underutilised to the tune of 33 *per cent*. Lack of efforts of KRIDL resulted in piling up of unsettled mobilisation advances to the tune of ₹389.90 crore.

The Suspense Account which was to account the transactions of unidentified final head of account kept on increasing year after year. KRIDL failed to affect the statutory recovery of royalty from Job Work Bills (JWB) of Group Leaders to an extent of ₹4.81 crore.

Non-maintenance of work-wise records, non-allocation of work codes, expenditure in excess of releases by EAs, non-compliance to Government orders on remittance of interest earned on scheme funds coupled with unsettled mobilisation advances and suspense accounts led to weak financial management by KRIDL.

The process of flow of funds from the EAs to the Head Office of KRIDL (HO) and to the sub-divisions from the HO until the submission of final accounts is shown below in **Chart 2.1**

Chart 2.1: Process flow of funds



Source: Information furnished by KRIDL

2.1 Receipt and utilisation of funds/physical and financial progress

As per the audited annual accounts of KRIDL for the years 2016-17 to 2020-21, the funds received, utilised and adjusted towards works executed is depicted in the **Table 2.1** below:

Table 2.1: Trends in physical and financial progress

(₹ in crore)

Year	Total number of works entrusted	Total number of works completed	Percentage of works completed	Funds received during the year	Total funds available (a+ closing balance of previous year i.e., d)	Funds adjusted during the year	Balance of funds available (b-c)
				(a)	(b)	(c)	(d)
2016-17	12,802	4,967	38.79	2,604.14	*7,816.15	1,068.05	6,748.10
2017-18	19,384	5,250	27.08	3,640.98	10,389.08	1,247.79	9,141.29
2018-19	24,963	6,169	24.71	3,590.21	12,731.50	1,679.74	11,051.76
2019-20	17,893	6,296	35.18	4,610.35	15,662.11	1,346.68	14,315.43
2020-21	9,532	1,332	13.97	3,357.75	17,673.18	352.88	17,320.30

Source: Compiled by audit based on information furnished by KRIDL

*includes opening balance of ₹5,212.01 crore

The accumulation of funds steadily increased from ₹6,748.10 crore to ₹17,320.30 crore from 2016-17 to 2020-21.

The funds adjusted towards work done during the period ranged between ₹352.88 crore to ₹1,679.74 crore. Though the funds were available, only 28 *per cent* (24,014 out of 84,574) of works were completed during the Audit period as discussed in para 4.2.

Audit observations related to fund management are discussed below:

2.1.1 Non-settlement of Mobilisation Advances received by KRIDL- ₹389.90 crore

As per Para 200 of KPWD code, mobilisation advance not exceeding five *per cent* of the contract price shall be released to the contractor subject to production of Bank Guarantee and within 15 days of issue of work order. The mobilisation advance shall be adjusted from the Running Account Bills as and when the work progressed by 15 *per cent* or more.

As observed from the audited annual accounts, unsettled mobilisation advances of KRIDL stood at ₹389.90 crore to the end of 2020-21. The non-settlement of mobilisation advance indicated that KRIDL is yet to settle the final running account bills. The practice of receipt of mobilisation advance is not justified as the EAs are releasing the funds in advance to KRIDL. This has resulted in idling of funds and impacting the completeness of the company's accounts.

The State Government while accepting the observation agreed that KRIDL will initiate action to reduce the outstanding mobilisation advance by 50 *per cent* for the year 2021-22, which reiterates that concerted efforts are lacking in settlement of mobilisation advance.

2.1.2 Non-allotment of work code for the funds received from EAs- ₹303.76 crore

Audit scrutiny of the accounts pertaining to 24 test-checked sub-divisions for the period 2016-17 to 2020-21 revealed that the funds were released to the sub-divisions without generating work code². As per the audited accounts for the year 2020-21, the company is yet to allocate work codes against funds received from various entrusting Departments during the years 2017-18, 2018-19, 2019-20 and 2020-21, amounting to ₹24.79 crore, ₹35.80 crore, ₹143.41 crore and ₹99.76 crore respectively totalling to ₹303.76 crore. The allotment of work code for each work is a pre-requisite for commencement of works, release of funds and monitoring by the sub-divisions. Non-allotment of work code resulted in idling and parking up of funds of entrusting Departments outside the Government Accounts.

The State Government while accepting the observation stated that steps are being taken to allot work code as per the information/details available, which indicates absence of accounting controls in the Company as the work codes are yet to be allotted for works worth ₹303.76 crore.

² A unique running serial number allotted to a particular work at HO based on requisition of funds in Form-9 from the sub-divisions after ascertaining release of funds, administrative approval by the entrusting departments and accordal of technical sanction.

2.1.3 Funds parked under suspense accounts-₹66.92 crore

As per the audited accounts, the company could not ascertain the final head of account in respect of certain receipts and placed them under 'Suspense Account'. The funds so categorised as 'Suspense Account' showed an increasing trend for the years 2016-17 to 2020-21, wherein, it rose from ₹3.95 crore to ₹66.92 crore.

The amount lying in suspense accounts include funds received from District Treasuries, various EAs and funds returned by sub-divisions of KRIDL. Non-settlement of suspense receipts over a period of years indicates lack of concrete efforts by KRIDL towards their settlement impacting the completeness of the Company's annual accounts.

The State Government while accepting the findings stated that the internal financial controls of KRIDL will be strengthened and suspense account will be reconciled.

2.1.4 Commencement of works prior to release of funds by EAs-₹25.35 crore

Audit observed that in 11 sub-divisions³, 23 works estimated to cost ₹25.35 crore were commenced prior to release of funds (ranging from 01 to 20 months) by the entrusting Departments. The commencement of works without ensuring availability of funds amounted to utilisation of funds earmarked for other works.

2.1.5 Excess of expenditure over and above releases by EAs-₹54.39 crore

It was observed that out of 1,379 test-checked works in 439 works (32 per cent) which were estimated to cost ₹586.05 crore, KRIDL received only ₹515.16 crore from EAs. However, the sub-divisions incurred ₹569.54 crore expenditure, which was ₹54.39 crore (11 per cent) over and above the releases. The revised demands against this excess expenditure were not raised with the EAs.

2.1.6 Excess of expenditure over the estimated costs-₹3.82 crore

In six test-checked sub-divisions, the expenditure incurred in respect of 15 works costing ₹27.24 crore were exceeded by ₹3.82 crore (14 per cent) which neither had the approval of HO nor were supported by revised estimates as detailed in **Appendix III**.

KRIDL failed to raise the demands against the EAs for settlement of accounts in respect of the above works.

The State Government stated that the above practice has since been discontinued and works are commenced only upon receipt of advance money from the respective EAs. Further, it was stated that EAs like Kalyana Karnataka

³ Chikkaballapura, Davanagere, East-I(BBMP), Gadag, Huvinahadagali, Kalaburagi-I, Kalaburagi-II, Koppala (Nelogipura), Mysuru, Ramanagara and Shivamogga.

Region Development Board, Thanda Development Corporation *etc.*, are releasing only 80 *per cent* of the estimated cost and balance expenditure was borne by KRIDL in anticipation of funds. It was also stated that, to overcome the deficiencies, the Company has introduced a pre-audit system at division/sub-divisions level for effective financial management to avoid diversion/excess expenditure. However, the fact remains that sub-divisions needs the differential funds for completion of works.

2.2 Non-recovery/short recovery of Royalty-₹4.81 crore

As per the orders of Department of Mines and Geology, GoK, royalty had to be paid on materials such as sand, jelly, stone, murrum *etc.*, utilised in execution of works as per the rates prescribed from time to time. The Department shall allow the claims of agencies, wherein, royalty was previously paid and supported by a valid Mineral Despatch Pass issued by them.

Audit observed that the sub-divisions executed various construction works of roads and buildings during the period 2016-17 to 2020-21 as per the item rate provided in the PWD SR/PRED SR, which was inclusive of royalty. The payments to Group Leaders (GLs)⁴ through JWBs were to be regulated duly deducting the royalty and such proceeds were to be remitted to relevant receipt Head of Account of the Department of Mines and Geology. The payments made to GLs revealed that the royalty was not deducted in such works amounting to ₹4.82 crore in 287 works as detailed **Appendix-IV**.

In reply it was stated that Hon'ble High Court of Karnataka in Writ Petition No.539/2006 (M/s Karnataka Crushers Vs State of Karnataka) held that where the contractor uses the materials purchased in open market like quarry lease holders, private quarry owners, there is no liability on the contractors to pay any royalty charges.

The reply of the State Government is not tenable as Bruhat Bengaluru Mahanagara Palike (BBMP) deducted the royalty in respect of claims of KRIDL, the same were not regulated by KRIDL in the JWBs of GLs. KRIDL also failed to ensure that the GLs produce valid Mineral Despatch Pass in respect of non-BBMP works.

2.3 Non-crediting of interest earned ₹238.89 crore on scheme funds

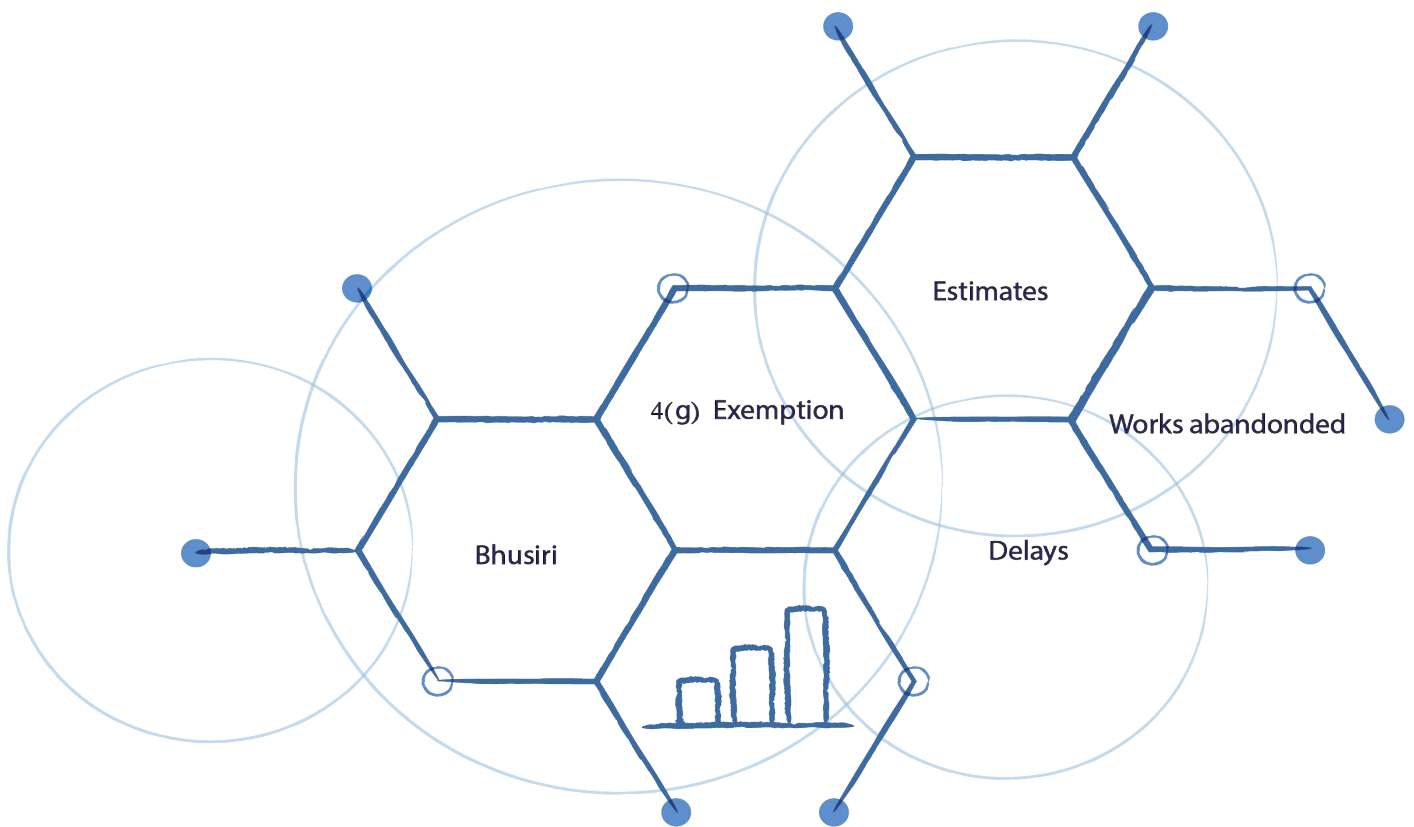
The Finance Department vide circular dated 01.03.2018 instructed that the interest earned on Government funds were to be remitted to interest receipt Head of Account '0049' at the end of each financial year. The unutilised portion of Government funds which are released by EAs for execution of works are being invested in Flexi deposits by KRIDL. The interest earned on such flexi deposits to the tune of ₹238.89 crore during the period 2018-21 was not remitted to Government account.

⁴ Group Leader is one among the group of workers not more than 20 to 25.

Recommendation 1: *The State Government must ensure periodical reconciliation of funds between EAs and KRIDL. Responsibility should be fixed for any delay in commencement of works.*

Chapter III

Entrustment, Estimates and Sanction of works



Chapter 3 - Entrustment, Estimates and Sanction of works

Contrary to 4(g) exemption notification, EAs entrusted works costing more than ₹2.00 crore and works were split, to suit the entrustment criteria and thereby bypassing the tender process. Entrustment/execution of ineligible works such as event management, procurement of Un-interruptible Power Supply (UPS), shifting of High-Tension line, *etc.*, were also noticed.

Instances of preparation of estimates without conducting proper survey, incorrect adoption of SR and resultant excess expenditure are also noticed, which were devoid of canons for financial propriety and consequential avoidable financial burden on the EAs.

Preparation and scrutiny of estimates were found to be at variance with the SOs of KRIDL as estimates costing less than ₹1.00 crore were scrutinised at EE/SE level instead of HO. Estimates were loaded with labour cess and Value Added Tax (VAT) in excess to SR item (already loaded) resulting in extra expenditure of ₹1.90 crore which only benefited the GLs. Practice of execution of works without/prior to administrative approval and delayed technical sanction were also noticed in audit. Funds were released to KRIDL to avoid lapse of budgetary allotments by respective administrative Departments.

Estimates preparation were flawed as laid down procedures were minimally followed resulting in undue benefit to the Group Leaders. Execution of works without requisite administrative approvals and technical sanctions are indicative of drawal of funds to avoid lapse of budgetary grants.

KRIDL undertakes all types of rural development works entrusted by Government including Local Bodies, Public or Private Undertakings, Institutions *etc.* In case of PWD works, the responsibility of KRIDL lies in executing only such works which have been thoroughly investigated, plans/estimates prepared and sanctioned both administratively and technically. However, in the case of works entrusted by various other Departments of the State Government, KRIDL prepares plans and estimates.

The flow of award of works by EAs, process of administrative approvals, technical sanctions, release of funds, preparation of work programme chart, engaging GLs, execution of works and settlement of accounts are depicted below **Chart 3.1**.

Chart 3.1: Process flow of entrustment

Source: Information furnished by KRIDL

3.1 Project Management System (Bhusiri) in KRIDL

The KRIDL monitors its works through Project Monitoring Software (PMS), namely 'Bhusiri', for tracking of all transactions relating to execution of works which would capture details from administrative approval/technical sanction to settlement of final bills.

Examination of the 'Bhusiri' application revealed that there were no provisions for capturing the details viz., date of entrustment, details of authority scrutinising the estimates, actual date of commencement of work, requirement of men/machinery and material, details of stage wise completion of work along with Quality Control (QC)/Third Party Inspection (TPI) reports, actual expenditure incurred and date of completion. Further, it was also observed that the data captured in PMS viz., date of administrative approval, date of technical sanction were at variance with the manual records rendering the application unreliable. The Information Technology application lacked hierarchical controls for securing the integrity of data and failed to provide granular data for suitable interventions of the management. Due to non-capturing of essential data, the job savings for each work could not be arrived at in PMS rendering the application incomplete.

Though the PMS was aimed to act as a tool for management in monitoring the execution of works, it failed to provide broad and reliable data for suitable interventions.

The systemic issues relating to entrustment of works, preparation of estimates and technical sanctions are brought out in subsequent paragraphs.

3.2 Entrustment of works

The GoK introduced the KTPP Act, 1999 for ensuring transparency in public procurement of goods and services by streamlining the procedure in inviting, processing and acceptance of tenders including Contract Execution Management by procurement entities and for matters related thereto in public interest. Section 4 of KTPP Act, 1999 permits certain exemptions from tendering for the procurement of goods and services.

Section 4(g) of KTPP Act, 1999 stipulates that the provisions of Chapter II (Regulation of Procurement) shall not apply to procurement of goods and services in respect of specific procurements as may be notified by the Government from time to time. Accordingly, GoK year-on-year issued Government Orders exempting procurement entities/EAs for ‘direct entrustment of works to KRIDL up to ₹2.00 crore’ under Section 4(g) of the KTPP Act, 1999. The Act was amended during April 2021, empowering the procurement entities/EAs to entrust the works to KRIDL by inserting new clause 4e(4)⁵ thereby avoiding issuance of exemption order every year.

Entrustment Criteria as per 4(g) exemption

As per 4(g) exemption notifications (2016-17 to 2020-21), the Government Departments /Corporations/Boards shall

- Entrust works costing not more than ₹2.00 crore
- Not split the works before entrustment to KRIDL
- Entrust only the following types of works
 - All types of building construction and maintenance, layout formation, related electrical works, street light maintenance.
 - Basic infrastructure works, construction and maintenance of roads.
 - Rural water supply and sewerage works.

The subsequent amendment to the Act and insertion of new clause 4e(4) which avoided issuance of exemption every year has no impact on audit findings.

Comparison between 4(g)/tendering process

The various steps involved in direct entrustment by procurement entity/EAs under 4(g)/4(e4) and normal tendering process are detailed in **Table 3.1** below:

⁵ KTPP Amendment 2021, Karnataka Act No.19 of 2021 published in Gazette on 6.4.2021.

Table 3.1: Steps involved in entrustment and tendering process

Entrustment under exemption under 4(g) of KTPP Act	Tendering Process
1. Entrustment order from the entrusting Department. 2. Preparation of estimates by KRIDL. 3. Administrative approval by entrusting Department. 4. Technical sanction by KRIDL. 5. Execution of work by KRIDL. 6. Handing over	1. Preparation of estimates by the PWD/Engineering division of the Departments. 2. Administrative Approval by the Departments and Technical Sanction by PWD/Engineering division of the Departments. 3. Notice inviting Tenders 4. Evaluation of Technical Bids 5. Evaluation of Financial Bids 6. Acceptance of the Financial bids 7. Execution of agreement with the successful Tenderer/Bidder and Issue of work order 8. Execution of work 9. Handing over

Source: KRIDL Notification dated 31.8.2009, KPWD Code, KW-4

The Judicial pronouncement of the Hon'ble Supreme Court of India, states that *'the Government cannot act arbitrarily at its sweet will but its action must be in conformity with the standard norms or norms which is not arbitrary. The power of discretion of the Government in the matter of grant of largesse including award of jobs/works, contracts etc., must be confined and structured by standard or norm and if the Government departs from such standard or norm the action of the Government would be liable to be struck down'*.

Further, the Guidelines of Central Vigilance Commission reiterated that *'Tendering process or public auction is a basic requirement for award of contract by any Government agency. Contracts/projects/procurements on nomination basis without adequate justification amounts to restrictive practice eliminating competition, fairness and equity. Hence, award of contracts through open competitive bids should remain the most preferred mode of tendering. However, in some exceptional and inevitable circumstances, the contracts may be awarded on nomination basis like during natural calamities and emergencies declared by the Government'*.

In view of the above guidelines/judicial pronouncements, though direct entrustment will primarily save time involved in tendering process, it prevents competitiveness and market price discovery which is essential for transparency in public procurement. The direct entrustment of works is justifiable in case of emergency works only and not in respect of works which can be awarded under normal tender process.

The violations in entrustment of works by EAs observed by audit are brought out as under:

3.2.1 Entrustment of works in violation of 4(g) exemption

3.2.1.1 Entrustment of works costing more than ₹2.00 crore

Out of 1379 works, 1280 works costing less than ₹2.00 crore were executed by 24 sub-divisions while remaining 99 (seven *per cent*) works costing more than ₹2.00 crore were entrusted in contravention of 4(g) exemption notifications in 18 out of 24 sub-divisions test-checked. The works so awarded to KRIDL estimated to cost ranged from ₹2.04 crore to ₹56.50 crore totalling to ₹593.51 crore (**Appendix-V**).

The conditions laid down by GoK therein is binding both on EAs and KRIDL, wherein, the works costing more than ₹2.00 crore were to be executed duly following tender process under the Act. The acceptance of works costing more than ₹2.00 crore by KRIDL indicated that the notification was not implemented in its spirit.

Audit observed that there is no mechanism for fixing responsibility for acceptance of works in violation of exemption notification.

The State Government furnished reply in respect of 14 works, wherein, it stated that BBMP obtained exemption under 4(a) of KTPP Act (emergency works) for five works and nine works of Bengaluru Metro Rail Corporation Limited (BMRCL) under 4(g) of KTPP Act. The reply was verified and found to be in order in respect of five works and the exemptions of nine works of BMRCL were not in order as they did not meet the entrustment criteria. The status of work specific exemptions in respect of other 85 works were not furnished to audit.

3.2.1.2 Entrustment of works by splitting-up of estimates costing more than ₹2.00 crore by EAs

The 4(g) notification prohibited the EAs to split and entrust the works to KRIDL and works more than ₹2.00 crore were to be executed by duly following tender process. Instances of splitting-up works by EAs to suit the entrustment criteria were noticed in five out of 24 test-checked sub-divisions. The estimates of 12 works amounting to ₹92.43 crore, each costing more than ₹2.00 crore were split by EAs into 85 works as listed in **Appendix-VI**. The award of split works indicates that EAs preferred KRIDL to bypass the tender process.

The State Government replied that KRIDL executes works entrusted by the EAs and splitting-up of work was not carried out by KRIDL. The splitting-up of works by EAs contravened 4(g) notification conditions laid down by the GoK, wherein, works of composite nature were split into two to 40 works to bring them within the ambit of 4(g) exemption limit of ₹2.00 crore.

3.2.1.3 Entrustment of ineligible works to KRIDL

Contrary to the provisions of KTPP Act, 1999 and Government notification, Departments entrusted ineligible works such as event management,

procurement of UPS, shifting of High-Tension line, etc., to KRIDL. In six⁶ out of 24 sub-divisions, out of 1,379 test-checked works, 14 (one per cent) ineligible works were executed by incurring an expenditure of ₹16.28 crore during 2016-17 to 2020-21 as shown in **Appendix VII**.

Illustration

Installation of Pendal/Dais, Sound System, Mike Set, Barricade etc., by Koppala (Nelogipura) sub-division

KRIDL Koppala (Nelogipura) sub-division executed three works at a cost of ₹82.98 lakh relating to installation of pendal/dais, sound system, mike set, barricade etc., for Anegundi Utsav in Anegundi Village, Gangavathi Taluk and for Army recruitment camp at Koppala Town.

The State Government admitted that certain works which are not eligible under 4(g) exemption of the Act were also entrusted to KRIDL apart from civil construction works by the EAs.

Recommendation 2: *The State Government must mandate the Departments to provide detailed justification for direct entrustment of works along with reasons for not going through tender process.*

The State Government should take action against erring officials for violations in entrustment conditions.

3.3 Preparation of Estimates

An Estimate is a valuation or a statement, in advance, of the amount for which certain work can be done. It is an approximate judgement or opinion on a rough calculation or measurement or a statement based on the Departmental rates published by respective circles at the time of preparation, generally in writing, specifying the amount of money for which a contracting party is likely to perform certain work.

As per provisions of KPWD code (Para 92), estimates shall be prepared and submitted in a complete form so that it may not be necessary to prepare supplementary estimates as far as possible. Detailed estimates for water supply shall also be included in the main estimate. All plans and estimates for sanitary, electrical and special fitting or fixtures should be prepared and approval of competent authorities obtained before the commencement of construction of building. In the case of new road construction, traffic survey shall also be carried out wherever required.

Technical Officers of KRIDL prepares estimates for all the works entrusted to them except BBMP, wherein, estimates and technical sanctions are provided by BBMP itself.

⁶ Davangere, East-I(BBMP), Gadag, Kalaburagi-I, Kalaburagi-II and Koppal (Nelogipura).

Various provisions contained in KRIDL SOs read with relevant sections of KPWD code and orders issued from time to time by MoRD were to be followed in preparation of estimates. Audit observed the following discrepancies in preparation of estimates:

3.3.1 Splitting-up of estimates by KRIDL

As per 4(g) notification, the KRIDL was not to accept works costing more than ₹2.00 crore from the EAs. Audit observed that in seven out of 24 test-checked sub-divisions, the estimates of 12 works amounting to ₹30.86 crore, each costing more than ₹2.00 crore were split by KRIDL into 30 works as listed in **Appendix-VIII**. One such case is illustrated below:

Illustration

Splitting-up of estimates by Huvinahadagali sub-division

The construction of road and drain surrounding Sri Kshetra Mylara Kanaka Guru Peeta Shaka Mutt premises at an estimated cost of ₹3.00 crore was entrusted to Huvinahadagali sub-division. The work entrusted was a single composite work. However, the sub-division split the work into four separate estimates costing ₹0.71 crore, ₹0.52 crore, ₹0.86 crore & ₹0.91 crore to bring the value of work below ₹2.00 crore to suit the entrustment need of KRIDL.

3.3.2 Mandatory certificates not enclosed

As per Para 15 of SOs, the AE/AEEs are responsible for preparation of estimates and detailed plans correctly, who were to visit the worksite, make a detailed survey which should be followed by detailed investigation and preparation of estimates. Further, the KPWD code (Para 101) prescribes a mandatory certificate⁷ to be recorded by the section officer and the AEE to that effect.

Audit observed that the above prescribed procedure of preparation of estimate for technical sanction and recording of certificates by the AEE/AE as envisaged was not followed by KRIDL sub-divisions and divisions test-checked in audit except Udupi division where the certificates were enclosed. However, the fact remains that no responsibility has been fixed for shortcomings in preparation of estimates on the concerned Engineers.

On this being pointed out, the State Government replied that necessary certification on the estimates by the respective Engineers of KRIDL will be indicated in future.

⁷ Certified I.....(name & designation) have personally visited the site on (DD)/(MM)/(YY) and prepared the estimate adopting the sanctioned schedule of rates of year.....and providing for the most economical and safe way of executing the work.

3.3.3 Road estimates

Audit observed the following in preparation of road estimates.

3.3.3.1 Non-furnishing of justification for construction of Cement Concrete (CC) Roads

KRIDL being a Government Company is responsible for the Government funds and is expected to exercise the same vigilance while incurring expenditure from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Para 8.5(iii) of PMGSY Program Guidelines, stipulates that Cement Concrete (CC) roads is justified only to an extent of 50 meter on either side of the built-up area of habitation. Further, as per the Manual of Rural Roads, the construction of rural roads is to be carried out in the most economical manner. The construction of CC roads is expensive when compared to Bituminous (BT) roads. Hence, the CC road construction is justified only in densely populated colonies with narrow lanes.

Audit observed that out of 711 test-checked road works, 444 works (62 per cent) were provided with estimates for construction of CC roads which were not supported by any justification as per PMGSY guidelines.

The State Government replied that the EAs suggested CC roads to be executed in rural areas as majority of the villages were having narrow lanes wherein paver/machineries trucks could not be moved for laying BT roads. The reply is not acceptable as laying of CC roads is justified only to an extent of 50 meter on either side of the built-up area of habitation as per PMGSY Program Guidelines.

3.3.3.2 Increase in cost of estimation for rural roads due to adoption of PWD SR instead of PRED SR

The circular instructions⁸ of MoRD specified that the estimates for all civil and other works to be executed by the RDPR are to be prepared as per the rates provided in the PRED SR and only for items of work not provided in the PRED SR, rates as per PWD SR may be adopted.

Audit scrutiny of nine works (2017-18 to 2019-20) which were estimated to cost ₹9 crore (₹1 crore x nine roads) were prepared based on the PWD SR for the year 2018-19 of Bengaluru Circle instead of PRED SR of relevant year.

Audit observed that KRIDL executed all the nine CC road works by adopting PWD SR, which is higher than the rates as per PRED SR for similar items of

⁸ NRRDA Circular No P17023/5/2005-P-1 dt 03.06.2005.
NRRDA Letter No P17023/2005-P-1/122 dt 07.07.2005.
NRRDA Letter F. No. P17023/5/2005/P1/NRRDA dt 27.04.2016.

work. This resulted in excess payment of ₹1.02 crore to KRIDL as detailed in **Appendix-IX**.

Further, audit observed that 444 (74 per cent) out of 598 test-checked cases, KRIDL prepared the estimates of rural roads adopting PWD SRs instead of PRED SR, which inflated the estimated cost of road works.

The State Government replied that the KRIDL is adopting the PWD SR over a period of years due to heavy traffic in the said roads. The reply is not tenable as adoption of PRED SR as per MoRD directions for rural roads is mandatory and economical when compared to PWD SR.

3.3.4 Inflated estimates due to inclusion of Labour cess and VAT in the estimates and extending undue benefit to GLs - ₹1.90 crore

Though the SR rates (upto 2017-18) are inclusive of all rates, duties and taxes, audit noticed in all the test-checked estimates of selected sub-divisions that VAT prior to introduction of Goods and Services Tax (GST) and labour cess were added to the estimates, inflating the estimates by six per cent (one per cent labour cess and five per cent VAT). This resulted in excess drawal of funds from Government Departments and excess payment to GLs of KRIDL. In six sub-divisions, test-check of 45 estimates costing ₹36.41 crore were increased by making addition of VAT and labour cess amounting to ₹1.78 crore and ₹0.43 crore respectively which only benefited the GLs.

The State Government replied that the Company was allowed to collect the taxes liable under Karnataka Sales Tax Act, which is in addition to other charges from the EAs. The reply is not tenable as the GO permitted KRIDL for levy of taxes liable under the Act, however, the item of SR has already included the tax liability.

Recommendation 3: The State Government must ensure responsibility is fixed at each level for preparation, scrutiny and sanction of estimates. KRIDL standing orders must be suitably modified to ensure accountability.

3.3.4.1 Other omissions in preparation of road estimates prepared by KRIDL.

Para 90(8) of KPWD Code stipulates that the estimates should include detailed rate analysis and the practice of making lumpsum provision shall not be resorted to. As per KPWD Code the following details should normally be furnished in the report accompanying the estimate.

- a. History- A brief review of circumstances leading to the need for undertaking the work.
- b. Scope- The extent of the work involved.
- c. Specifications- Specifications for materials.
- d. Fund- Cost of work allocation of charges under budget or account.
- e. Rate analysis for items of work not contemplated in the sanctioned SR.
- f. Countersignature by competent authority.

- g. Execution/Flow chart indicating the time frame for each physical activity/progress.

Audit observed that KRIDL while preparing the estimates had not only resorted in making lumpsum provisions but also made payments to GLs on lumpsum basis as detailed in Para 4.5.2. It was also observed that in none of the test-checked sub-divisions the report accompanying the estimate were prepared.

3.4 Administrative Approval

Administrative Approval denotes the formal acceptance by the administrative Department concerned, of the proposals for incurring any expenditure in the executing Department on a work initiated by or connected with the requirements of such administrative Department. SO (Para 16) states that all estimates must have administrative approval before the works are started for execution.

3.4.1 Execution of works without Administrative Approval.

In Gadag sub-division, three works costing ₹3.89 crore were executed incurring an expenditure of ₹3.86 crore without administrative approval. Execution of works without administrative approval affects the recovery of cost from the entrusting Departments. Such an instance is given below:

Illustration

Execution of work without administrative approval by sub-division, Gadag:

The HO had released an amount of ₹3.00 crore to the sub-division, Gadag and an expenditure of ₹2.95 crore was incurred towards construction of K H Patil Government First Grade College without administrative approval. Though the work was completed (November 2019) and handed over, KRIDL is yet to receive the funds from the EA (August 2022). On this being pointed out the State Government stated that administrative approval (post facto) was accorded during March 2020. However, the fact remains that the work was completed without administrative approval and reply is silent about the funds to be received.

The reply for remaining two cases pointed out in audit is still awaited.

3.4.2 Release of funds to KRIDL before Administrative Approval - ₹73.31 crore

Audit observed that in 19 sub-divisions, in 173 (13 per cent) out of 1,379 works, the entrusting Departments had released funds amounting to ₹73.31 crore before accordal of administrative approval, wherein, such approvals were received after a delay ranging from one month to 82 months as detailed in **Appendix-X**. Such release of funds is indicative of parking of funds with KRIDL to avoid lapse of budgetary allotments by respective administrative Departments.

3.4.3 Wasteful expenditure on works abandoned due to deviation from the original plan - ₹99.94 lakh

The construction of Sri Gondhawali Maharaj Samudaya Bhavana at Beldadi Village in Gadag Taluk was initially planned (March 2017) for execution of ground floor, first floor and compound wall at an estimated cost of ₹100 lakh. However, deviating from original plan, KRIDL executed works relating to basement (cost for basement as per revised estimate was ₹72.92 lakh), ground floor and Borewell. Due to execution of items not included in the estimate, the funds allocated were not sufficient and could not be completed as contemplated in original plan and expenditure of ₹99.94 lakh (April 2021) rendered wasteful as the building remained incomplete and in dilapidated condition (**Exhibit 3.1**).

The State Government replied that the original plan was revised as per the request of Gram Panchayat and Hon'ble MLA of Gadag Constituency. The work was executed to the extent grant was released by the ZP, Gadag and the incomplete work was handed over to the concerned authority and requested for further release of grant. The reply is not acceptable as KRIDL should have obtained administrative approval for increased costs and appraised the EA's of the additional requirement of funds to complete the works in all respects.

Exhibit 3.1: Abandoned stage of Samudaya Bhavana



Source: Photograph taken during JPV

3.5 Wasteful expenditure on works abandoned due to site problems - ₹15.25 lakh

As per the codal provisions of KPWD Code, the land in which works are executed shall be free from all encumbrances and works were to be executed in public premises and beneficial for all the members of public. Further, as per para 15 of Standing instructions, the estimates were to be prepared on the basis of detailed survey and investigations conducted by EE/AEE at the site. During JPV, Audit observed that the construction of Anganwadi building was abandoned due to site problems as detailed below:

The construction of two Anganwadis at Badajanabandi and TK Gollarahatti in Kudligi Taluk were carried out at an abandoned quarry and private land respectively. The financial progress in respect of these two works were ₹6.95 lakh and ₹8.30 lakh (March 2019) respectively against release of ₹18.34 lakh. The work at Badajanabandi was abandoned as per the directions of elected

representative, while the work at TK Gollarahatti was stopped due to objection raised by the owner of the property as the building was erected in private property rendering the expenditure of ₹15.25 lakh incurred wasteful. The KRIDL/EAs failed to fix responsibility on the concerned officials for not ensuring the suitability and ownership of land before commencement of these works (**Exhibit 3.2**).

Government is yet to furnish final reply.

Exhibit 3.2: Abandoned construction of Anganwadi Building

Badajanabandi



TK Gollarahatti



Source: photographs taken during JPV

3.6 Technical Sanction

The KPWD code states that ‘Technical Sanction is the order of the competent authority sanctioning a detailed estimate of the cost of a work of construction or repair proposed to be carried out’. Ordinarily, such sanction can be accorded by only such authorities of the Department to whom the power has been delegated by the Government and only after receipt of administrative approval from the Competent Authority.

As per the Boards directions, delegation of financial powers for preparation, technical scrutiny and technical sanction is given in **Table 3.2** below:

Table 3.2: Delegation of financial powers

Estimated cost	Preparation of estimates	Scrutiny of estimates	Technical sanction
Up to ₹50 lakh	Assistant Executive Engineer	Executive Engineer	Executive Engineer
₹50.00 lakh to ₹100.00 lakh		Superintendent Engineer	Superintendent Engineer
₹100.00 lakh to ₹200.00 lakh		Chief Engineer	Chief Engineer
More than ₹200.00 lakh		Chief Engineer	Sub Committee

Source: KPWD code

The KRIDL SOs further prescribe that

- For the works other than PWD entrusted by Government Departments, Local Bodies or other agencies, KRIDL will accord Technical Sanction (Para 17, Section 5).
- The works are to be executed after obtaining technical sanction for the estimates (Para 18 Section 5).

Audit observed the following:

3.6.1 Splitting-up of estimates resulting in avoiding higher technical sanction

Instances of splitting-up of estimates in violation of financial delegation powers were noticed in three test-checked sub-divisions⁹. It was noticed that the estimates of seven works costing between ₹71 lakh to ₹200 lakh were split into 32 works costing between less than ₹2 lakh to ₹100 lakh as detailed in **Appendix-XI (a)**. Splitting-up of the estimates resulted in avoiding of technical sanction from higher authorities, thereby diluting the prescribed controls.

The State Government replied that KRIDL did not resort to splitting-up of estimates (sub-division–Basavanabagewadi) and the same were prepared based on the administrative orders received from the EA's. The same could not be verified in audit due to non-submission of such orders. The reply in respect of other works was not furnished.

Further, in 14 test-checked sub-divisions, 49 works costing more than ₹2.00 crore each were executed and completed based on technical sanction of CE instead of Sub-Committee as per the delegation of financial powers as shown in **Appendix-XI (b)**. The action of the divisions in splitting the works worth more than ₹2.00 crore into sub-works led to avoiding technical sanctions from competent authority including Sub-Committee.

The State Government replied that the Sub-Committee concurred technical sanction for the work relating to 'Construction of road at Gopinatha Swamy Hills in Chikkaballapura'. The reply is not acceptable as the delegated Sub-Committee accorded Technical Sanction for the estimate of ₹2.80 crore after completion of work.

3.6.2 Absence of timelines and resultant delay in according Technical sanction

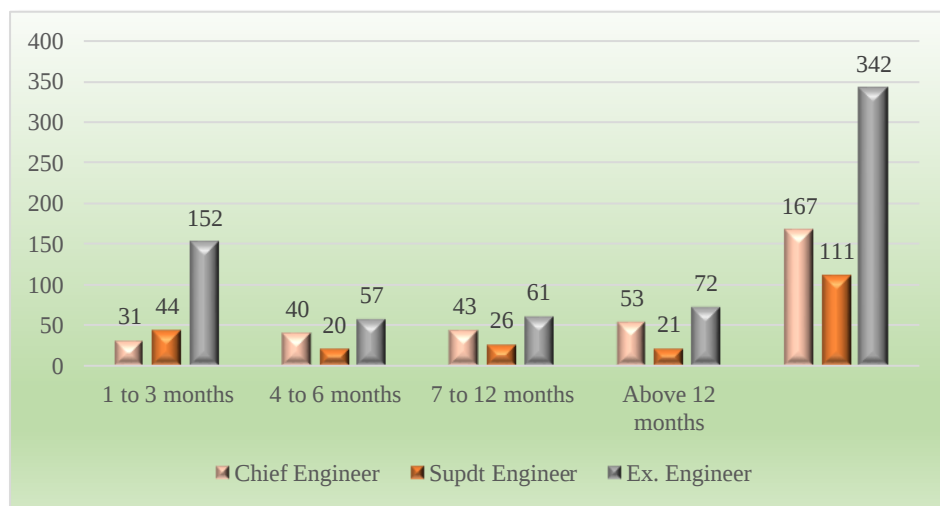
As per notification dated 31.08.2009, (the obligation of public authorities under Right to information) states that GoK has empowered the KRIDL for direct entrustment of works by Government Department, Boards, Corporations and other Autonomous Bodies so as to save precious time lost in 'issue and acceptance' of tenders. Accordingly, upon receipt of administrative approval,

⁹ Basavanabagewadi, Kalaburagi-I, and Kudligi.

technical sanctions for the works were to be accorded in reasonable time by KRIDL.

Audit observed that there were delays ranging from one month to 32 months, in according technical sanction by KRIDL in 620 works (66 *per cent*) out of 933 test-checked estimates of 19 sub-divisions. The range of delay is furnished in **Chart 3.2** below:

Chart 3.2: Delay in according technical sanction



Source: Compilation by audit based on information furnished by KRIDL

The delay in according technical sanction results in delay in commencement and completion of works defeating the purpose of entrustment of works under 4(g) of KTPP Act.

On this being pointed out, the State Government replied that the technical sanction would be accorded only after administrative approval and release of funds by the EA's. The delay in according technical sanction may be due to delay in handing over the site/release of funds and delay in submission of soil test reports, drawings, site disputes *etc.* The reply is not tenable, as the estimates for such works were prepared by KRIDL itself based on actual site conditions.

3.6.3 Commencement of works without/prior to technical sanction

Audit noticed that in one test-checked sub-division (Gadag), four works amounting to ₹4.25 crore were commenced without obtaining technical sanction (February 2022), which is in violation of SOs. Further, in 20 test-checked sub-divisions, 160 works costing ₹180.05 crore as detailed in **Appendix-XII** had been commenced prior to obtaining technical sanction, for which sanction was obtained after commencement of works.

Execution of works without and prior to technical sanction nullified the sanctity of technical scrutiny and shortcomings in the estimates could not be rectified.

On this being pointed out, it was replied that the field officers normally do not commence the works without technical sanction of Competent Authority. Due to unavoidable circumstances, sub-divisional officers are required to commence

the work in anticipation of approval from the Competent Authority, for which technical sanctions were obtained after commencement of works.

The reply is not acceptable as the works were commenced prior to technical sanction. Violation of such codal rules has potential risk of erroneous construction due to adoption of possible faulty drawings and designs, structural requirements etc., as evident from the following instance. The replies are silent on the four works where technical sanction was not obtained.

Illustration

Execution of work without technical sanction by Chikkaballapura sub-division:

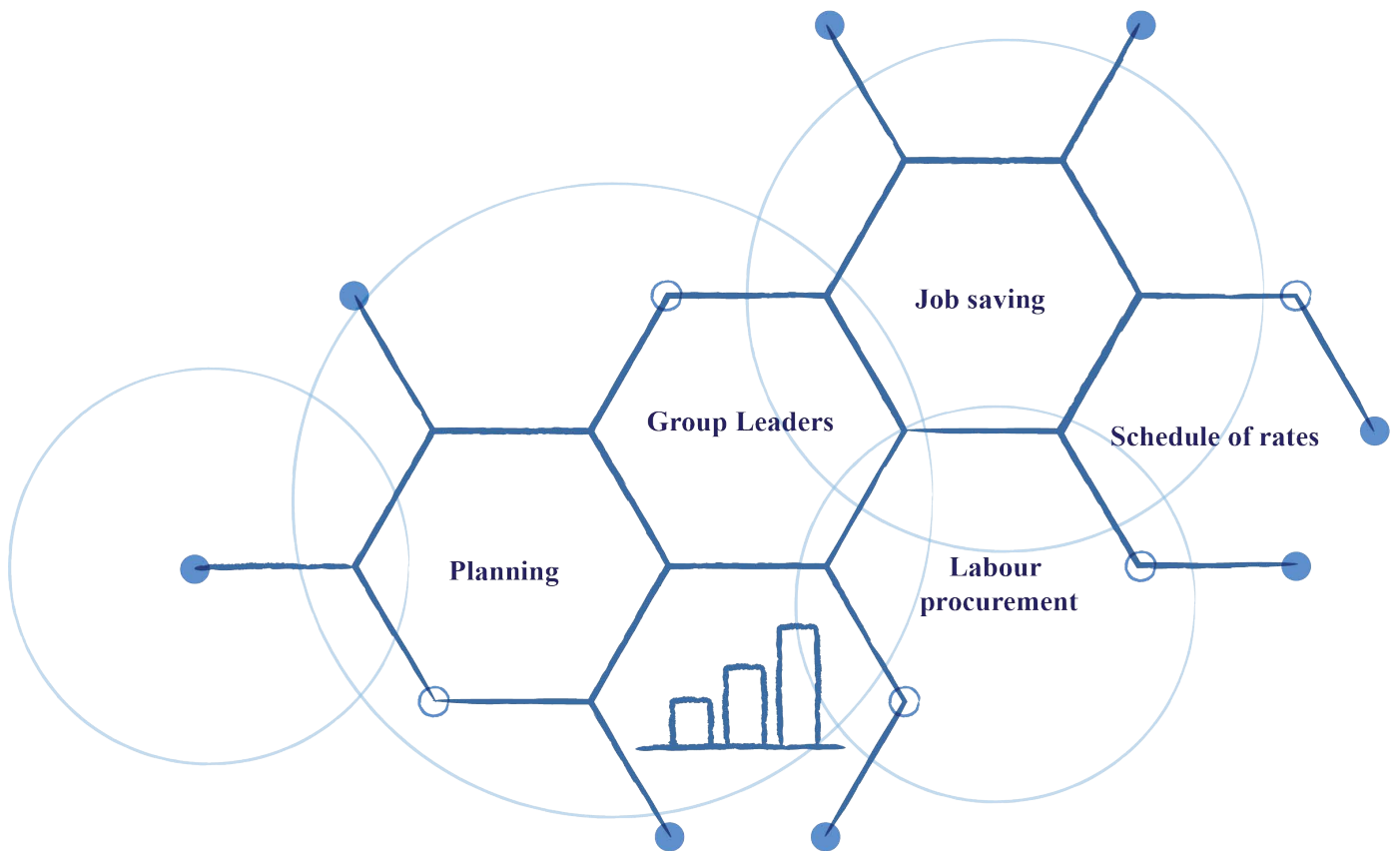
A Memorandum of Understanding (July 2015) was entered into by the Deputy Commissioner, Chikkaballapura and Canara Bank (Sponsoring Agency-SA) wherein, it was formally agreed by the SA to provide financial assistance of ₹1.44 crore under Corporate Social Responsibility towards construction of five Laboratories and one Multi-Purpose Hall on the first floor of Govt. First Grade College for Women, Chikkaballapura, which was under construction. As against the approved plan, the sub-division commenced the work without obtaining technical sanction from the CE concerned and incurred an expenditure of ₹34.65 lakh (March 2016).

Despite non-receipt of funds from SA and non-obtaining of technical sanction, the sub-division went ahead and commenced the work and incurred expenditure of ₹34.65 lakh during March 2016 itself, out of funds earmarked for other scheme works, the bills were admitted by HO through Monthly Running Account (MRA) bills, which was in violation of SOs. Non-receipt of under Corporate Social Responsibility funds from SA due to non-submission of plan approved by District Commissioner (DC) had stalled the project and no progress of work was made for more than five years. While observing the above discrepancies, KRIDL initiated disciplinary proceedings against the Engineers concerned and ordered for recovery of the above expenditure. KRIDL has so far recovered ₹3.00 lakh from those officials.

It was replied that the matter is being followed up with SA for release of funds through the DC. The reply is not tenable as work is in abandoned condition for more than five years and commencement of the work appears remote.

Chapter IV

Execution of works



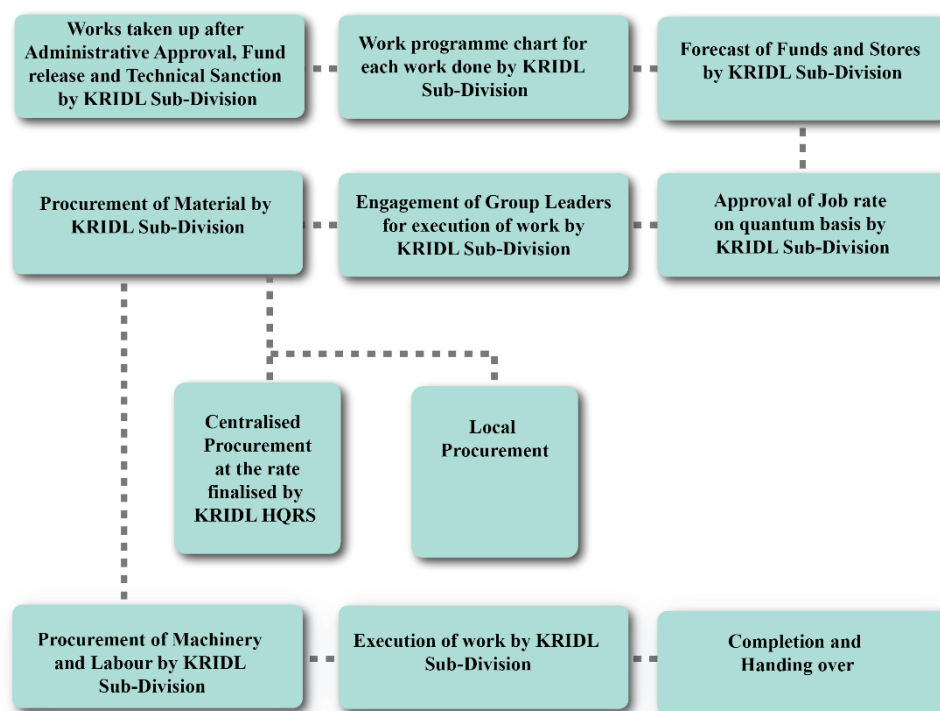
Chapter 4 – Execution of works

Audit observed inordinate delays in execution of works due to lack of planning at sub-divisions, which failed to draw work programme chart, procurement plan for stores as required under SOs. In respect of works entrusted by BBMP, formal agreement was entered into, which minimised the delays. Audit observed delay ranging from one month to 24 months in commencement of works despite availability of funds.

KRIDL executed the works without purchase or hire of machinery/equipment and was dependent on GLs, indicating sub-contracting of works. Engagement of labourers lacks transparency and payments were made to GLs defeating the objective of providing employment to rural youth and eliminating middlemen. Outsourced staff, AEEs were treated as GLs and payments were made to them. GST/TIN status of test-checked GLs indicated that the nature of business carried out by them were 'Works Contract' and PWD Class-I Contractors. As such engaging these GLs for execution of works on nomination basis was in the nature of sub-contracting and lacks justification.

Engaging GLs for execution of works indicated that works entrusted to KRIDL escaped the transparency statutes and payments made to labourers engaged by GLs were not on the records, as such the objectives of KRIDL could not be achieved.

KRIDL executes the works of various Government Departments and it is the responsibility of KRIDL to ensure that works entrusted to them are executed efficiently, effectively and economically. The process flow of execution is shown in **Chart 4.1**.

Chart 4.1: The process flow of execution

4.1 Planning of the works

4.1.1 Absence of planning mechanism in KRIDL

The various provisions of SOs laid down the systematic procedure viz., planning by the HO duly indicating priorities, workload and target date of completion, preparation of work programme chart and procurement plan by sub-divisional offices and monitoring for timely execution and completion of entrusted works.

Audit observed HO had not set priorities and target date of completion for each work. The test-checked divisions/sub-divisions failed to prepare requisite detailed plan for execution of work, work programme charts and procurement plan for stores. The PMS aimed to provide broader and reliable database failed as a tool for hierarchical monitoring as data capturing was improper.

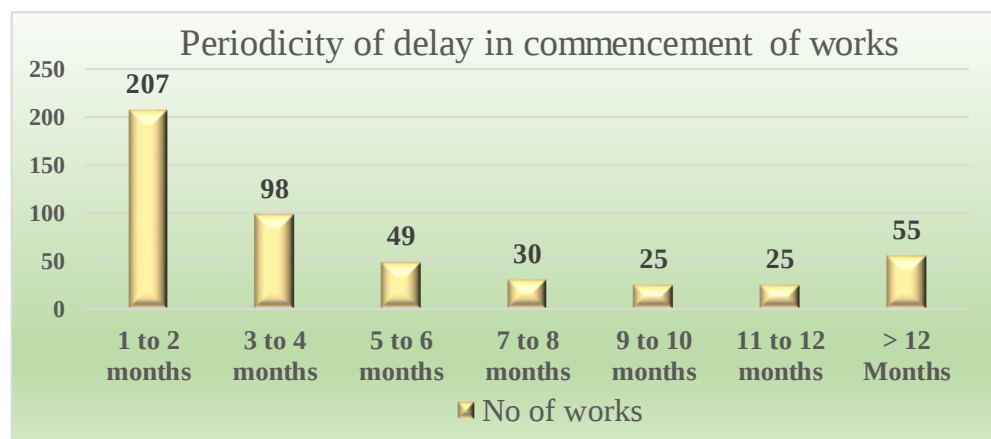
The State Government stated that the work programme chart is being prepared for priority works and such works are executed as per the work programme chart along with forecasting the stores requirement. The reply is not tenable as the test-checked sub-divisions failed to furnish the works programme chart and indents in proof of stores requirement.

4.1.2 Delay in commencement of works

Audit in test-checked works of 21 selected sub-divisions observed that there was a delay in commencement of 489 works from the date of administrative approval/technical sanction, date of release of funds by the EAs and date of

receipt of funds by sub-divisions whichever was later. The delay¹⁰ in commencement ranged from one month to 66 months as shown in **Chart 4.2** below. The details are given in **Appendix-XIII**.

Chart 4.2: Delay in commencement of works



Source: compiled by audit based on information furnished by KRIDL

The delay in commencement of works defeated the purpose of entrustment of works to KRIDL (under 4(g) exemption of KTPP Act) to save precious time lost in 'issue and acceptance' of tender. Further, audit observed that EAs did not correspond with KRIDL for speedy completion of works.

The State Government replied that the reasons for delay were due to delay in according administrative approval/technical sanction/release of funds by EA/delay in handing over/disruption by public/locals. The reply is not tenable as audit has calculated the delay after considering all of the above conditions. Further, details for the delay in handing over/ disruption by public/locals were not on record.

4.1.3 Non-availability of Plant/Equipment and absence of transparency in procurement of labour for execution of works–Possible execution of works through sub-contracting

The SR item rate which is inclusive of quantity of material, labour (skilled & unskilled), overheads, machinery, duties, taxes and contractors profit is adopted by KRIDL as base price. From the base price, the job savings (profit margin of KRIDL at 10 per cent in non-BBMP works and at five per cent in BBMP works), is reduced to arrive at job rate at which the job work is executed by engaging GLs.

As per the SOs, the HO was to provide the required plant and equipment like Diesel Road Rollers, Compressors, Concrete Mixers, Vibrators Water Tankers, Trucks etc., for execution of works by sub-divisions.

¹⁰ The delay was considered for more than 30 days from the date of receipt of funds by sub-divisions.

Apart from the above, the EE/AEE was to work out and arrange required labour for executing the job work by engaging GL to whom payments were made duly recording the requisite details Measurement Books (MB) /MRA bills. One of the objectives of KRIDL is to provide rural youth with adequate employment opportunities and also passing on full worth of money to people by directly supervising the works. Hence, transparency and accountability in procurement of labour and payment is essential.

Audit findings in respect of lack of plant, machinery and labour are brought out as detailed below:

4.1.3.1 Absence of plant and equipment

The sub-divisions during the period of audit had executed road works, building works which require various types of machinery such as road rollers, mechanical/sensor pavers, vibrators, trucks, tempos, earth movers, excavators, scaffoldings *etc.*

However, these works were executed by the sub-divisions with the aid of plant and machinery neither owned/leased nor hired. The divisions/sub-divisions did not furnish any details of availability/requirement of such equipment. In view of this, the possibility of execution of works through sub-contracting could not be ruled out which implies that works entrusted to KRIDL are bypassing the tender process.

The State Government in its reply stated that the GLs bring the required men and machinery for execution of works. The reply further stated that the SOs were issued during 1974 and needs to be amended with present day requirement for effective execution of works.

It is evident from the reply that execution of works by GLs with their own men and machinery indicates sub-contracting of works.

4.1.3.2 Absence of transparency and accountability in procurement of labour.

The sub-divisions during the period of audit had executed road works, building works which require skilled/unskilled labourers. Audit observed that the control records *viz.*, MBs/ JWBs and connected MRA bills though maintained did not record the details of labourers engaged in each job work executed by sub-divisions. None of the KRIDL work records indicated quantum of work executed and rates at which payments were made to labourers, instead lumpsum payments were made to the GLs.

Due to want of above details, audit could not verify the payments to labourers were in accordance with prevailing labour laws. The mechanism adopted by KRIDL evidenced that works are being sub-contracted as the details of cost towards labour engaged and material utilised were not computed in any of the works.

In reply, it was stated that the labour component is worked out and paid to GLs on the basis of approved job rate, who in turn make payment to all the labourers and the details of such payments are maintained by the GLs only. The reply is not acceptable as the work was to be executed on quantum basis and the job rate was to be computed for the labour involved in each quantum of work executed. The details of labour deployed shall be recorded in JWBs and MB.

Recommendation 4: *The State Government must ensure that KRIDL execute works by itself and not through GLs. Responsibility should be fixed for subletting of works without tendering. The State Government must also ensure that KRIDL maintains a digital database of payments made to the labourers engaged for each work in the PMS.*

4.2 Delay in completion of works

During the years 2016-17 to 2020-21 a total of 84,574 works were entrusted, of which, KRIDL was able to complete 24,014 works only (28 per cent). The percentage of completion of works during the said period ranged from 14 per cent to 39 per cent.

Instances of inordinate delay (audit considered 11 months¹¹ for completion of work and delay was considered beyond 11th month) in execution of works in 814 selected works of test-checked 21 sub-divisions was noticed as detailed in **Appendix XIV**. The range of delay in completion of works is depicted in **Table 4.1** below:

Table 4.1: Range of delay in completion of works

Periodicity of delay	No of works
1 to 4 months	124
5 to 9 months	95
10 to 19 months	224
20 to 29 months	136
> 29 Months	235

Source: computed by audit based on information furnished by KRIDL

The entrustment of works to KRIDL was showing increasing trend during the years 2016-19 and steep decreasing trend during the years 2019-21. The rate of completion of entrusted works during the five years was 28 per cent only. Thus, the inordinate delay defeated the purpose of direct entrustment of works to KRIDL under 4(g) exemption.

In reply to audit observations the State Government stated that though KRIDL physically completed the works, the same are not accounted as completed in the books of accounts for want of receipt of balance grant, Tax Deduction at Source (TDS) certificates from EAs and non-submission of handing over note by the

¹¹ Price variation clause needs to be included in tender/entrustment orders for works requiring more than 12 months for completion and no such clause was enforced.

sub-divisions to HO. However, the reply is not supported by completion certificates and hence audit could not vouch its completion. The reply highlights the shortfall in Person-in-Position against sanctioned strength to carry out the assigned duties effectively such as communicating excess/savings statement to EA for early settlement of accounts after completion of works.

4.3 Execution of works without entering into formal agreement

Para 135 (1) of KPW D Code stipulates that all works shall be commenced only after issue of work orders by competent authority and signing of agreement along with handing over the site free from encumbrances.

A good practice of entering into a formal agreement was observed for the works entrusted by BBMP to KRIDL, wherein, scheduled date for completion of works are being included and adhered to. Audit observed that delays in completion of these works were minimal as the agreement conditions was binding on both BBMP and KRIDL. Lack of formal agreements between KRIDL and EAs (other than BBMP) resulted in delay not only in commencement but also in completion of works.

In reply KRIDL stated that agreements are being entered into with BMRC/BBMP Tourism Department and Karnataka State Beverages Corporation Limited etc. The reply is not acceptable as formal agreements are not being executed with Local Bodies such as ZP/TP/GPs, DC Office, Education Department etc., who entrust majority of the works.

Recommendation 5: *The State Government should mandate the Departments to enter into agreements with KRIDL as practiced by BBMP to ensure timely release of funds and timely execution of works.*

4.4 Execution of sub-standard work by Kolar sub-division

The construction work of approach road from the foothill at Byatrayana village in Bangarapet Taluk to Byatrayana Swamy temple was entrusted to KRIDL by Tourism Department during 2016-17. The Kolar sub-division prepared the estimates for ₹2.00 crore for 2.277 km using Bituminous macadam (BM) and Semi Dense Bituminous concrete (SDBC) (specification used for highway roads) for this village road. The designed life of BT road is 10 years. As per August 2021 MRA bill the sub-divisions incurred expenditure of ₹1.82 crore including construction of roadside concrete drain. During JPV (03 September 2021) audit observed that despite adopting specification used in Highways, (BM and SDBC) the road was found deteriorated with worn out surface at several stretches indicating sub-standard quality of construction. Further, the Roadside concrete drain and requisite number of cross drains were not laid as per estimates and expenditure claimed was irregular (**Exhibit 4.1**).

Exhibit 4.1: Worn out newly laid asphalt and road sharp rain cut and Concrete drains were also not provided



Source: Photograph taken during JPV

4.5 Execution of works through GLs

KRIDL SOs provides that names of all labourers in the group will be entered in the proforma attached to the JWB with particulars of man days employed, actual quantity of work done by each, and the amount payable to each labourer. The amount shall be paid to individuals or to the GL as convenient after obtaining their acknowledgement in the presence of other labourers of the group (Para 41). Audit observed the following discrepancies:

4.5.1 Execution of works through sub-contracting in the name of GLs

AEE in charge of the works is responsible for arrangements relating to assessment of labour based on quantum of work, materials/machinery required for smooth execution of works.

As already brought out in para 4.1.3 in the report, the sub-divisions had neither owned nor hired any of the machinery and the details of labourers, payments made to them were neither recorded in MBs nor in MRA bills. Instead, it was observed that payment was made to the GL on lump sum basis.

In reply it was stated that the GL brings the required men and machinery for execution of the works. Further, it was stated that Company is not able to have own plant and machinery or to hire locally for a limited period/for small works. The reply confirms that KRIDL is not hiring labour and relying on GLs for executing the works. Despite having dedicated engineering wings for civil, electrical, QC, Storm Water Management, Storm Water Drainage *etc.*, the fact that BBMP entrusted works to KRIDL implied that the BBMP took advantage of the provisions of 4(g) exemption to avoid tender process.

A cross verification of GST/TIN status of test-checked GLs in BBMP revealed that their activity was works contract¹². Engaging these GLs/firms/agencies

¹² As per GST registration status.

(executing the works with their men and machinery) tantamount to sub-contracting which is prohibited as per 4(g) notification.

In reply, KRIDL explained that their AEEs were involved in assessing the requirement of work force available in the area and identify one of them as GL having the ability to mobilise the requisite number of labourers. The preference will be given to those GLs having Permanent Account Number, financial stability and capability to invest the money in men and material and had to wait for payment since the BBMP do not advance any money for the works entrusted and KRIDL has no sufficient capital. It was also stated that the management has initiated necessary action for empanelment of GLs who are having registered GST and Permanent Account Number.

The reply evidence that the GLs are highly resourceful and cannot be considered as one among the labour force. In fact, all the test-checked GST TIN Numbers of GLs engaged in BBMP works were found to be Class-I PWD/Works Contractors to whom the works are being entrusted. Thus, the procedure adopted by KRIDL is in the nature of sub-contracting and is in violation of KTPP Act and CVC guidelines.

4.5.2 Deployment of outsourced staff as 'GLs'

Audit scrutiny of records revealed that in nine test-checked sub-divisions,¹³ 32 outsourced Engineers/Work Inspectors were treated as GLs and ₹28.22 crore was drawn and disbursed towards supply of labour and material. The above personnel are assisting the AEEs in preparation of estimates, testing the quality of material brought to site and recording the measurements of works executed. This type of working arrangement of KRIDL is fraught with the risk of manipulation of the preparation of estimate, recording the measurements and compromise with the quality of works executed indicating absence of internal control mechanism at respective levels of KRIDL.

In reply KRIDL stated that the outsourced Engineers/work Inspectors are deployed purely to assist the regular officials of the Company. The said outsourced staffs are not being involved in preparation of estimates and the sub-divisions are strictly adhering to the quality norms. The reply is not tenable as audit observed that except AEE rest are outsourced staff working in test-checked divisions/sub-divisions and payments are made to these outsourced staff treating them as GLs.

4.6 Economy and effectiveness in execution of works

As per para 114(2) of the KPWD Code, the construction management is defined as the art of directing and coordinating human and materials (resources) throughout the life of a project by using modern management techniques to achieve pre-determined objectives of scope, cost, time, quality and participation satisfaction to accomplish the purpose of the project objectives of time and

¹³ Davangere, Gadag, Huvinahadagali, Kalaburagi-I, Kalaburagi-II, Kudligi, Mysuru, Shivamogga and Sirsi.

budget. In the broad sense, it envisages all the 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, the project is executed in the shortest possible time with minimum cost and time in achieving high standards of quality. Audit observed the following issues relating to execution.

4.6.1 Execution of works on lump sum basis

Para 90 (8) of KPWD Code state that the estimate should include detailed rate analysis on the basis of the approved SR and the practice of making lumpsum provisions for works like water supply, electrification, etc., shall not be resorted to. Further, while according Technical Sanction the EE/SE/CE instructed that lump sum provisions made in the estimate shall not be operated until detailed estimate was prepared and got approved from the competent authority.

Audit observed that in respect of building works, the estimates prepared by AEE of sub-divisions *inter-alia* included lump sum provisions for electrical, plumbing, water and sanitation works etc. Though one AEE (Electrical) is scrutinising the electrical estimates, the same are forwarded to respective divisions for technical sanction. In contravention of conditions of technical sanction, the sub-divisions operated lump sum provisions and payment to GLs were made accordingly. Audit observed that in eight sub-divisions¹⁴ (42 works) lump sum payments amounted to ₹7.92 crore (**Appendix-XV**) were made which lacks detailed estimates and hence job savings to KRIDL in this regard could not be arrived at.

While accepting the audit observations, Government stated that sub estimates will be prepared and approved before making payments and sub-divisions will be suitably instructed.

4.6.2 Execution of works in non-jurisdictional area

The KRIDL has divisions and sub-divisions functioning all over the state with pre-defined jurisdictions. The works entrusted by various Departments shall be executed by the concerned sub-divisions having the jurisdictional limits. Audit observed that three KRIDL BBMP sub-divisions¹⁵, apart from the works within their jurisdictions, were entrusted with 46 (13 per cent) out of 348 test-checked works costing ₹26.52 crore beyond (ranging from 143 km to 475 km) their jurisdictional areas which were as far as Mysuru (143 km), Chitradurga (202 km), Shivamogga (302 km) and Bagalkot (475 km) Districts outside Bengaluru. KRIDL failed to produce relevant records viz., procurement of labour, material and machinery approved tour programme of the Project officers (EE/AEEs) either for preparation of estimates or for monitoring and supervision of such works along with relevant MBs.

¹⁴ Basavanabagewadi, Kalaburagi-I, Kolar, Kollegala, Koppala, Kudligi, Mysuru and Vijayapura.

¹⁵ Dasarahalli, East-I (BBMP) and RR Nagar.

Execution of works through these sub-divisions lacks justification and audit could not vouch whether the works were indeed executed by the sub-divisions (BBMP-KRIDL), as KRIDL sub-divisions existed in the respective areas.

In reply it was stated that due to unavoidable circumstances and as per the instructions of the EA's some of the divisions/sub-divisions were required to execute the works beyond their jurisdiction. It further stated that circular instructions were issued to all divisions and sub-divisions to carry out the works in their jurisdiction only. The reply is not acceptable since KRIDL divisions do exist in the respective Districts and entrustment of works to KRIDL BBMP sub-divisions far away from the work spot totally lacks justification.

4.7 Execution of works entrusted by BBMP

KRIDL has a separate wing for execution of BBMP works under the charge of a CE and a SE. BBMP entrusted the works to KRIDL on specific terms and conditions unlike other EAs. The following were the salient features of works entrusted by BBMP and executed by KRIDL:

- ❖ The estimates were prepared by the BBMP Engineers by adopting PWD SR, Technical sanction and Administrative Approval were also given by BBMP. On the works entrusted to KRIDL, the BBMP incurs additional expenditure towards KRIDL service charges, GST, Labour Welfare Cess and the actual cost gets higher than the sanctioned estimated cost of the works.
- ❖ Specific timelines were drawn for the works entrusted to BBMP.
- ❖ BBMP records the measurements in MBs and monitors the quality of works through TPI.
- ❖ BBMP prepares the Running Account (RA) Bills and payments were made according to the progress of works.
- ❖ All the statutory levies including Royalty, IT, Labour Welfare Cess, GST and Further Security Deposit were deducted from the RA Bill and remitted to concerned authorities by BBMP.
- ❖ The Further Security Deposit were released after completion of Defect Liability Period to KRIDL.

Important audit findings in respect of works entrusted to BBMP-KRIDL divisions:

4.7.1 Adoption of pre-revised rate resulting in avoidable excess expenditure

Test-check of records pertaining to selected works such as estimates, MRA and prevailing SR of Bangalore circle 2016-17 in East-II(BBMP) sub-divisions revealed that the items provided and executed for road works *inter alia* included the item of work '*Dense graded Bituminous Macadam*' and '*Bituminous Concrete*'. As the item rates specified in the SR are subject to changes in rates of bitumen and concrete for which the revised rates are issued by PWD, the revised rates had to be considered for the preparation of estimates and for subsequent payments.

However, it was noticed that the rate adopted by the sub-divisions was not as per the revised rate. Thus, adoption of pre-revised rates in six cases resulted in excess expenditure to the tune of ₹ 67.67 lakh as detailed in **Table No.4.2**.

Table No.: 4.2 Excess expenditure due to adoption of pre-revised rate

(₹ in rupees)

Particulars	Rate adopted	Rate to be adopted	Executed Qty (cum)	Excess expenditure
A	B	C	D	E=(B-C) *D
Dense Graded Bituminous Macadam	7,120.02	6,279.44	4,057	34,09,956
Bituminous Concrete	8,118.54	7,083.98	3,245	33,57,478
Total excess expenditure				67,67,434

Source: SR/issue rate and final RA bills

In reply, it was stated that the estimates were prepared and approved by the competent authority and payments for each item is scrutinised by Technical Vigilance Control Cell in BBMP and works are executed accordingly. The reply is not tenable as payments for procurement of labour and machinery to the GLs is made by KRIDL, it failed to regulate the payments accordingly.

4.7.2 Loss of Job savings in respect of BBMP works

As per the HO instructions and Board Meeting Resolutions, the job rate¹⁶ for each item of work was to be worked out at 90 *per cent* of the SR item rate and 10 *per cent* being job savings¹⁷ to KRIDL. Instances of low job savings were noticed in the case of BBMP works in all the four test-checked sub-divisions wherein KRIDL reported job savings of five *per cent* as against the prescribed 10 *per cent*. This resulted in extending undue benefit to BBMP/ GLs in the form of payment for labour and material.

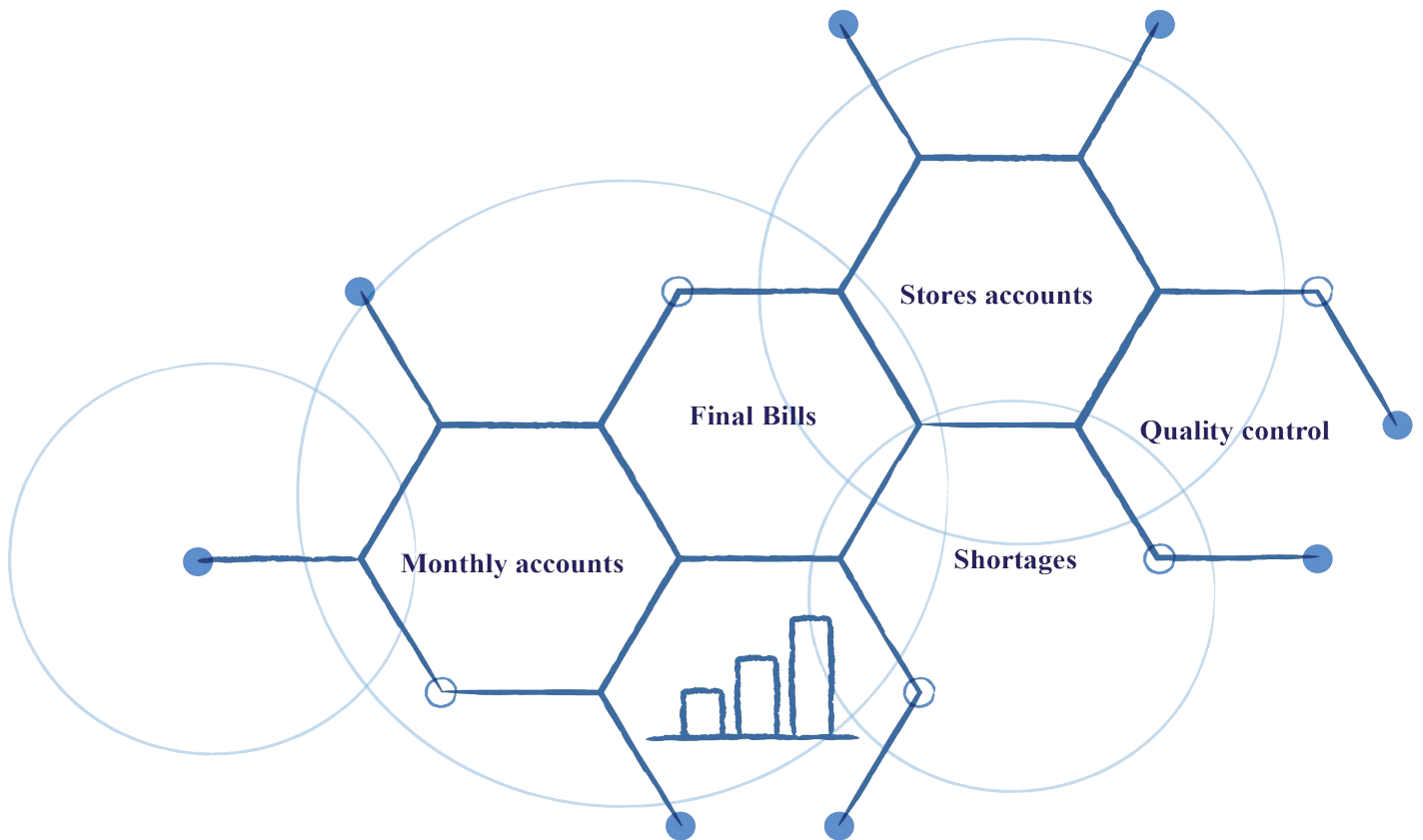
In reply it was stated that BBMP sub-divisions are also executing works entrusted by other EAs such as VJNL, Minorities Department *etc.*, for which the company is recovering job savings of 10 *per cent*. In respect of works in BBMP jurisdiction, escalation in the costs were attributed to execution of works during night time, restricted areas, narrow lanes, high traffic intensity areas and hence job savings in BBMP were limited to five *per cent* with prior intimation to Headquarters office and in line with Boards directions (193rd meeting of Board of Directors held on 07 March 2019). The reply is not acceptable as the Board of Directors in its 194th meeting decided to restore the 10 *per cent* job savings.

¹⁶ Job rate is the rate derived by EE/KRIDL to be adopted for labour payments.

¹⁷ Job savings is SR item rate minus job rate.

Chapter V

Accounting and Internal controls



Chapter 5- Accounting, Internal Controls and Monitoring

Evaluation of systemic issues in accounting, internal control systems and monitoring against the codal provisions and SOs in force indicated several shortcomings viz., non-conducting of requisite Board meetings and ineffective functioning of Audit Committee. The absence of timelines for works caused delays in execution of works despite release of funds by the departments

The requirement of uploading details of works executed by KRIDL in Gandhi Sakshi Kayaka (GSK) software were not adhered to and implemented as required under GoK orders.

The controls on procurement, receipts, issues and accounting of stores prescribed in SOs was not followed. There were no regular sanctioned post of storekeepers and in the absence of storekeeper/regular accountant, high value store items were handled by outsourced staff, without valid certification of receipts and issues.

The quality of works executed was not properly monitored and completion of works was not supported by TPI reports.

Audit observed that the requisite accounting controls were not exercised and enforced leading to shortage of stores and non-submission of monthly returns which resulted in non-evaluation of monthly accounts and quarterly financial statements by the Board as required under SOs.

Chapter IV of KRIDL SOs has laid down the duties and responsibilities of concerned officers, system of accounting, audit of accounts and records to be maintained for proper accounting.

5.1 Accounting System in KRIDL

Funds received by KRIDL from various EAs are deposited in works account (bank account maintained in HO). On receipt of requisition from sub-divisions for funds in Form 9¹⁸, a unique work code is generated for each work and funds are released to the sub-divisions and works executed.

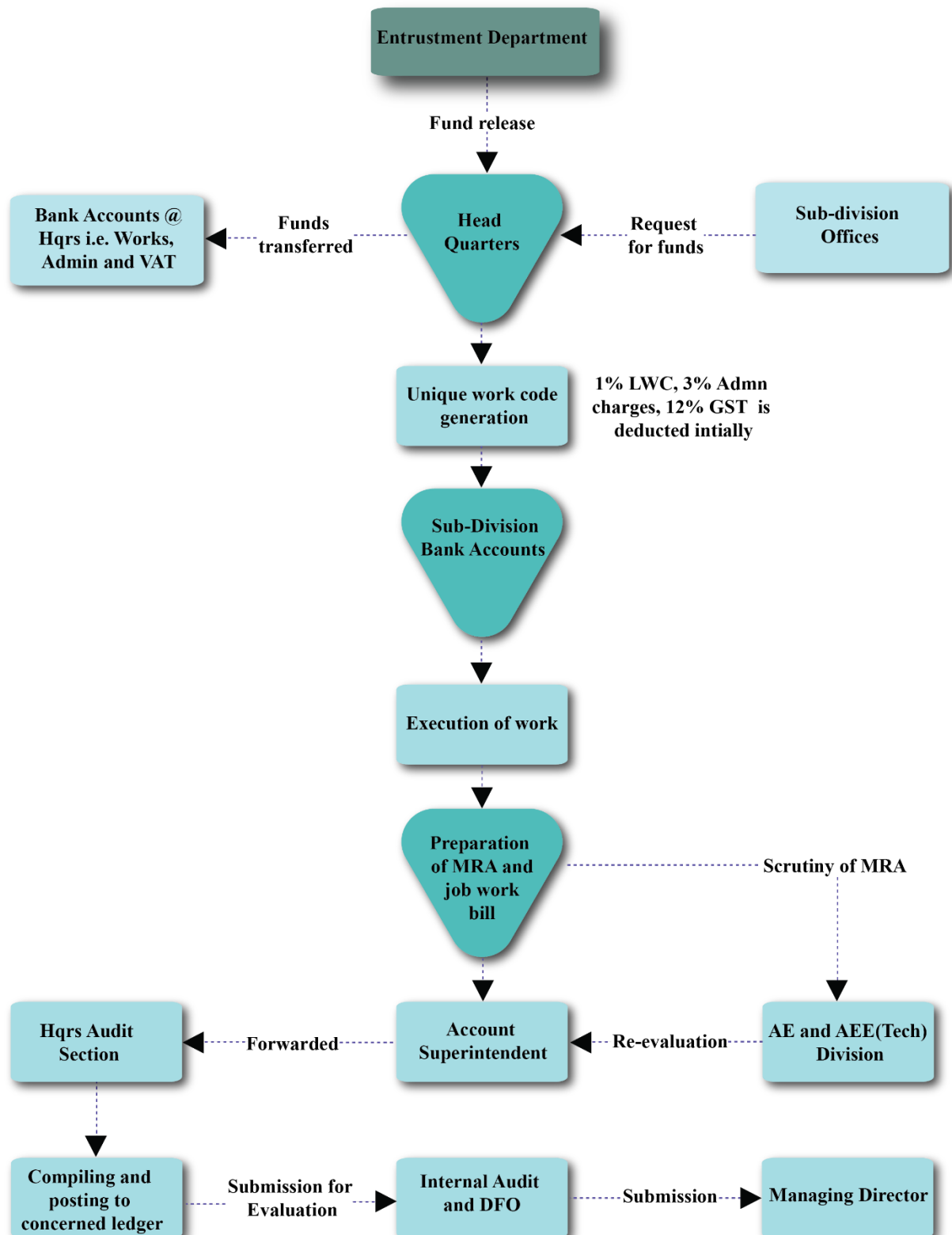
The JWB and Monthly Running Account Bill are prepared by sub-divisions, scrutinised by AE and AEE (Tech) in divisional office with reference to estimates and monthly accounts verified are forwarded to HO of KRIDL Accounts Wing. The final bill after scrutiny will be forwarded to various EAs concerned for their acceptance and adjustments. The Accounts section shall compile all transactions, generate monthly consolidated accounts, Quarterly and Half-Yearly Balance Sheet and Profit and Loss Account and submit it to MD and Board of Directors within the due dates prescribed. The Internal Auditor

¹⁸ Form 9 is the requisition sent by sub-divisions to HO for release of funds and permission for execution of works which are administratively approved and funds received from EA.

and Statutory Auditors will conduct detailed audit and offer comments on annual accounts of the KRIDL.

Pictorial diagram depicting the accounting system is given in **Chart 5.1** below:

Chart 5.1: Accounting system in KRIDL



Source: Procedures laid down in SOs

5.1.1 Discrepancies noticed in monthly accounts.

The monthly accounts are to be prepared and maintained as per the KPWD codal rules.

Audit test-checked the vouchers in selected sub-divisions/divisions for the selected months and verified the entries made in cashbook with reference to entries in bank pass sheets, petty bills/payment vouchers, MBs, work bills, material supply bills, monthly account statement, stock and issue register, statutory deductions *etc.* The major issues noticed during the course of audit are given below:

- Payment vouchers were not supported by valid MB recordings/check measurement/labourers engaged, not attested by AE/AEE, not supported by QC Reports and authorised signatory (Accountant).
- No deduction was made towards statutory levies from the supply and labour bills.
- Materials procured (sand, jelly, murrum, stone, bricks *etc.*) were not supported by stock inward/outward register.
- Key functions of accounting and technical work were managed by outsourced staff.
- None of the sub vouchers were attested by the AE and AEE (Tech) for the *bona fide* entries in the voucher. Instances were noticed where final bills were not properly scrutinised which resulted in excess/incorrect payment to GLs as illustrated below:

Illustration

Excess payment to GL due to non-exercising proper check at division and HO.

In East-II (BBMP) sub-divisions, audit observed that the quantity claimed in the final bill was more than the quantity executed as per the recordings made in the MB. However, payment was allowed without scrutiny of bill, which resulted in excess claim of quantity and consequent undue benefit to the GL amounting to ₹57.82 lakh.

In reply it was stated that there were no excess payment and the quantities recorded in MB and MRA bills are one and the same. However, no relevant documents were furnished and hence, the reply is not verifiable.

5.1.2 Non-preparation of Excess and Savings statement

Each sub-division carrying out the works was to prepare excess/savings statement for each work as required under SOs. Sub-divisions failed to produce the same to audit. Audit attempted to compute the statements with the available details in respect of completed works, which revealed the following:

5.1.2.1 Non-reporting of excess expenditure

Out of 1379 works test-checked, 231 works (17 *per cent*) were completed in all respects and final bills submitted to HO of KRIDL. In respect of 231 works the expenditure incurred was more than funds released by EAs to the tune of ₹18.86 crore as detailed in **Appendix-XVI**. HO neither monitored such excess expenditure nor sought additional funds from the EAs. Consequently, the works accounts were not closed and the accounts with entrusting Department remained unsettled.

5.1.2.2 Non-reporting of completion and non-surrender of savings

Similarly, as worked out in audit in respect of 47 completed works, there was savings amounting to ₹0.98 crore (**Appendix-XVII**). The details of savings reported and refunds made to entrusting Department were not furnished by HO section.

The State Government replied that the difference between the value of work done and final bill value is being treated as net savings. The reply is not acceptable as the audit observation is relating to non-reporting of savings to EAs after deducting the up-to-date expenditure, KRIDL charges, labour cess and GST/VAT.

Though the State Government stated that the month-wise excess/savings statement of each sub-division are being prepared and submitted to HO of KRIDL, the same were not produced to audit.

5.1.3 Non-submission of final Bill

Audit observed that out of the 794 works test-checked in 16 sub-divisions, 102 (13 *per cent*) works were completed in all respect but final bills were not submitted for the reason that MRA was yet to be uploaded. The delay in uploading ranged between three months to 70 months from the date of submission of last MRA. The reasons for not uploading the final MRA and closure of the accounts were not on record indicating non-submission of monthly returns as required under SOs.

The State Government replied that the company prepares and settles the final bills in respect of those works which are completed financially and physically. Reasons for delayed/non-submission of final bills were attributed to non-receipt of balance grant/TDS certificate from the EA, non-availability of handing over letters of the completed works. Further, circular instructions were issued for adjustment of final bill in respect of physically completed works where 95 *per cent* of the grant is received.

The reply is not acceptable for the reason that instances of non-settlement of final accounts was noticed even in works where full funds were received from EAs. In the case of works which are physically completed and balance funds are yet to be received, such works are to be removed from 'work in progress' list and communicated to EA for early settlement of accounts closed.

5.1.4 Non-settlement of final work bills - ₹4.37 crore

The final bills submitted by the sub-divisions in respect of 25 completed works were rejected by the HO. Reasons for rejection, and remedial action taken to clear the objections of Final Bill Section were not on record.

Audit observed that in respect of six sub-divisions, the final bill for 25 works were rejected even though the expenditure of ₹4.37 crore incurred by the sub-divisions was in agreement with the estimated cost, funds released by EA and HO. The reason for rejection was not on record. The submission of last MRA bill up to March 2022 ranged from eight months to 53 months.

The State Government replied that the reasons for rejection of bill was that last MRA did not match with work-in-progress and final bill, excess expenditure over the estimate and fund release etc. However, the reply is not acceptable as no follow-up action was taken up by the HO with the concerned sub-divisions in clearing the objections for settlement of final bills and communicating the work completion to the EA concerned.

5.1.5 Non-accounting of hard rock excavated

KRIDL SOs (Para 78) prescribe that the Monthly Metal Returns (MMR) were to be maintained for road metal collected by employing either Departmental labour on daily wages or GLs and to account its receipt/issue, which needs to be adjusted in respective works accordingly. Scrutiny of records of 11 test-checked works in three sub-divisions¹⁹ revealed that 35,961.10 Cum of hard rock was excavated. The sub-divisions did not prepare and submit MMR duly accounting such hard rock excavated and its issue.

The State Government replied that the nature of excavated hard rock is skinny and scaly which cannot be re-used in construction. The reply is not tenable as the sub-divisions did not prepare MMR as required under SOs and necessary test reports regarding re-usability or otherwise and proper disposal of the excavated hard rocks was not placed on record.

5.2 Procurement of Stores

As per the HO instructions (June 2018), the project offices shall procure cement and steel required for execution of various works from the approved firms selected through tender system at HO. Procurement of other items for execution of work were also to be governed by the provisions of KTPP Act.

Audit observed various systemic issues in control and monitoring the procurement of stores as detailed below:

5.2.1 Procurement of Cement and Steel from unapproved firms

Audit observed that 17 test-checked sub-divisions procured steel and cement worth ₹720.89 crore as detailed in **Appendix-XVIII** from unapproved firms in

¹⁹ East-I (BBMP), Kolar, and R R Nagar.

contravention to the provisions contained in SOs. The sub-divisions repeatedly violated the rules despite strict warnings, which indicated that the HO lacked control over the affairs of sub-divisions in procurement of stores.

The State Government replied that to execute the works within the stipulated time, the units resorted to purchase of steel and cement from unapproved firms and for the reasons that tenders were not finalised and inability of approved firms in supplying required quantity in time. The reply is not acceptable as indents for purchase from the approved firms are not on record. Further, the sub-division resorted to purchases from unapproved firms without prior approval or intimation to HO and also instances of cement and steel purchased from unapproved firms were lying in stores, and Material-at-site Account of respective engineers without being used in works.

5.2.2 Procurement of other Store items without inviting tender

As per the circular instructions (May 2018), materials other than steel, cement & bitumen costing less than ₹5.00 lakh could be procured through purchase committee functioning at zonal/divisional level as per Section 4 (e)(i) of KTPP Act. In case the value of such materials exceeds ₹5.00 lakh, then the same had to be procured by inviting tender through e-procurement portal.

Audit scrutiny of consolidated procurement of stores (trial balance) for the period from 2016-17 to 2020-21 revealed that the test-checked sub-divisions had procured stores worth ₹754.32 crore (**Appendix-XIX**) without adhering to the provisions of KTPP Act and circular instructions issued by HO. Though the sub-divisions were aware of the works in hand for a particular month/quarter, requirement of stores was neither forecasted nor requisite approval obtained. Instead, the sub-divisions arranged the procurement of store items from local suppliers and GLs in small quantities avoiding the tendering process.

The State Government replied that necessary instructions have been issued to adhere to KTPP Act and also action will be initiated against the erring officers.

5.2.3 Procurement of Stores items from un-registered dealers and payment of wages to un-registered GLs

As per the instructions issued (June 2018) by MD, KRIDL the procedures laid down for procurement of construction materials²⁰ was to be compulsorily followed and the local procurement was to be made only from GST registered dealers. Any violations would attract penal provisions of KTPP Act, 1999 and also loss of input tax credit to the concerned office. Despite these instructions, the test-checked sub-divisions procured construction material worth ₹448.35 crore and labour ₹1,066.92 crore (totalling ₹1,515.27 crore) from un-registered dealers during the period from 2018-19 to 2020-21, which would attract GST of ₹214.46 crore under Reverse Charge Mechanism²¹ as detailed in **Appendix-XX**. Audit further observed that no action was initiated against the erring

²⁰ Timber, Hardware materials, paints, size stone, Jelly, sand, Bricks etc.

²¹ Reverse Charge is a mechanism where the recipient of the goods or services is liable to pay GST instead of the supplier.

officials despite persisting irregularities which indicated weak financial controls exercised by the HO.

Recommendation 6: *The State Government must fix responsibility for procurement of stores in violation of KTPP Act and payments made without valid MB recordings.*

5.3 Absence of control mechanism in receipts, issues and accounting of stores

The administration, maintenance and accounting of stores were to be in consonance with the KRIDL SOs.

Audit scrutiny of the store records revealed that the sub-divisions were not adhering to the provisions of KRIDL SOs as shown below:

- ❖ In the absence of regular storekeeper in the sub-divisions, AEE/in-charge is accounting the receipts and issues of stores by himself.
- ❖ No stock records were maintained for items such as sand, stone, jelly, murram, which accounts for nearly 40 per cent of the total material purchased from un-registered dealers.
- ❖ Proper acknowledgement from the concerned Engineer that the goods were received in good condition along with value of the goods was not on record.
- ❖ The monthly abstract of opening balance, quantity and value of goods received, issued and closing balance was not recorded and attested by the AEE.

5.3.1 Shortage of stores noticed during annual stock verification

Audit scrutiny of annual stock verification reports and other connected records revealed shortage of stores reported against the officials to whom stores items were issued while working in the sub-divisions as mentioned in **Table 5.1** below:

Table 5.1: Name and Designation of Officers on whom shortages of stores reported

Division/Sub-Division	Name of the Officer	Designation	Amount (₹)
Huvinahadagali	Sri R Uthaiiah	Storekeeper	8,47,464
Kolar	Sri B.N. Vijaykumar	AEE	2,39,19,714
Koppala	Sri H T Venkatesh	AE	24,00,911
	Sri P K Mallikarjun	EE	10,08,814
Mangaluru	Sri K.S Patil	AEE	1,30,59,953
Shivamogga	Sri G.E. Mallikarjunappa	AEE	22,16,691
Total			4,34,53,548

Source: Compiled by audit based on records furnished by KRIDL

Audit observed that high value stores are issued to Assistant Engineer (AE)/Junior Engineer (JE) and even to EE and AEE without settlement of stores account issued earlier. The stores items are issued to the officials without proper security and timely recovery. Failure on the part of the HO to obtain Half-yearly stock verification reports from the concerned EE/AEE resulted in “outstanding store items recoverable in cash” from officials who retired from service.

The State Government replied that circular instructions will be issued to the projects for strict compliance and suitable actions will be taken in this regard. Further, it was replied that to overcome the deficiency as pointed out in Audit, the company has developed a mobile application (APP) for project officers i.e., ‘Cement and Steel app’ to track its supply, deliveries and their consumption.

5.3.2 Non-maintenance of stores accounts by BBMP sub-divisions

Audit observed that none of the test-checked BBMP sub-divisions of KRIDL, maintained any records relating to the procurement receipts and issue of stores. In the absence of maintenance of records of stores, the authenticity of procurement and veracity of payment and utilisation of store items were not verifiable. Further, all the store items including cement and steel were procured through GLs locally in gross disregard to the SOs and HO instructions.

The State Government replied that the materials are being procured as and when required and no buffer stock is maintained. The reply is not acceptable as the accounts of stores is not only just for buffer stock but also should be maintained for all the items that have been procured by the sub-divisions.

5.4 Audit Committee and Board of Directors Meetings

The Company had to conduct minimum of four meetings of its Board of Directors every financial year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board. However, the Board of Directors met only three times as against the requisite six meetings during the years 2017-18 and 2018-19 and the intervening gap between two meetings was more than 120 days.

The Audit Committee was set up during the year 2018-19 and two sittings were held on 3 December 2019 and 20 December 2019 and was stated to have perused the financial statement for the year. The details of monitoring work carried out by the Audit Committee during the year 2018-19 was not on record.

Due to lack of monitoring by the HO on the activities of the divisions/sub-divisions, there were delays in commencement of works, execution and completion of the entrusted works. The fund management was not efficient which resulted in non-maintenance of work-wise accounts and entrusting Department-wise accounts. The HO was not exercising enough control over the affairs of the divisions/sub-divisions, which resulted in the Project Implementing Units accepting works entrusted by Departments/agencies directly.

The State Government replied that during the financial years 2017-18 and 2018-19, the Company had convened six meetings. However, due to unavoidable administrative reasons the Board Meetings could not be conducted within the prescribed period of intervening gap between two meetings. The reply is not acceptable as the Company was required to convene in each financial year a minimum of four meetings and the intervening gap between two meetings shall not exceed 120 days.

5.5 Gandhi Sakshi Kayaka software

The RDPR with the help of National Informatics Centre (NIC), developed application software for monitoring the works taken up by the Department for effective and efficient monitoring at various levels of the Department. The GSK application was developed to bring accountability, transparency and public participation in the execution of developmental works. The Annual report of RDPR states that from 03 October 2013 onwards, no payments can be made for the bills without generating the payment advice from GSK system and all details of works along with photographs should be recorded and submitted to Government and uploaded in GSK Work Soft. Also, the same procedure was reiterated while according technical sanction for the estimates and for all the works entrusted to KRIDL.

Audit scrutiny of the records of test-checked sub-divisions revealed that none of the sub-divisions/divisions of KRIDL was adhering to the above GoK instructions and the details of the works executed, including three stage-wise photographs of execution by KRIDL sub-divisions were not being recorded and updated in GSK.

On this being pointed out, it was replied that all details will be updated in new GSK software.

Recommendation 7: *The State Government must instruct KRIDL to update/modify the existing PMS (Bhusiri) - for real-time monitoring of works including stores management. The software must include a module for the Entrustment Departments for tracking the physical and financial progress of entrusted works to enable them for suitable interventions.*

5.6 Issues relating to QC

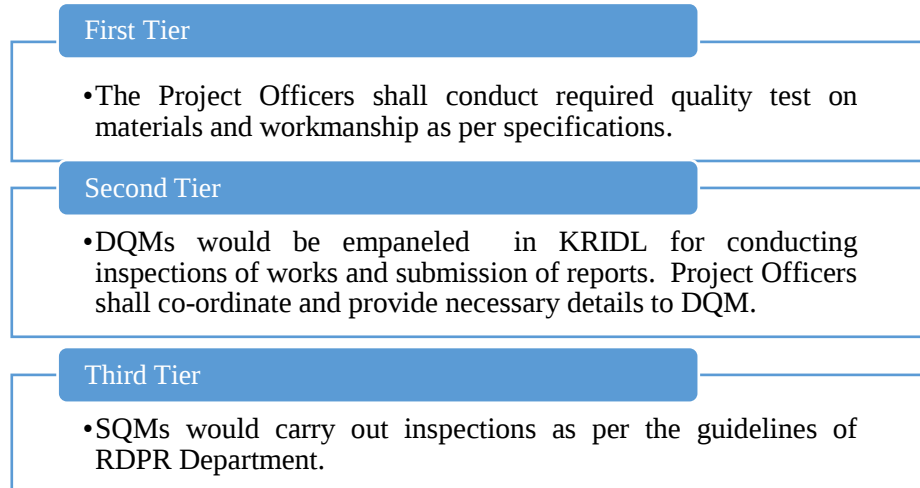
5.6.1 Absence of Quality Management System (QMS) and Quality Assurance Programme (QAP)

The KPWD Code and Publications of IRC stipulate that the Officers at higher echelons must set quality guidelines and establish QMS and QAP applicable to all site activities to monitor the quality during the construction process.

Audit observed that the QMS and QAP were not established in KRIDL. Further, the QC divisions set up under section 8 para 46 of the SOs the KRIDL was also found to be defunct.

5.6.2 Non-implementation of Quality assurance and control mechanism in KRIDL

The CE (North) KRIDL (February 2014) instructed all the SEs/EEs/AEEs to adopt QC measures which *inter alia* included



The implementation of three-tier QC Mechanism was discussed in SEs/EEs conference held on 12 December 2014 and QC manual and other details were uploaded in KRIDL website. The AEE was responsible to carry out 20 *per cent* of the quality tests and five *per cent* of the tests should be conducted in the presence of the in-charge EE. The EE should record his observations in the QC Register Part-I. The EE should also ensure that the non-conformance reports are issued in time and the Engineer acts in time.

Audit however observed that no mandatory tests were conducted by the divisions and sub-divisions, to monitor the quality of the works entrusted to them as envisaged in the Tier-I level. Further, no follow-up action was taken up for implementing the QMS and District Quality Monitors (DQMs) (Tier-II level) / State Quality Monitors (SQMs) (Tier-III level) were not appointed during the period of audit.

The State Government replied that retired EEs from PWD, PRED and other Departments and Professors of Engineering colleges were empaneled as DQMs and retired CEs, SEs and Senior Professors as SQMs were empaneled and approval obtained from the ACS, RDPR for Tier-II and Tier-III quality monitoring. Further the AEEs and EEs of KRIDL were regularly inspecting works and taking quality analysis from local Engineering college laboratories and local technical laboratories for first tier of quality management which is in force for regular quality management of all the works. The quality registers are maintained in sites as prescribed in the codal rules and DQM/SQM inspects the sites with the observations and guidance of those works for further improvement of the works. The observation that the quality system found to be defunct is not true as the process of quality management is intact. The reply is not acceptable on following reasons:

- ❖ In the test-checked 24 sub-divisions and HO the details of QC monitors empanelled and appointed were not furnished to audit.
- ❖ SQMs/DQMs appointment shall be with specific terms and conditions. KRIDL did not furnish the details of SQM/DQM in respect of number of works checked, quantum of tests conducted, remuneration, travelling allowance *etc.*
- ❖ Except in few test-checked works of Chikkaballapura sub-division, none of the other sub-divisions furnished the QC Registers to audit.
- ❖ The reply further stated that the KRIDL AEEs and EEs monitoring the quality through local Engineering colleges and local technical laboratories are not supported with documentary evidence except for maintenance of Part -I of QC registers in respect of only seven works.
- ❖ It was replied that the quality system found to be functional was not acceptable as evident from the fact that there is no sanctioned post of AEE and EE for Quality monitoring.

5.6.3 *Non-appointment of third-party monitors*

As per the entrustment Orders issued by the RDPR and other entrusting Departments, apart from the three-tier quality monitoring, an independent third-Party monitoring was also to be conducted to ensure transparency. The sub-divisions while preparing the estimates had to earmark half *per cent* of the estimated cost of each work towards third party monitoring. As per the rules governing QC management, prior intimation shall be provided to the QC monitors regarding the execution of works. Audit observed that:

- ❖ The third-party monitors (TPM) were neither empanelled by the HO nor third party monitors were appointed by the sub-divisions on specific terms and conditions. However, in very few test-checked works, third-party monitoring reports were made available to audit.
- ❖ The said third-party monitoring reports obtained from the neighbouring Engineering colleges were found to be sieve analysis/gradation²² of materials brought to the site by the GLs and Cube test²³ report on concrete works. Such test reports cannot be construed as independent samples collected from work spot.
- ❖ Except for gradation test of Granular Sub-base and Wet Mix Macadam and Cube test for CC Pavement, no other tests prescribed in MoRTH specification 900 were being carried out. This was grossly insufficient and even in such cases the sub-divisions had not ensured that materials of such specifications were utilised in the works.
- ❖ The procurement of store items was not supported with prescribed quality test reports.
- ❖ Material test report conducted by the third-parties was not available in all the works test-checked in audit.
- ❖ In none of the JWBs the QC reports and third-party monitoring reports were attached and the bills were passed for payment in violation of the codal rules. However, in the case of BBMP works, BBMP was carrying out QC

²² It is a test conducted to ascertain the quality of coarse aggregates used in construction work.

²³ Cube test is conducted to ascertain the tensile strength of the design mix of the concrete.

tests and the reports were attached with each RA Bill. The QC tests conducted were not uploaded in the PMS (Bhusiri).

- ❖ QC charges were reimbursed to the GL/Sub contractors for material quality tests conducted by them in private labs.
- ❖ No QC Registers were maintained and produced to audit for verifying the quantum of tests conducted in respect of works test-checked in audit.

On this being pointed out in audit, it was replied that the instructions of TPM appointed by the EA's are being followed, without which further payments are not released by EA's.

The reply is not acceptable as the condition stipulated in entrustment order indicates that TPI has to be carried out by KRIDL and the EA's releases 50 to 100 per cent of the estimated cost to KRIDL, which is inclusive of TPI charges.

In the absence of TPM/ QC reports with the JWBs, audit could not ensure the mechanism adopted by KRIDL for adherence to QC norms by Zonal Audit Offices /SE offices.

Recommendation 8: *The State Government must ensure implementation of three tier QMS and operationalise the defunct QC divisions*

5.6.4 Other major lapses related to accounting:

- Instructions contained in Para 205, section 27 of KRIDL SOs that the omissions or mistakes found in the bills shall be noted in the Objection Register which were not adhered by Divisional Accountant/Account Superintendents as required under SOs.
- The sub-divisions were not furnishing the monthly accounts to HO within the prescribed due dates²⁴ which is impacting the preparation of monthly accounts and the delay ranged from five days to 72 days.
- The Audit Officers did not maintain any ledger accounts and were not preparing the monthly Consolidated Accounts. Consequently, the Quarterly, Half yearly Balance Sheets, Profit and Loss accounts were not prepared and submitted to MD/ Board of Directors of KRIDL.
- The quarterly tour programme of Deputy Finance Officer, Internal Auditor and Statutory Auditor approved by the MD KRIDL and the details of sub-divisions visited and audited by them were not on record.
- The details of scrutiny of accounts in respect of work expenditure and monthly progress report and JWBs by the Works Branch as envisaged in paras 163 and 164 were also not on record.

It was replied that the JWBs are being scrutinised and attested by AE and AEE (Tech) at divisional office and also verified during finalisation of accounts/objections raised and are forwarded to the concerned sub-divisions and steps are initiated for submission of monthly accounts/provisional Profit

²⁴ Due dates prescribed for submission of monthly accounts to Audit Officers are 10th of the following month for which accounts are to be submitted.

and Loss statement to the competent authority. Further, Deputy Finance Officer, scrutinizes reports submitted by pre-auditors engaged by the company.

The replies of the KRIDL are not tenable as the sub-divisions failed to produce documentary evidence in proof of verification of JWB by AE/AEE. The objection book was not maintained for recording the remedial measures as required under SOs and pre-auditors engaged at divisional level did not carry out periodical verification of project accounts as the lapses were not avoided.

5.6.5 Shortcomings in maintenance of records/registers

Documentation of execution of works are governed by Section 10 of KRIDL SOs. Maximum care needs to be taken by the EE/AEE/AEs and JEs in the maintenance of ledgers, registers etc., pertaining to various works in their sub-divisions. Audit observed the following discrepancies:

- Improper maintenance of MBs and recordings therein.
- Non- accountal of MBs in stock registers.
- Non- maintenance of Nominal Muster Rolls (NMRs) and its receipt and issue.
- Non-submission of daily labour/fortnightly reports by the sub-divisions to HO.
- Improper maintenance of cash book and non-reconciliation of balances and non-maintenance of Works Cash Book.
- Non-maintenance of monthly work progress reports duly indicating the particulars of works, their estimated cost, value of work done, actual expenditure incurred in the month and savings against each work.
- The Objection Register, Works Register and Works Abstract Register were also not maintained.

In reply the KRIDL had accepted and agreed to issue necessary instructions to maintain the records as suggested by the Audit.

Recommendation 9: *The State Government must ensure periodical revision of the KRIDL Standing Orders keeping in view the provisions of KTPP Act, revisions in KPW A and D Codes and any other relevant statutes and guidelines related to procurement and execution of works. The KRIDL should evolve a mechanism for constant updation of prices as per SR and prevailing market rates.*

5.7 Recruitment and Training

As per SOs, the vacancies arising from time to time, in the Corporation shall be filled up by recruitment, promotion or by deputation of suitable persons from State and the training camps are to be arranged in Bengaluru and various other places as prescribed by the HO. The details of training camps conducted for various technical staff at junior level and details of recruitment were not furnished (March 2022).

KRIDL through their circular (April 2018) fixed the requirement of technical and ministerial staff for the zonal office, divisional office and sub-divisional

offices. As per the circular, the revised staffing pattern for each sub-divisions for performing the allocated works are as detailed in **Table 5.2** below:

Table 5.2: Staffing pattern for each sub-division

Sl No	Cadre	Requirement
01	AE/JE	One each for ₹5 crore work per year
02	First Division Assistant/Second Division Assistant/GST work	02 for preparation of MRA bills, monthly accounts, taxation including GST
03	Data Entry Operator	02
04	Work Inspector	One each for each AE/JE

Source: KRIDL circular dated 5.4.2018

As could be seen from the above table the requirement of staffing pattern adopted by KRIDL is flawed as it is based on the quantum of works entrusted by EAs which varies year to year.

5.7.1 Shortage/absence of regular staff to monitor key functions in sub-divisions

Considering the huge number of works entrusted to KRIDL every year, the administrative and technical functions in a division/sub-division require qualified staff for smooth functioning and timely execution of works. However, there was a significant shortage of staff as detailed in **Table 5.3** below:

Table 5.3: Sanctioned and men-in-position of various posts in KRIDL as on February 2022

Name of the post	Sanctioned Post (A)	Men-in-Position Regular (B)	Shortage of staff (C=A-B)
AE/JE	196	85	111 (57)
First Division Assistant/Second Division Assistant/GST work	176	115	61 (35)
Data Entry Operator	30	13	17 (57)
Work Inspector	223	128	95 (43)
SEs (Zonal Office)	06	05	1 (20)
EE (divisional Office)	33	28	05 (15)
AEE (Sub-divisional Office)	74	68	06 (8)
Total	738	442	296 (40)

Source: Staff Disposition Statement furnished by KRIDL.

*Figures indicated in bracket are *per cent*.

It can be seen from the **Table 5.3** that as against the sanctioned strength of 738, the men-in-position was only 442 (60 *per cent*) and the shortage of staff to the extent of 296 (40 *per cent*).

In the absence of requisite manpower, audit observed shortcomings in performing the technical functions like preparation of estimates, delay in execution of works, recording of measurements and accounting functions which are discussed in earlier chapters of the report.

On the above issues being pointed out in audit, the State Government admitted that there is an acute shortage of regular staff in KRIDL, due to which outsourced staff is being deployed for execution of various works and it is exploring the revision of Cadre and Recruitment Rules to strengthen the technical and accounts wing to efficiently discharge its duties.

Audit observed that outsourced personnel are carrying out key functions in accounting, recording check measurements and acting as GLs wherein significant amount has been disbursed towards procurement of material and labour. Hence, the responsibility for the shortcomings in key functions could not be fixed. It was replied that the Company had initiated action to fill up 76 posts in various cadres. Further, the management has initiated necessary action for in house training.

Recommendation 10: The State Government must ensure that KRIDL accept or refuse the works based on the manpower available to complete the entrusted works in time.



(SHANTHI PRIYA S)

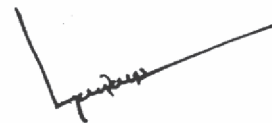
Bengaluru

The

Principal Accountant General (Audit-I)

Karnataka

Countersigned



New Delhi

(GIRISH CHANDRA MURMU)

The

Comptroller and Auditor General of India

Appendices



Appendix-I

(Reference: Para 1.5, Page 3)

List of selected Sub-Divisions

Sl. No.	Name of the Zone	Sl. No.	Name of the Division	Sl. No.	Name of the Sub-Divisions
1	BBMP	1	BBMP Div-1	1	East-II
		2	BBMP Div-4	2	Dasarahalli
				3	R R Nagara
		3	BBMP Div-5	4	East-I
2	Bengaluru	4	BMRCL	5	BMRCL
		5	Chikkaballapura	6	Chikkaballapura
		6	Kolar	7	Kolar
		7	Ramanagara	8	Ramanagara
3	Belagavi	8	Vijayapura	9	Basavanabagewadi
				10	Vijayapura
		9	Gadag	11	Gadag
		10	Karwar	12	Sirsi
4	Central	11	Davanagere-1	13	Davanagere
		12	Huvinahadagali	14	Huvinahadagali
				15	Kudligi
		13	Shivamogga	16	Shivamogga
5	Kalaburagi	14	Kalaburagi-1	17	Kalaburagi-1
		15	Kalaburagi-2	18	Kalaburagi-2
		16	Koppal	19	Koppala
				20	Koppala Nelogipura
6	Mysuru	17	Chamarajanagara	21	Kollegala
		18	Mysuru	22	Mysuru
		19	Mangaluru	23	Mangaluru
		20	Udupi	24	Udupi

Appendix II
(Reference: Para 1.5, Page 4)

Test-Checked Works

SI No	Name of the Sub-Division	No of works	Total No of works test-checked
1	Basavanabagewadi	1,636	54
2	BMRCL	69	18
3	Chikkaballapura	1,161	57
4	Dasarahalli	5,074	129
5	Davanagere	843	52
6	East-I	3,186	93
7	East-II	1,024	80
8	Gadag	1,416	60
9	Huvinahadagali	373	26
10	Kalaburagi-I	1,363	48
11	Kalaburagi-II	1,266	65
12	Kolar	2,113	68
13	Kollegala	608	42
14	Koppala	645	30
15	Koppala Nelogipura	1,649	52
16	Kudligi	548	28
17	Mangaluru	2,965	44
18	Mysuru	862	38
19	R R Nagara	1,928	126
20	Ramanagara	1,159	78
21	Shivamogga	2,602	56
22	Sirsi	531	39
23	Udupi	3,015	52
24	Vijayapura	1,870	44
	Total	37,906	1,379

Appendix III

(Reference: Para 2.1.6, Page 8)

Excess expenditure over the Estimated Cost

(₹ in crore)

Sl No	Name of the Sub-Division	No of works test-checked	No. of works in which expenditure incurred more than estimated cost	Total Estimated cost	Expenditure Incurred	Excess expenditure incurred
1	Davangere	52	8	20.97	24.44	3.48
2	Gadag	60	1	0.43	0.45	0.01
3	Koppala Nelogipura	52	1	0.60	0.61	0.01
4	Mysuru	38	1	0.420	0.421	0.001
5	Ramanagara	78	1	0.045	0.047	0.002
6	Shivamogga	56	3	4.78	5.10	0.32
Total		336	15	27.24	31.06	3.82

Appendix-IV

(Reference: Para 2.2, Page 9)

Non-Recovery/Short Recovery of Royalty

(₹ in crore)

Sl No	Name of the Sub-Division	No of works test-checked	No. of works in which non/short recovery of royalty commented	Non/short Recovery of royalty
1	Basavanabagewadi	54	25	0.79
2	Chikkaballapura	57	11	0.06
3	Dasarahalli	129	9	0.09
4	Davanagere	52	10	0.31
5	East-I	93	21	1.29
6	East-II	80	10	0.15
7	Gadag	60	3	0.04
8	Huvinahadagali	26	22	0.10
9	Kalaburagi-I	48	13	0.22
10	Kalaburagi-II	65	4	0.03
11	Kolar	68	19	0.20
12	Kollegala	42	11	0.04
13	Koppala	30	27	0.30
14	Koppala Nelogipura	52	3	0.04
15	Kudligi	28	12	0.20
16	Mangaluru	44	20	0.16
17	Mysuru	38	5	0.06
18	Ramanagara	78	6	0.03
19	Shivamogga	56	8	0.06
20	Sirsi	39	4	0.03
21	Udupi	52	33	0.40
22	Vijayapura	44	11	0.24
Total		1,235	287	4.82

Appendix-V**(Reference: Para 3.2.1.1, Page 15)****Works more than Rupees two crore****(₹ in Crore)**

Sl No	Name of the Sub-Division	Ineligible works			
		No. of works	Estimated Cost	Minimum	Maximum
1	Basavanabagewadi	1	3.35	3.35	3.35
2	BMRCL	9	62.92	2.60	13.90
3	Chikkaballapura	3	8.99	2.80	3.26
4	Dasarahalli	1	2.64	2.64	2.64
5	Davanagere	13	54.47	2.39	9.07
6	East-I	8	113.65	2.51	56.50
7	Gadag	2	10.42	3.00	7.42
8	Kalaburagi-I	8	28.63	2.58	7.05
9	Kalaburagi-II	1	3.29	3.29	3.29
10	Koppala Nelogipura	4	10.73	2.16	3.26
11	Kudligi	2	6.53	3.27	3.27
12	Mangaluru	2	5.50	2.50	3.00
13	Mysuru	3	7.38	2.18	3.00
14	R R Nagara	32	237.58	2.04	47.04
15	Ramanagara	3	9.10	2.57	3.27
16	Shivamogga	1	2.30	2.30	2.30
17	Udupi	1	5.88	5.88	5.88
18	Vijayapura	5	20.15	3.00	6.81
Total		99	593.51		

Appendix-VI

(Reference: Para 3.2.1.2, Page 15)

Splitting up of Estimates costing more than two crores by EA

Sl. No	Name of the Sub-Division	No. of works above two crore split EA before entrustment	No. of works split into	Value (₹ in crore)
1	Kalaburagi-I	6	18	28.07
2	Kudligi	3	12	12.35
3	Mangaluru	1	13	3.52
4	R R Nagara	1	40	44.51
5	Vijayapura	1	2	3.98
Total		12	85	92.43

Appendix-VII
(Reference: Para 3.2.1.3, Page 16)
Entrustment of ineligible works

					(₹ in crore)
Sl. No.	Name of the Sub-division	Work Code	Name of the work	Estimated Cost	Expenditure incurred as per latest MRA Bill
1	Davanagere	78293	Shifting of HT/LT line and Transformer Centre of Hi-Tech Hospital Road from Nituvalli Vegetable Market to By-Pass Road'	0.30	0.13
2	East-I	141968	Extinguishing of accidental fire hazard occurred on 10-4-2018 in scientific land fill quarry at Bellahally village in Sy. No.13 (310-20-000046)	0.70	0.70
3		141965	Emergency fire dousing and formation of earthen bund to form blocks in Scientific landfill site in Mittaganahally Sy. No.2 (310-20-000048)	1.98	1.98
4		141966	Extinguishing work of accidental fire hazard occurred on 13-3-19 in scientific land fill quarry in Bellahally village Sy. No.13 (310-20-000047)	1.93	1.93
5		No work code	Gandhi Jayanthi Puraskara function	5.25	8.89
6	Gadag	99980	Arrangement of Sadhana Samavesha Programme at Gadag District	0.49	0.43
7		90285	Expenditure related to declaration programme of Nargund Taluk, Gadag District as Eradication of open defecation by Vice-President	0.41	0.41
8		99977	Arrangement of Sadhana Samavesha Programme in Gadag District	0.41	0.29
9		94789	Gadag Utsav Sarasa Mela Programme	0.40	0.34
10	Kalaburgi-I	70861	Extraction of Sand by Manual means from Sand Block No. 2 with a total area of 3.00 acres of Kundanoor Village in Chittapur Tq, Kalaburagi Dist.	0.27	0.12
11	Kalaburgi-II	No work code	Providing and Supplying of UPS & electrical installation	0.23	0.23
12	Koppala Nelogipura	125024	Installation of Pandal/Dias, Sound System, Mic Set, Barricade, Seating Arrangement, Generators at Important Places for Anegundi Utsava, Anegundi Village, Gangavathi Taluk, Koppala District	0.65	0.65
13		125022	Installation of Pandal & Barricade for Army Recruitment Camp at Koppala Town	0.10	0.10
14		143002	Installation of Pandal & Barricade for Army Recruitment Camp at Koppala Town	0.08	0.08
Total				13.21	16.28

Appendix-VIII

(Reference: Para 3.3.1, Page 17)

Splitting up of Estimates costing more than two crores by KRIDL

Sl. No	Name of the Sub-Division	No. of works above ₹2 crore split by KRIDL	No. of works split into	Value (₹ in crore)
1	Chikkaballapura	2	4	6.19
2	Gadag	2	8	2.33
3	Huvinahadagali	1	4	3.00
4	Kolar	1	2	2.10
5	Koppala Nelogipura	3	6	7.47
6	Ramanagara	1	2	2.57
7	Udupi	2	4	7.20
Total		12	30	30.86

Appendix-IX**(Reference: Para 3.3.3.2, Page 19)****Differential cost due to adoption of PWD SR instead of PRED SR**

Sl No	Name of the work	Estimated Cost (₹ in crore)	Length of road (in Mtr)	Excess (₹ in crore)
1	Agara Village, Agara GP	1.00	898.0	0.1133
2	Ramasandra Kannika Layout	1.00	868.2	0.1132
3	Ramasandra Gayathri Layout	1.00	868.2	0.1132
4	Punugamaranahalli to Ramohalli Maragondanahalli	1.00	898.0	0.1133
5	Manganahalli Udaynagar, Kodigehalli Grama	1.00	898.0	0.1133
6	Kannahalli Village, Kodigehalli GP	1.00	868.0	0.1132
7	Nettigere Gate to APCO Factory Road, Nelaguli GP	1.00	868.2	0.1132
8	Kanakapura Main Road to Vadderahalli, Agara GP	1.00	868.2	0.1132
9	Dinneapalya to Goshale Road, Kaggalipura GP	1.00	898.0	0.1133
Total		9.00	7,932.8	1.02

Appendix X
(Reference: Para 3.4.2, Page 20)
Release of funds before administrative approval

Sl No	Name of the Sub-Division	No of works where funds were released by EA before AA					Minimum no of months	Maximum no of months	Total funds released in advance of AA (₹ in crore)
		1 to 3 months	4 to 6 months	7 to 12 months	> 12 months	Total			
1	Basavanabagewadi	3	8	2	1	14	1	23	4.28
2	Chikkaballapura	4	1	5	4	14	1	24	6.79
3	Davanagere	0	1	0	0	1	5	5	0.41
4	Gadag	8	2	0	2	12	1	49	8.80
5	Huvinahadagali	8	0	0	0	8	1	3	3.15
6	Kalaburagi-I	3	0	1	0	4	1	10	1.77
7	Kalaburagi-II	1	2	0	3	6	1	26	1.03
8	Kolar	7	3	1	1	12	1	62	8.35
9	Kollegala	1	6	1	3	11	2	18	2.71
10	Koppala	12	0	5	0	17	2	10	8.28
11	Koppala Nelogipura	6	1	3	3	13	1	32	5.61
12	Kudligi	3	2	0	0	5	1	5	1.28
13	Mangaluru	5	3	0	0	8	1	5	3.71
14	Mysuru	1	0	0	3	4	1	79	1.25
15	Ramanagara	4	7	3	5	19	1	36	3.86
16	Shivamogga	1	0	0	2	3	1	19	4.11
17	Sirsi	1	1	3	5	10	1	39	3.72
18	Udupi	3	1	0	2	6	1	60	1.75
19	Vijayapura	2	1	0	3	6	1	82	2.48
Total		73	39	24	37	173	1	82	73.31

Appendix-XI (a)
(Reference: Para 3.6.1, Page 23)
Splitting up of Estimates to avoid higher TS

Sl No	Name of the Sub-Division	No of works test - checked	No. of works entrusted as single composite work	Range of estimate cost before split (₹ in crore)		No. of works split to avoid higher sanction	Range of estimate cost after split (₹ in crore)		Total estimated value (₹ in crore)
				Minimum	Maximum		Minimum	Maximum	
1	Basavanabagewadi	54	5	100	200	10	50	100	800.00
2	Kalaburagi-I	48	1	71	71	16	2	5	71.00
3	Kudligi	28	1	200	200	6	25.5	45	200
Total		130	7			32			1,071

Appendix-XI (b)
(Reference Para 3.6.1, Page 23)

Technical sanction accorded by CE instead of Sub-Committee

Sl No	Name of the Sub-Division	No of works test-checked	No. of works	Estimated Cost (₹ in crore)
1	Basavanabagewadi	54	1	3.35
2	Chikkaballapura	57	3	8.99
3	Davanagere	52	13	54.47
4	Gadag	60	2	10.42
5	Kalaburagi-I	48	8	28.63
6	Kalaburagi-II	65	1	3.29
7	Koppala Nelogipura	52	4	10.73
8	Kudligi	28	2	6.53
9	Mangaluru	44	2	5.50
10	Mysuru	38	3	7.38
11	Ramanagara	78	3	9.10
12	Shivamogga	56	1	2.30
13	Udupi	52	1	5.88
14	Vijayapura	44	5	20.15
Total		728	49	176.73

Appendix-XII

(Reference: Para 3.6.3, Page 24)

Commencement of works prior to technical sanction

Sl No	Name of the Sub-Division	No of works test-checked	No. of works commenced before obtaining TS	Total Estimated Cost (₹ in crore)
1	Basavanabagewadi	54	1	3.35
2	Chikkaballapura	57	11	17.22
3	Dasarahalli	129	3	2.44
4	Davanagere	52	4	13.29
5	Gadag	60	19	15.78
7	Kalaburagi-I	48	35	54.64
8	Kalaburagi-II	65	13	11.31
9	Kolar	68	4	2.90
10	Kollegala	42	13	7.75
11	Koppala	30	3	3.30
13	Kudligi	28	2	3.76
14	Mangaluru	44	5	1.70
15	Mysuru	38	9	11.26
16	Ramanagara	78	9	6.37
17	Shivamogga	56	10	16.73
18	Sirsi	39	3	4.11
19	Udupi	52	1	0.51
20	Vijayapura	44	1	3.64
Total		984	146	180.05

Appendix-XIII
(Reference: Para 4.1.2, Page 29)
Delay in Commencement of works

Sl No	Name of the Sub-Division	1 to 2 months	3 to 4 months	5 to 6 months	7 to 8 months	9 to 10 months	11 to 12 months	> 12 Months	Total	Minimum	Maximum
1	Basavanabagewadi	17	6	5	1	1	2	4	36	1	13
2	Chikkaballapura	6	6	3	1	1	2	6	25	1	38
3	Davanagere	15	5	2	0	1	2	2	27	1	19
4	East-I	5	0	0	0	1	0	0	6	1	9
5	Gadag	14	5	3	1	1	1	0	25	1	11
6	Huvinahadagali	8	1	1	2	1	2	2	17	1	34
7	Kalaburagi-I	1	1	2	0	0	0	3	7	1	66
8	Kalaburagi-II	11	10	5	4	4	1	3	38	1	24
9	Kolar	10	5	2	5	1	1	1	25	1	14
10	Kollegala	13	2	1	2	0	0	2	20	1	23
11	Koppala	10	3	0	0	1	2	2	18	1	36
12	Koppala Nelogipura	14	0	1	2	2	5	1	25	1	19
13	Kudligi	4	5	1	0	0	1	5	16	1	28
14	Mangaluru	6	10	7	1	0	1	11	36	1	52
15	Mysuru	1	0	1	0	0	2	1	5	2	15
16	R R Nagara	31	3	4	0	0	0	1	39	1	13
17	Ramanagara	18	10	2	5	1	1	2	39	1	15
18	Shivamogga	0	1	0	0	6	0	3	10	3	26
19	Sirsi	2	6	4	1	1	0	1	15	1	17
20	Udupi	7	11	2	4	1	1	2	28	1	34
21	Vijayapura	14	8	3	1	2	1	3	32	1	49
Total		207	98	49	30	25	25	55	489	1	66

Appendix – XIV

(Reference: Para 4.2, Page 31)

Delay in completion of works

Sl No	Name of the Sub-Division	No of works in which completion delayed	No of months range					Total
			1 to 4 months	5 to 9 months	10 to 19 months	20 to 29 months	> 29 months	
1	Basavanabagewadi	29	4	4	8	7	6	29
2	Chikkaballapura	52	2	4	7	3	36	52
3	Davanagere	36	17	4	4	5	6	36
4	East-I	72	19	20	17	13	3	72
5	Gadag	44	18	6	8	6	6	44
6	Huvinahadagali	23	2	0	2	15	4	23
7	Kalaburagi-I	43	1	2	2	4	34	43
8	Kalaburagi-II	46	8	3	14	7	14	46
9	Kolar	54	0	4	6	18	26	54
10	Kollegala	31	8	3	8	4	8	31
11	Koppala	24	1	3	9	6	5	24
12	Koppala Nelogipura	30	7	2	6	5	10	30
13	Kudligi	24	2	7	8	1	6	24
14	Mangaluru	41	0	8	16	6	11	41
15	Mysuru	31	2	3	16	4	6	31
16	RR Nagar	65	8	1	40	5	11	65
17	Ramanagara	41	6	8	9	10	8	41
18	Shivamogga	33	11	7	8	3	4	33
19	Sirsi	19	1	3	4	6	5	19
20	Udupi	35	3	2	12	4	14	35
21	Vijayapura	41	4	1	20	4	12	41
Total		814	124	95	224	136	235	814

Appendix – XV

(Reference: Para 4.6.1, Page 35)

Execution of works on lump sum basis

Sl No	Name of the Sub-Division	No. of works in which lumpsum provision made in the estimate	Lumpsum Provision made in the estimate (₹ in crore)	Expenditure incurred without detailed estimate (₹ in crore)
1	Basavanabagewadi	2	0.45	0.45
2	Kalaburagi-I	5	3.29	3.29
3	Kolar	1	0.06	0.06
4	Kollegala	6	2.04	0.45
5	Koppala	12	1.81	1.81
6	Kudligi	5	0.62	0.62
7	Mysuru	8	1.36	0.80
8	Vijayapura	3	0.43	0.43
Total		42	10.07	7.92

Annexure – XVI

(Reference: Para 5.1.2.1, Page 42)

Non-Reporting of Excess Expenditure

(₹ in crore)

SI No	Name of the Sub-Division	No. of works in which expenditure incurred more than EA releases	Total Estimated cost	Total funds released by EA	Expenditure Incurred	Excess expenditure incurred
1	Basavanabagewadi	1	1.50	1.50	1.57	0.07
2	BMRCL	2	2.77	2.54	2.77	0.23
3	Chikkaballapura	2	0.81	0.74	0.80	0.06
4	Dasarahalli	41	39.69	36.67	39.12	2.45
5	Davanagere	12	30.05	28.33	33.05	4.72
6	East-I	68	103.75	90.06	96.03	5.96
7	East-II	49	62.26	60.89	62.32	1.43
8	Gadag	2	0.88	0.72	0.85	0.13
9	Kalaburagi-I	4	5.10	4.39	5.05	0.66
10	Kalaburagi-II	8	7.58	5.98	7.32	1.34
11	Kolar	3	3.50	3.50	3.62	0.12
12	Kollegala	1	0.38	0.38	0.39	0.01
13	Koppala	1	0.50	0.48	0.50	0.02
14	Kudligi	3	4.62	4.51	4.56	0.05
15	Mysuru	1	0.42	0.39	0.42	0.04
16	RR Nagar	27	37.32	35.79	37.29	1.50
17	Shivamogga	2	1.49	1.41	1.49	0.08
18	Sirsi	5	2.58	2.52	2.58	0.05
Total		231	303.70	279.29	298.16	18.86

Appendix - XVII

(Reference: Para 5.1.2.2, Page 42)

Non-Reporting of Savings

(₹ in crore)

Sl No	Name of the Sub-Division	No. of works in which expenditure incurred less than estimated cost	Total Estimated cost	Total funds released by EA	Expenditure Incurred	Savings
1	Basavanabagewadi	9	7.25	7.25	7.18	0.07
2	BMRCL	1	0.43	0.42	0.39	0.03
3	Dasarahalli	1	1.00	0.99	0.98	0.01
4	Davanagere	2	6.18	5.72	5.66	0.05
5	East-II	2	3.00	2.98	2.95	0.03
6	Gadag	5	5.00	5.00	4.97	0.03
7	Kalaburagi-I	1	0.27	0.22	0.16	0.05
8	Kalaburagi-II	2	0.82	0.82	0.79	0.03
9	Kolar	3	1.69	1.69	1.68	0.01
10	Kollegala	7	3.07	3.07	3.06	0.01
11	Koppala Nelogipura	1	0.08	0.08	0.08	0.00
12	Kudligi	5	5.79	5.68	5.29	0.39
13	Mysuru	2	1.80	1.80	1.80	0.00
14	Shivamogga	3	1.94	1.93	1.83	0.10
15	Udupi	1	0.40	0.40	0.24	0.16
16	Vijayapura	2	1.90	1.90	1.89	0.01
Total		47	40.64	39.95	38.97	0.98

Appendix – XVIII

(Reference: Para 5.2.1, Page 43)

Procurement of Steel/Cement from unapproved firms

(₹ in crore)

Sl No	Name of the Sub-Division	Item Description	
		Steel	Cement
1	Basavanabagewadi	1.82	1.13
2	Chikkaballapura	0.00	3.80
3	Dasarahalli	249.09	84.31
4	East-I	113.28	35.94
5	East-II	41.91	12.37
6	Huvinahadagali	0.00	0.09
7	Kalaburagi-I	2.15	0.32
8	Kalaburagi-II	3.67	3.58
9	Koppala	2.09	0.55
10	Koppala Nelogipura	11.07	6.76
11	Kudligi	0.07	0.39
12	Mangaluru	0.07	0.66
13	R R Nagara	121.12	13.68
14	Shivamogga	0.20	0.00
15	Sirsi	0.22	0.00
16	Udupi	0.87	1.63
17	Vijayapura	4.93	3.12
Sub-Total		552.55	168.34
Total		720.89	

Appendix - XIX

(Reference: Para 5.2.2, Page 44)

Material Procured without inviting tender

SI No	Name of the Sub-Division	Material Purchased without inviting tender (₹ in crore)					
		2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Basavanabagewadi	3.63	11.33	2.85	13.12	10.34	41.26
2	BMRCL	3.20	1.84	0.89	0.86	0.00	6.79
3	Chikkaballapura	1.89	14.12	8.90	5.86	0.96	31.74
4	Dasarahalli	2.35	22.40	40.25	1.23	0.02	66.26
5	Davanagere	7.95	7.36	9.73	5.49	3.23	33.77
6	East-I	3.53	13.43	0.08	0.26	0.01	17.31
7	East-II	1.10	6.08	0.00	0.00	0.00	7.18
8	Gadag	9.60	10.37	7.98	3.92	0.28	32.15
9	Huvinahadagali	0.91	0.68	0.49	0.56	0.18	2.82
10	Kalaburagi-I	8.19	13.59	7.02	4.98	2.54	36.32
11	Kalaburagi-II	4.87	14.07	8.59	6.04	6.55	40.12
12	Kolar	4.01	12.55	14.26	13.23	4.18	48.24
13	Kollegala	0.79	3.37	5.95	5.53	1.84	17.46
14	Koppala	2.05	4.38	3.93	4.79	3.34	18.48
15	Koppala Nelogipura	8.51	4.19	0.32	0.30	10.12	23.45
16	Kudligi	1.34	1.23	0.17	2.08	0.45	5.26
17	Mangaluru	6.02	11.02	17.15	12.45	0.04	46.68
18	Mysuru	4.06	5.33	6.94	4.05	1.85	22.23
19	R R Nagara	0.17	3.57	3.61	0.00	0.00	7.35
20	Ramanagara	2.82	6.85	9.05	10.64	1.70	31.06
21	Shivamogga	5.57	16.10	24.64	51.50	48.23	146.03
22	Sirsi	3.45	5.71	5.20	4.63	0.00	18.99
23	Udupi	6.43	9.17	0.95	0.28	0.06	16.89
24	Vijayapura	4.00	10.79	16.85	4.83	0.00	36.47
Total		96.44	209.53	195.80	156.63	95.92	754.32

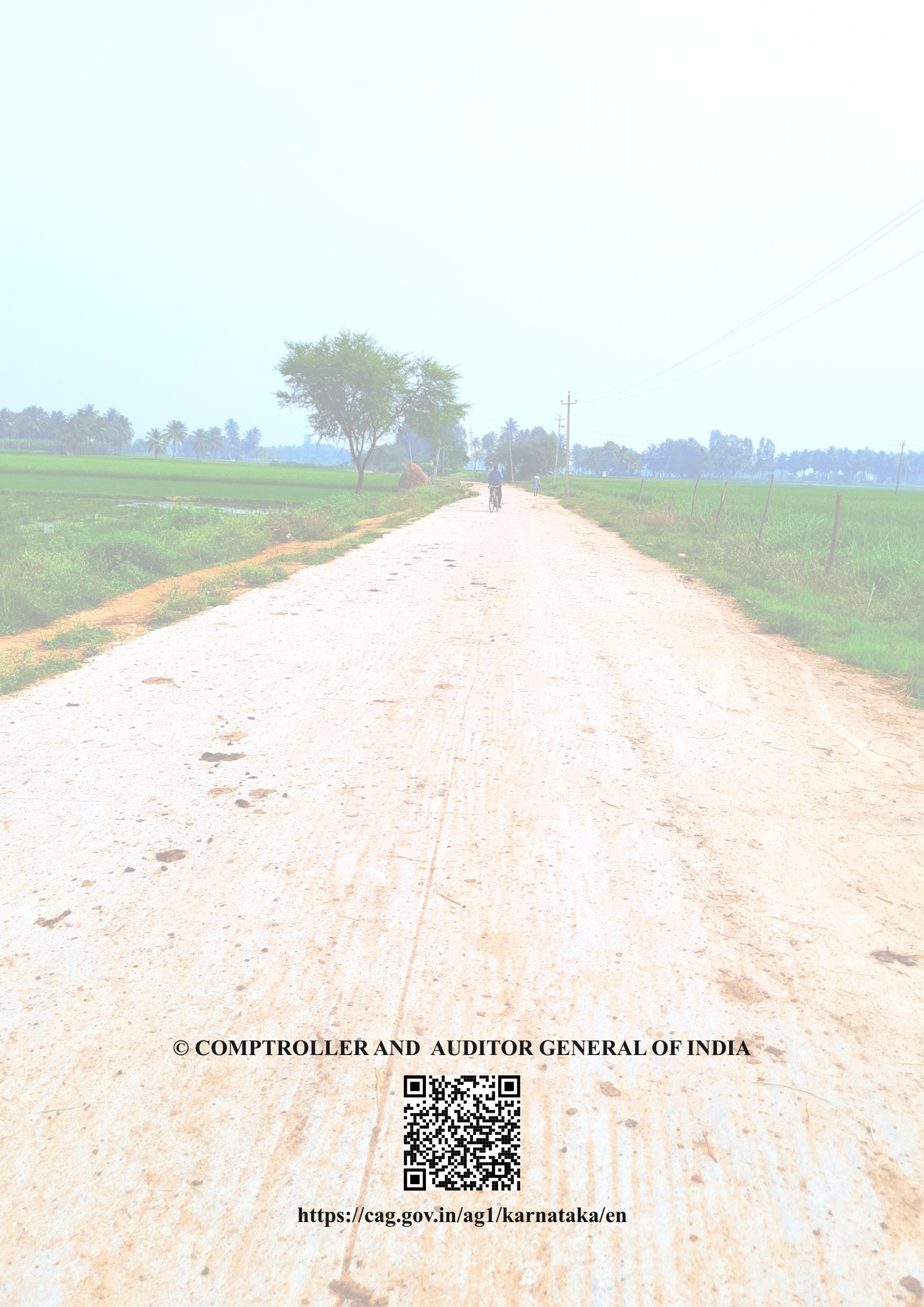
Appendix – XX

(Reference: Para 5.2.3, Page 44)

Loss of input tax credit due to procurement of material and labour from URD

Year	Material Purchased from URD	Loss of Input Tax Credit @5% on URD material	Payment of wages to URD	Loss of Input Tax Credit @ 18% on URD wages	Total Loss of Input Tax Credit
a	b	c=b*5%	d	e=d*18%	f=c+e
2018-19	195.80	9.79	508.60	91.55	101.34
2019-20	156.63	7.83	340.09	61.22	69.05
2020-21	95.92	4.80	218.24	39.28	44.08
Total	448.35	22.42	1,066.93	192.05	214.46

Glossary	
ACS	Additional Chief Secretary
AEE	Assistant Executive Engineer
BBMP	Bruhat Bengaluru Mahanagara Palike
BMRCL	Bangalore Metro Rail Corporation Limited
BT	Bituminous
CC	Cement Concrete
CE	Chief Engineers
CSR	Corporate Social Responsibility
DC	District Commissioner
DQM	District Quality Monitors
EA	Entrusting Agencies
EE	Executive Engineer
GL	Group Leader
GoK	Government of Karnataka
GSK	Gandhi Sakshi Kayaka
IRC	Indian Road Congress
IT	Income Tax
JE	Junior Engineer
JPV	Joint Physical Verification
JWB	Job Work Bill
KLAC	Karnataka Land Army Corporation
KPWD	Karnataka Public Works Departmental
KRIDL	Karnataka Rural Infrastructure Development Limited
KTPP	Karnataka Transparency in Public Procurement
MB	Measurement Book
MD	Managing Director
MORD	Ministry of Rural Development
MORTH	Ministry of Road Transport and Highways
MRA	Monthly Running Account
PMGSY	Pradhan Mantri Gram Sadak Yojana
PMS	Project Monitoring Software
PRED	Panchayat Raj Engineering Department
PWD	Public Works Department
QAP	Quality Assurance Programme
QC	Quality control
QMS	Quality Management system
RA	Running Account
RDPR	Rural Development and Panchayat Raj Department
SA	Sponsoring Agency
SDBC	Semi Dense Bituminous concrete
SE	Superintending Engineer
SQM	State Quality monitors
SR	Schedule of Rates
TDS	Tax Deduction at source
TIN	Taxpayer Identification Number
TPI	Third party inspection
VAT	Value added tax
VJNL	Viswesariah Jala Nigam Limited



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