

CHAPTER IV – WORKS EXPENDITURE

SECTION ‘A’ – REVIEWS

PUBLIC WORKS DEPARTMENT

4.1 Working of Public Works Department

Highlights

The Public Works Department in Karnataka is in charge of construction and maintenance of National Highways, State Highways, Major District Roads and Buildings. There are several weaknesses in financial and programme management and control areas. Budgeting and cash management through the Letter of Credit system was ineffective. Due to not providing sufficient grants and delay in withdrawal of works from the first agencies etc., there was a wasteful expenditure of Rs.1.83 crore and cost escalation of Rs.1.54 crore. In respect of 42 incomplete works, the time overrun ranged from 1 to 8 years and the entire outlay of Rs.18.07 crore remained unfruitful. Irregularities in the execution of works, defects in Human Resources management and wastage in stores management affected the working of the Department.

Consequent on transfer of 7337 km of State Highways to a State Public Sector Undertaking, reduction in budget provision of Rs.16.29 crore was not considered for the Budget estimates of 2001-02.

(Paragraph 4.1.4.1)

Rs.2.95 crore provided in 2001-02 for execution of 28 works were not utilised.

(Paragraph 4.1.4.2.)

As of March 2002, 39665 bills relating to works and supplies for Rs.281.47 crore remained unpaid.

(Paragraph 4.1.4.4)

In 59 works, Rs.17.51 crore was incurred in excess over the original estimated cost, during the period 1999 –2002.

(Paragraph 4.1.5.1)

Letter of Credit for Rs.10.21 crore were released out of turn for payments to contractors preferred by Ministers, MLAs and Secretary to Government.

(Paragraph 4.1.5.2 (i))

Nine Divisions utilised departmental receipts of Rs.6.06 crore towards departmental expenditure in contravention of codal provisions

(Paragraph 4.1.5.3)

Five Controlling Officers did not reconcile their expenditure figures with those booked in the books of accounts of AG (A&E) for the last 3 years.
(Paragraph 4.1.5.5)

In 3 Divisions, works to the extent of Rs.43.17 crore were executed without prior approval.
(Paragraph 4.1.6)

In 42 works time overrun ranged from 1 to 8 years and expenditure of Rs.18.07 crore remained unfruitful as the projects remained incomplete. The cost overrun in 15 works was Rs.1.98 crore.
(Paragraph 4.1.6.1)

Lapse on the part of the Department in not providing sufficient grants, delay in withdrawal of work from agencies, etc., led to wasteful expenditure of Rs.1.83 crore and cost escalation of Rs.1.54 crore.
(Paragraph 4.1.6.2)

In the case of NABARD assisted Road projects, execution of unnecessary item resulted in wasteful expenditure of Rs.0.89 crore.
(Paragraph 4.1.6.3 (iv))

64 posts of Peons, Assistants, and Junior/Assistant Engineers were irregularly counted against the abolished posts involving expenditure of Rs.1.12 crore towards pay and allowances.
(Paragraph 4.1.9.3)

In respect of Toll fee collection, the reduction in upset price, reduction / waiver of penalty resulted in loss of Rs.0.75 crore.
(Paragraph 4.1.10)

4.1.1 Introduction

In Karnataka, there are three separate departments looking after Public Works namely, Public Works Department, Major and Medium Irrigation Department and Minor Irrigation Department. The Public Works Department is exclusively in charge of construction and maintenance of National Highways, State Highways, Major District Roads and Buildings. The details of road length and buildings as on 31st March 2002 are as follows:

Roads (in kms)		Buildings (in Nos.)	
National Highways	3728	Residential	6389
State Highways	9829	Non-residential	10561
Major District Roads	28247		

The Department also undertakes construction of buildings on behalf of Local Bodies, Corporations etc., as Deposit Contribution Works. During May 2001, a length of 7337 kms and 2268 kms of State Highways was handed over to Karnataka Roads Development Corporation Limited (KRDCL) and Karnataka State Highways Improvement Project (KSHIP) respectively.

4.1.2 Organisational set up

The Public Works Department is headed by a Principal Secretary. There are 3 Zones headed by Chief Engineers (CE), 12 Circle Offices headed by Superintending Engineers (SE) and 39 Divisions headed by Executive Engineers (EE). Chief Architect is in charge of preparation of architectural designs for buildings.

4.1.3 Audit coverage

Key areas such as Financial Management, Implementation of Works, Stores Management, Manpower utilisation etc., of the Department were reviewed covering the period from 1999-00 to 2001-02. Records maintained in 3 Zonal Offices, 7 Circle Offices and 21 Divisional Offices were scrutinised.

4.1.4 Financial Management

4.1.4.1 General

The budget of the Public Works Department is required to be prepared by the Finance Department after obtaining proposals from the Chief Engineers. A review of records at the Finance Department revealed that despite receipt of such estimates, these were not considered while making budget provisions.

As a result, the provisions were unrealistic as detailed below:

(Rupees in crore)

Head of Account	1999-2000			2000-2001			2001-2002		
	BP	BA	% of BA to BP	BP	BA	% of BA to BP	BP	BA	% of BA to BP
2059 (Plan)	8.25	1.50	18	9.66	2.03	21	11.10	2.05	18
2059 (Non-Plan)	114.71	58.06	51	131.12	59.48	45	144.33	68.13	47
3054	203.45	146.58	72	285.12	124.87	44	298.89	105.11	35
4059	81.05	15.58	19	8.23	18.28	222	78.43	45.10	58
5054	126.59	89.75	71	114.26	134.23	117	74.55	122.38	164

BP – Budget Proposal

BA – Budget Allotment

The above table shows that the allocation made in 1999-2000 under all Heads of Account and under revenue Heads of Account during 2000-01 and 2001-02 was less than funds sought for, ranging between 18 per cent and 72 per cent. Excess allotment was made in 2000-01 and 2001-02 under Capital Major Head of Account, i.e., 4059 and 5054, which ranged between 222 per cent and 117 per cent.

The budget provision made during 2001-2002 was also not realistic, as the transfer of 7337 kms of State Highways to Karnataka Road Development Corporation Limited (KRDCL) was not taken into account. Based on the norms of providing Rs.22200 per km for maintenance, excess provision worked out to Rs.16.29 crore under the Head of Account 3054.

The details of budget provision and expenditure during 1999 to 2002 under Plan and Non-Plan were as follows:

(Rupees. in crore)

Head of Account	Year	Plan			Non-plan		
		Provision	Expenditure	Excess (+) /Savings (-) (percentage)	Provision	Expenditure	Excess (+) /Savings (-) (percentage)
2059 – Public Works	1999-00	1.50	1.05	(-) 0.45 (30)	222.71	194.81	(-) 27.90(13)
	2000-01	2.03	1.30	(-) 0.73 (36)	238.89	190.83	(-) 48.06 (30)
	2001-02	2.05	1.20	(-) 0.85 (41)	255.54	190.69	(-) 64.85 (25)
4059 – Capital outlay on Public Works	1999-00	15.19	23.03	(+) 8.39 (56)	-	-	-
	2000-01	21.24	24.58	(+) 3.24 (15)	-	-	-
	2001-02	48.63	24.27	(-) 24.36 (50)	-	-	-
3054 – Roads and Bridges	1999-00	-	-	-	232.74	264.91	(+) 32.17 (14)
	2000-01	-	-	-	276.31	285.09	(+) 8.78 (3)
	2001-02	-	-	-	326.68	246.29	(-) 80.39 (25)
5054 – Capital Outlay on Roads and Bridges	1999-00	147.45	172.36	(+) 24.91 (17)	-	-	-
	2000-01	213.58	274.92	(+) 61.34 (29)	-	-	-
	2001-02	335.46	258.05	(-) 77.41 (23)	-	-	-

Excess expenditure ranged from 3 to 56 percent and savings ranged from 13 to 50 percent

During the years 1999-2000 and 2000-01, there was excess expenditure under Revenue and Capital Heads of Account i.e., under 3054, 4059 and 5054, which ranged from Rs.3.24 crore to Rs.61.34 crore. There were also savings during 2001-02 under all heads, which ranged from Rs.0.45 crore to Rs.80.39 crore. The reasons for excess/savings in the respective years' budget were not furnished by the Government.

4.1.4.2 Surrender of grants

The grants provided through supplementary estimates, without actual requirement of funds, led to surrender of grants during 2001-02 under Capital Heads of Account (4059 and 5054) as detailed below:

(Rupees in crore)

Head of Account	Original provision	Supplementary Provision	Total	Expenditure up to March 2002	Surrender	Re-appropriation
4059 Capital Outlay on Buildings (13 Departments)	49.59	123.85	173.44	18.24	25.07	66.60
5054 – Capital Outlay on Roads and Bridges (3 Sub-heads)	187.71	31.53	219.24	73.99	98.60	11.43
TOTAL	237.30	155.38	392.68	92.23	123.67	78.03

As seen from the above table, the expenditure was even less than the original provision. The funds provided through supplementary estimates in the year 2001-02 to the extent of Rs.155.38 crore were not required. Even after surrender (Rs.123.67 crore) and re-appropriation (Rs.78.03 crore) there was a savings of Rs.98.75 crore.

Further, in the year 2001-02, a provision of Rs.2.95 crore made for 28 works was not utilised for reasons like want of administrative approval, lack of site for construction, 1/3 grant was not provided etc., (Appendix 4.1). This indicated preparation of unrealistic budget.

4.1.4.3 Expenditure without sufficient budget provision

Expenditure of Rs 27.12 crore was incurred without sufficient budget provision

During 2001-02, a provision of Rs.160.66 crore was made under seven sub-heads of Major Head '5054 – Capital Outlay on Roads and Bridges - Work of Economic Importance' against which expenditure incurred was Rs.187.78 crore, resulted in excess expenditure of Rs.27.12 crore. Such excess expenditure indicated failure of budgetary control system, as no expenditure should be incurred without sufficient allotment of funds.

4.1.4.4 Provision for pending bills not included in Budget

Inadequate release of LoC led to pending bills of Rs.281.47 crore

No provision had been made in the budget for pending bills. The amount of pending bills till March 2002 had accumulated to Rs.281.47 crore. The year-wise break up in respect of bills pending, as furnished by the Department, is given below:

Year	No. of bills	Amount (Rupees in crore)
1997-98	10	0.04
1998-99	360	0.93
1999-00	966	3.22
2000-01	5827	27.38
2001-02	32502	249.90
TOTAL	39665	281.47

Head of Account wise details of pending bills was as follows:

Head of Account	(Rupees in crore)		
	Plan	Non-plan	Total
2059 – Public Works	-	57.73	57.73
3054 - Roads & Bridges	-	117.20	117.20
4059 – Capital Outlay on Public Works	13.94	-	13.94
5054 – Capital outlay on Roads and Bridges	92.60	-	92.60
TOTAL	106.54	174.93	281.47

The pendency of bills related to both works and supplies. The Department attributed pendency of bills due to short release of funds by Finance Department to the extent of provision made.

4.1.5 Expenditure control systems

The authority administering the grant is responsible for watching the progress of expenditure and keeping it within the sanctioned grant or appropriations. To ensure effective control over expenditure, the Chief Engineer exercises control through officers subordinate to him. The control of expenditure was not effective because expenditure incurred was in excess of sanctioned estimates, funds meant for payment to contractors were diverted for purchase of stationery articles, departmental receipts were irregularly utilised towards departmental expenditure, amounts remained unadjusted under suspense heads of account etc. Some of these cases are detailed below:

Expenditure in excess of sanctioned estimates amounted to Rs.17.51 crore

4.1.5.1 Expenditure incurred without sanction to revised estimates

During 1999-2002 the expenditure in ten test checked Divisions¹ on 59 works exceeded the estimated cost by Rs.17.51 crore as of December 2001. The excess expenditure ranged from 14 to 260 per cent of the estimated cost (Appendix 4.2). Although revised estimates for these works were not sanctioned, the budget estimates included provision for the excess expenditure from year to year. Finance Department failed to insist on sanction to revised estimates either at the time of framing the budget estimates or while releasing LoC. The lapse facilitated widespread and unauthorised excess expenditure.

4.1.5.2 Ineffective Letter of Credit system

Letter of Credit (LoC) funds are released directly by Finance Department to the Divisional Officers. On receipt of LoC, the Divisional Officers authorise the bank to honour the cheques issued by them to the extent of amount specified in the authorisation letter. The system provides for clearance of pending bills based on seniority. The system was ineffective as detailed below:

(i) Letters of Credit were being issued by Finance Department / Chief Engineer for payments to contractors preferred by Ministers, MLAs and Secretary to Government. During 1999-01, Rs.10.21 crore was released for payments to selected contractors, which was contrary to the procedure laid down.

(ii) Divisional Officers did not send the Cheque Drawn Statements to the Finance Department by 15th of every month, with the result, the Finance Department could not watch the utilisation of LoC.

(iii) In two Divisions², LoC of Rs.1.38 crore released under Plan and Deposit Heads of Account was diverted to Non-Plan for payment of bills of contractors in contravention of rules.

(iv) During 1999-02, in 11 Divisions, Rs.1.10 crore released for payment to contractors was diverted towards purchase of stationery articles and tools and plant.

(v) In Karwar Division, LoC to the extent of Rs.1.03 crore was surrendered between 1999-02, on the ground that the requirement of funds was less. This proves that the LoC sought for was not realistic.

4.1.5.3 Departmental receipts utilised for Departmental Expenditure

In 9 Divisions³, Rs.6.86 crore was collected between October 1997 and January 2002 as road cutting charges from Telecommunication Department. The amount was credited to Deposit Head of Account instead to Revenue Head of Account and Rs.6.06 crore thereof was utilised for restoration of such roads. In 2 Divisions⁴, Rs.0.80 crore was still held under Deposit Head. The

Departmental receipts of Rs.6.06 crore were utilised towards departmental expenditure in violation of codal provisions

¹ Karwar, Belgaum, Mangalore, Chickmagalur, Bangalore, Shimoga, Kodagu, Dharwad, Tumkur and Kolar Divisions

² Yadgir & Shimoga

³ Bijapur, Gulbarga, Hassan, Karwar, Belgaum, Udupi, Mangalore, Shimoga & Chickmagalur

⁴ Belgaum and Shimoga

utilisation of departmental receipts towards departmental expenditure is contrary to Codal provisions and infringed the right of legislature to sanction budget estimates and regularise expenditure thereagainst.

4.1.5.4 PAO Suspense Account

The expenditure on National Highway works is initially borne by the State Government and classified under 'Pay & Accounts Office Suspense Account'. Based on the monthly accounts of National Highway Divisions, the Accountant General (A&E) prefers claims to the PAO, National Highways, who in turn reimburses the expenditure by issuing cheques to AG (A&E). On receipt of cheques, the PAO Suspense Account is cleared. The amounts withheld / disallowed by the PAO continues to be held under PAO Suspense Account. Rs.7.93 crore was so outstanding as of May 2002 as detailed below:

(Rupees in lakh)			
Year	Amount withheld	Amount disallowed	Total
1999-00	147.07	10.48	157.55
2000-01	293.18	0.95	294.13
2001-02	328.62	12.59	341.21
TOTAL	768.87	24.02	792.89

The bulk of the withheld amounts were for want of revised estimates/vouchers etc. Thus, the delay in furnishing required information resulted in retention of huge balances under Suspense Account. State Exchequer had been denied the benefit of Rs.7.93 crore in these three years.

4.1.5.5 Finance and Accounts

Schedule of settlement with Treasuries (SST) and non-reconciliation with the Accountant General (A&E) figures

20 Divisions had not prepared the SST as detailed in Appendix 4.3 and monthly settlement of all debits and credits arising out of divisional transactions had not been carried out. Chikkodi Division formed in July 2001 had not sent SST till September 2002.

Similarly, out of test check of records in 7 Circle Offices, 5 Circle Offices had not reconciled their expenditure figures with the figures booked by AG (A&E) for the last three years. Such non-reconciliation could result in non-detection of cases of misappropriation or fraud.

4.1.5.6 Maintenance of Suspense and Deposit Accounts

(i) Miscellaneous Public Works Advance (MPWA)

In 32 PW Divisions and 7 NH Divisions, transactions like advance payment to suppliers, material cost to be recovered from Malnad Area Development Board, value of shortage of stores etc., were debited to MPWA. The total amount lying unadjusted since June 1990 was Rs.13.16 crore. The Divisional Officers did not take action for immediate settlement of the outstanding amount. This was indicative of lack of effective pursuance by Divisional

Officers with regard to short receipt / non-supply of materials for which advances were paid, as also of non-recovery towards shortages.

(ii) Cash Settlement Suspense Account (CSSA)

The Divisional Officers at Bangalore and Mangalore were nominated as the Nodal Officers for purchase of asphalt from Oil Companies during 1997-98 and 1998-99. The payment towards cost of asphalt was made by Nodal Officers in advance and asphalt was supplied directly to the Divisions concerned. The Nodal Officers raised CSSA bills against the Divisions for recovery of cost of asphalt. However, the balance amount outstanding from September 1998 for recovery from Divisions amounted to Rs.2.20 crore (31 per cent of the total payment). In respect of Nodal Officer at Mangalore, the Divisions had intimated short receipt of asphalt to the extent of Rs.25.19 lakh. The Nodal Officer raised the demand on Oil Companies (August 2001) for refund of excess amount paid. Divisions under the jurisdiction of Nodal Officer, Bangalore, have not verified the shortages, if any, in receipt of asphalt with the Oil Companies. This is so because the concerned Divisional Officers had not settled CSSA bills with the Nodal Officers.

(iii) Deposits

In Karwar and Belgaum Divisions, an amount of Rs.12.54 crore was held under Deposit from January 1962. The Divisions had not taken action to transfer the Security Deposit, which remained unclaimed for more than three years to Miscellaneous Revenue. Even the Auction sale proceeds, fines, recovery of hire charges etc., amounting to Rs.25.40 lakh held under Miscellaneous Deposits were not credited to Revenue.

4.1.6 Programme Management

Administrative approval, technical sanctions, allotment of funds etc., are pre-requisites for execution of a Scheme or Programme. The works to be taken up for execution during a year have to be got approved by the Superintending Engineer at the beginning of the year.

A Monitoring Cell was set up in both the Zonal Offices of Communication & Buildings (South and North) to monitor the progress of works. The monitoring of NH works is done by the Chief Engineer, National Highways by conducting Multilevel Monthly Review Meetings. However, it was observed that the monitoring had not been effective in as much as works were being executed without approval, expenditure incurred in excess of sanctioned estimates, works not completed in time etc. Even the programme of works, which were required to be approved at the beginning of the year, was approved at the fag end of the year, as there was delay in communication of grants.

Works to the extent of Rs.43.17 crore were executed without prior approval

Out of test check of records in 7 Circle Offices it was noticed in 3 Circle Offices⁵ that the programme of works valuing Rs.9.38 crore were submitted by the Divisions and approved by the Superintending Engineers during the month of March in each year. The delay in submission and approval was stated to be due to late communication of allotment of grant. In 3 Divisions⁶, works to the extent of Rs.43.17 crore were executed without prior approval. Any post facto approval could result in approval of fictitious works.

4.1.6.1 Planning

The Programme of works planned and their achievement during the last three years were as follows:

(Rupees in crore)

Programme	Physical				Financial			
	Planned	Achieved	Shortfall	Percentage of shortfall	Planned	Achieved	Shortfall	Percentage of expr to plan
Roads (kms)	901.14	572.46	328.68	36	66.65	56.09	10.56	16
Bridges (Nos.)	30	20	10	33	2.86	2.21	0.65	23
Buildings (Nos.)	297	100	197	66	127.75	82.89	44.86	35

The above table reveals that there was shortfall in physical achievement in respect of all the programmes planned, which ranged from 33 to 66 per cent. The reasons for shortfall were attributed to abandoning of works by contractors, meagre grants provided in the budget, etc. However, from 2000-01, 560.46 kms of road works under 'Rs.75 crore Programme and Bellary Package (Rs.100 crore)' were also taken up as fresh works at a cost of Rs.47.17 crore. Execution of new works when other works were still at an incomplete stage, resulted in distribution of available resources thinly to other works. This led to delay in completion of ongoing works, escalation in cost and postponement of benefits.

Time and Cost overrun in respect of many works was as detailed below:

(Rupees in crore)

Name of the Zone	Category of works	Time over run				Cost over run			
		No. of works	Estimated cost	Expr	Time over run	No. of works	Estimated cost	Expr	Cost over run
South Zone	Buildings	32	24.55	14.82	1 to 8 years	10	4.04	4.97	0.93 (23%)
	Roads & Bridges	5	1.46	1.29	3 to 8 years	5	1.91	2.96	1.05 (55%)
North Zone	Buildings	5	7.55	1.96	2 to 5 years	-	-	-	-
	Roads & Bridges	-	-	-	-	-	-	-	-
TOTAL		42	33.56	18.07		15	5.95	7.93	1.98

47 Building works and 10 Roads and Bridge works which were taken up in both the zones at an estimated cost of Rs.39.51 crore between 1993-94 and 2000-01 have not been completed so far. In respect of 15 works, the cost over run was Rs.1.98 crore, ranging from 23 to 55 per cent of the estimated cost. In respect of 42 works, the time over run ranged from 1 to 8 years as of March 2002. Ineffective monitoring on the progress of works resulted in the entire expenditure of Rs.18.07 crore remaining unfruitful (Appendix 4.4).

⁵ Buildings Circle, Dharwad Circle and Gulbarga Circle

⁶ Bagalkot, Bidar and Gulbarga Divisions.

Insufficient grants, delay in acquisition of land, delay in withdrawal of works etc., resulted in wasteful expenditure of Rs.1.83 crore and escalation in cost of Rs.1.54 crore

4.1.6.2 Formulation of Scheme

Formulation of Scheme requires proper planning, adequate provision of funds, availability of land, preparation of accurate estimates, etc.

In 12 Divisions, works taken up were either abandoned, stopped in between or entrusted to second agencies after rescission of the contract of first agencies for reasons such as non-availability of grant, non-acquisition of land, improper planning, delay in taking decision in formulation of Scheme etc., (Appendix 4.5). This resulted in wasteful expenditure of Rs.1.83 crore and escalation in cost of Rs.1.54 crore.

4.1.6.3 Implementation of the Schemes

The successful implementation of schemes mainly depends upon proper acceptance of tenders, providing designs and drawings in time, making sites available for construction etc.

(i) Inadmissible inclusion of Sales Tax in the Data Rate

The construction of Southern Breakwater at Karwar Port (Rubble Mound Type) from Ch 0 to 250 mtrs was entrusted (August 1993) at a cost of Rs.7.16 crore. The work was commenced with the tentative design furnished (1989) by Central Water and Power Research Station, Pune. However, the design was modified twice (March and November 1996) and final design was furnished in February 1998. Due to modification of design, the actual quantity of number of boulders used during execution (390083 lakh MT) in respect of 6 items exceeded the tendered quantity (223640 lakh MT) by 166443 lakh MT. The payment for extra quantity of 110533 lakh MT executed in excess of 125 per cent of tendered quantity was regulated as per Clause 13 (ii) of the contract. Analysis of data rates revealed that the department had included the element of Sales Tax at 4 per cent and tender premium of 21.60 per cent on Sales Tax. This had resulted in excess payment of Rs.27.56 lakh to the contractor and is required to be recovered.

(ii) Black listing of contractors

A consolidated list of abandoned works was not prepared and considered for black listing contractors in any of the divisions test checked. The Chief Engineer, South Zone, Bangalore, who is the competent authority for registration of contractors, had not taken any action to review such cases and to blacklist them. In fact, it was noticed that in the last three years, no contractor has been blacklisted for any reason by the Department.

(iii) Non-liquidation of Security Deposit/Interest Bearing Security due to rescission / non-rescission of contract

(a) As per agreement, if the contractor fails to complete the work within the stipulated date, the contract can be rescinded and the Earnest Money Deposit and Security Deposit can be forfeited to Government.

In Public Works Division, Bidar and National Highways Division, Bangalore, two contractors⁷ did not complete the work within the stipulated date. In Bidar Division, neither the contract was rescinded nor the Interest Bearing Security (IBS) of Rs.0.20 crore was available for forfeiture, as it had already been refunded (February 2000). In Bangalore Division, even though the contract was rescinded, the Security Deposit of Rs.0.21 crore was held under Deposit Head and not forfeited.

(b) In Bidar Division, security in the form of IBS amounting to Rs.38 lakh in respect of 25 works were not obtained from contractors for bills paid between December 1997 and February 2002.

(iv) Non-withdrawal of item from tender resulting in wasteful expenditure

In the works taken up under NABARD Assisted Projects, an item of work viz., providing primer coat over topmost layer of Water Bound Macadam (WBM) by using Bitumen at 10 kg per 10 Sqm before tack coat, was included. Government after examining the necessity, issued instructions in May 1999 that in lieu of this item, tack coat item may be increased from the existing 2.5 kg to 4 kg per 10 Sqm. 8 Divisional Officers, however, executed 46 road works with primer coat with the result, there was excess utilisation of Bitumen and consequential wasteful expenditure of Rs.0.89 crore (Appendix 4.6).

4.1.7 Execution of works through piecework system

During April 1999 to March 2002, the estimates for improvements to 2695 road works costing Rs.13.46 crore were split up by 8 Divisional officers into contracts costing Rs.50000 and less to avoid sanction of higher authorities. Individual contractors were entrusted with pieceworks between 4 and 28 in numbers. A few cases of entrustment of 10 or more piece works to a single contractor are detailed in Appendix 4.7.

In Dharwad Division during 2000-01 even without entering into piecework agreements, 44 piece works valuing Rs.11.61 lakh were entrusted to various contractors. The SE and CE took no action to prevent such wide spread malpractice. The possibility of fraudulent payment cannot be ruled out.

4.1.8 Stores management

4.1.8.1 Splitting up of purchases

During the period from April 1999 to 2002, SE/CE accorded 466 sanctions for purchase of materials valued Rs.1.13 crore, as detailed in Appendix 4.8. Though these purchases required sanction of Government, they were conveniently split up into bits of Rs.25000 and less in the case of SE and

⁷ Prakash Khandre and HM Nagaraj

Rs.1.00 lakh and less in the case of CE so as to bring them within the ambit of financial powers delegated to them.

4.1.8.2 Other irregularities

In two Divisions⁸, there were unnecessary purchases of Tools and Plant without requirement (Rs.20.42 lakh) and purchases in excess of requirement (Rs.16.74 lakh) during 1998-99 to 2000-01, which resulted in blocking up of Government money. In other three Divisions⁹, shortage of stores (Rs.53 lakh) was noticed between 1994-95 and 2000-01. Ineffective action in reconciling the shortages resulted in non-recovery of cost of stores.

4.1.9 Human Resources Management

The main categories of staff working in the Department on the technical side are Chief Engineer, Superintending Engineer, Executive Engineer, Assistant Executive Engineer, Assistant Engineer and on the administration side, Registrar, Accounts Officer, Audit Officer, Accounts Assistant and other Ministerial staff. The position of technical and non-technical staff working as furnished by the Department is as follows:

Category of posts	C&B (North), Dharwad			C&B (South), Bangalore			National Highways			Chief Architect		
	Sanctioned strength	Working strength	Vacancy	Sanctioned strength	Working strength	Vacancy	Sanctioned strength	Working strength	Vacancy	Sanctioned strength	Working strength	Vacancy
Technical	719	652	67	533	519	14	163	161	2	49	32	17
Non-technical	1356	1293	63	2274	1973	301	412	391	21	21	17	4
Supernumerary	-	1152	-	-	1926	-	-	268	-	-	-	--
Daily wagers	-	756	-	-	253	-	-	43	-	-	-	-
Work charged establishment	-	616	-	-	630	-	-	240	-	-	-	--

The technical and non-technical posts were sanctioned in 1989 and the requirement of these posts had not been reassessed thereafter. Even after the transfer of 75 per cent of State Highway works to KRDC during May 2001, the actual requirement of staff had not been assessed and reductions made accordingly. The continuance of 3346 supernumerary posts, besides 1052 posts of daily wagers and 1486 work charged staff, lacked justification in the absence of any sanctioned strength.

The budget provision vis-à-vis the expenditure were as follows:

(Rupees in crore)				
Year	Budget provision	Expenditure	Savings	Percentage of savings
1999-00	126.18	92.86	33.32	26
2000-01	133.18	97.48	35.70	27
2001-02	130.72	94.15	36.57	28

⁸ Bijapur and Gadag Divisions

⁹ Bangalore, Kolar and Tumkur Divisions

The reason for savings was due to making provisions for vacant posts. It was noticed in two test checked Circle Offices and four Divisions, that provision of Rs.2.44 crore was made for 523 vacant posts.

4.1.9.1 Irregular appointment of daily wage employees

Irregular appointment of daily wage employees beyond April 1990 resulted in inflated wage bill of Rs.1.56 crore

The Government imposed a ban on appointment of daily wage employees from 1 July 1984. Even after this date, the Department engaged 869 daily wage employees, upto April 1990. Based on the interim Judgment of the High Court of Karnataka (April 1990), the services of all these employees were continued by the Government. In spite of the ban imposed, the Department engaged additional 183 daily wage employees between April 1990 and August 1996 and they were being continued as of October 2002. It was noticed that the payment made from April 1999 to October 2002 was to the extent of Rs.1.56 crore. The irregular appointments made beyond April 1990 have resulted in an inflated wage bill.

4.1.9.2 Irregular grant of time bound advance increments

As per the Government Order issued in 1983 and 1991, additional increment can be sanctioned for the officials who are working against sanctioned posts and who have continuously served for a period of 10 years/15 years in a particular cadre, and who are eligible for further promotion. As the employees working against supernumerary posts are not eligible for further promotion, additional increments of Rs.0.19 crore sanctioned to 898 employees between January 2000 and May 2002 was irregular.

4.1.9.3 Abolition of sanctioned posts

As an economy measure, the Government in its order issued in February 2000 and August 2000 abolished 319 Ministerial posts and 368 posts of Draftsman, Tracer and Blue printer. The abolition of posts was to take place as soon as the incumbent was transferred or retired from service. In respect of Tracer, Blue printer and Draftsman, officials were working against 76 posts only and the remaining 292 vacant posts get automatically abolished.

A test check of records in one Zonal office, two Circle offices and five Divisions revealed that 64 officials of other cadre like peons etc., were counted against these abolished posts and pay and allowances paid to them between January 2000 and March 2002 which aggregated Rs.1.12 crore. The counting of regular incumbent against the abolished posts resulted in deploying persons without sanctioned posts. This was against the Rules.

4.1.10 Cost and Benefit – Collection of toll fee

Under assessment of upset price and waiver / reduction of penalty resulted in loss of revenue of Rs.75.13 lakh

The Ministry of Surface Transport (Roads Wing) issued a Circular (August 1997) indicating the modus operandi of collection of toll fee and the fee for different services for use of a permanent bridge. The norms for arriving at the fee to be collected were not laid down. The Department was arriving at the upset price on an approximation basis.

In the case of Veeravaishnavi Bridge, while working out the upset price, the number of vehicles passing over the bridge was considered less by 765 vehicles during 2000-01 and 250 vehicles less during 2001-02, with the result, there was under assessment in upset price to the extent of Rs.23.03 lakh and Rs.7.53 lakh in the respective years.

In the case of Hagari Bridge, the delay in remittance of toll fee by the contractor attracted levy of penalty as per conditions of contract. During the year 1999-2000, there was delay in remittance of toll fee throughout the year. The Divisional Officer levied penalty of Rs.32.47 lakh, which was arbitrarily reduced to Rs.1.43 lakh by Chief Engineer without assigning any reason. Similarly, during 2000-01, penalty of Rs.13.53 lakh was waived by the Chief Engineer.

Under assessment, arbitrary reduction of penalty and waiver of penalty resulted in loss of revenue of Rs.75.13 lakh.

4.1.11 Other topics of interest

4.1.11.1 Recovery of centage charges

As per Codal Provisions, centage charges at 12 per cent of the estimated cost of the work has to be recovered in respect of supervision done for the works executed on behalf of local bodies.

During the period from 1999-2000 to 2001-02 the estimated cost of the works executed on behalf of Hyderabad Karnataka Development Board (HKDB), Malnad Area Development Board (MADB) and KRDC was Rs.229.45 crore. Since the Divisional Officers of various Divisions supervised the works, the centage charges recoverable were Rs.27.53 crore. So far, the Department had not raised the demand. The Department replied (December 2001) that the Boards/ Corporations are State Government Undertakings. The works are being executed by PWD and only payments are made by the Boards, and recovery of centage charges does not arise. However, Government had been addressed by the Chief Engineer, Communication and Buildings (South) for clarification.

4.1.11.2 Recovery of cost of materials from HKDB

During the period between 1990 and 2001, in two divisions (Gulbarga and Raichur) materials like steel, cement and asphalt were supplied by the Department and utilised for the works executed on behalf of the Board. The cost of such materials of Rs.3.02 crore was yet to be recovered.

4.1.12 The matter was referred to Government in July 2002; reply had not been received (November 2002).

SECTION B – PARAGRAPHS

MINOR IRRIGATION DEPARTMENT

4.2 Failure of the Government in taking early decision

Delays in decision making and communication of acceptance of tender resulted in avoidable extra expenditure of Rs.2.21 crore

Tenders were invited in January 1996 for construction of bridge-cum-barrage across Bhima River at Deval Ghanagapur. The cost of work put to tender was Rs.4.69 crore (recast to Rs.4.93 crore – CSR 1995-96). The lowest offer of Rs.4.33 crore (12.25 per cent below CSR 1995-96) quoted by contractor 'A'¹ (20 April 1996) with validity date of 7 May 1996, was referred by the Chief Engineer, Minor Irrigation (North), Bijapur (CE) to Government for acceptance, though the CE was competent to accept the lowest tender.

The Government was unable to finalise the tender within the tender validity period of 7 May 1996, and directed the CE in FAX message dated 3 May 1996 to request the contractors to keep their offers open for another two months. Only the lowest tenderer responded (4 May 1996) and extended the offer upto 7 July 1996, which was communicated to Government. Since the Government was unable to finalise the tenders within the extended period also, the contractor voluntarily extended his offer upto 31 December 1996.

Government finalised the tender on 16 December 1996, after a delay of over seven months. However, this Government Order was received in the office of the CE/Executive Engineer (EE) only on 31 December 1996. The EE sent a phonogram to the contractor on the same day, communicating the acceptance of the tender. The contractor refused to execute the agreement on the ground that he received the communication on 1 January 1997 while his offer was valid only upto 31 December 1996.

Subsequently, the work was re-tendered (November 1999) and the lowest offer of Rs.6.54 crore (12.38 per cent above SR of 1999-2000) quoted by the same contractor was accepted (May 2000) by the CE without referring the matter to Government.

On the matter being pointed out, EE replied (February 2002) that the delay was on the part of Government in communicating the acceptance of the tender. Since the CE had the powers to finalise the tender himself, the matter need not have been referred to Government at all. Despite being aware that the second extension of the offer would expire within 15 days, the communication of the tender acceptance was delayed, although FAX facilities could have been used, as was done while obtaining the extension of the offer from the contractors. As a result, commencement of work was delayed by 4 years, apart from avoidable extra cost of Rs.2.21 crore, which may escalate further. The

¹ Shri Satish V. Guttedar

contractor executed work to the extent of Rs.40 lakh upto July 2001 and stopped work thereafter on the ground that the division had paid him only Rs.25.14 lakh.

The matter was referred to Government in December 2001 and the reply is awaited (November 2002).

4.3 Excess payment in construction of a tank due to adoption of wrong rates.

Excess payment of Rs.1.62 crore to KSCC due to non-incorporation of reduced premium

Government entrusted (October 1998) the work of construction of Minor Irrigation Tank (estimated at Rs.145.50 lakh) at Pura in Kushtagi taluk to Karnataka State Construction Corporation Limited (KSCC), a State Government agency at 12 per cent above CSR for dam and masonry works and at CSR rates for canal excavation as specified in Government Order dated 31 October 1997. The Executive Engineer (EE) executed the agreement with KSCC in December 1998. But the mark out was finally given only in October 1999 pending approval of Government. Government accorded administrative approval (March 2000) for the revised estimate of the work (Rs.11.25 crore), an increase in estimate by 675.87 per cent, as the area to be irrigated increased from 700 to 3300 acres (371 per cent).

Although the project scope had increased nearly five fold and the cost seven fold, fresh tenders were not invited. A supplementary agreement was entered into with KSCC (March 2000) by the EE at the same rates as agreed to in the original agreement (December 1998), despite the fact that Government had revised (August 1999) the rates downward for entrustment of work to KSCC as detailed below:

Name of the work	Rates as per GO dated 31.10.1997 (Valid upto 31.03.1999)	Revised rates as per GO dated 20.08.1999 (Effective from 1.4.1999)
(a) Dam and masonry works	CSR plus 12 per cent	CSR plus 10 per cent
(b) Canal works	At CSR rates	15 per cent below CSR

Failure to adopt the latest revised rates (August 1999) resulted in excess payment of Rs.1.62 crore to KSCC to end of March 2002, as detailed below:

(Amount in Rupees)

Component	Amount Paid to KSCC	Amount payable to KSCC	Excess paid
Dam and allied works	104884048	103011118	1872930
Canals/Channels	95605773	81264907	14340866
		Difference	16213796

The matter was referred to Government in April 2002 and reply is awaited (November 2002).

4.4 Undue benefit to contractors in violation of contractual agreement

Unwarranted payment of Rs.92.85 lakh to contractors towards cost of ring bund and de-watering charges in violation of contractual provisions

The work of construction of 3 barrages across Bhima river, was entrusted by Executive Engineer, Minor Irrigation Division, Bijapur (EE) to 3 different contractors during February – August 2000, on tender basis.

Scrutiny of the tender papers revealed that the rates quoted by the contractors were inclusive of de-watering, construction of ring bund / coffer dam and river diversion works.

Disregarding the provisions of the agreement, Chief Engineer, Minor Irrigation (North), Bijapur approved payment aggregating to Rs.92.85 lakh towards construction of ring bund and de-watering charges resulting in undue benefit to the contractors as detailed below:

(Amount in Rupees)

Name of the work	Name of the contractor	Amount for ring bund / coffer dam	Amount for de-watering charges	Total
Barrage across Bhima river near Hingani-Algee	G. Pratap Reddy	484717	4250736	4735453
Barrage across Bhima river near Govindapur	K. Sitaramaiah	596232	2682428	3278660
Barrage across Bhima river near Channegaon-Barur (Balance work)	M/s Harvins Constructions Private Limited	-	1270449	1270449
GRAND TOTAL		1080949	8203613	9284562

It was noticed that department had earlier rejected the claim for payment of de-watering charges to an agency who was awarded the construction of barrage near Channegaon-Barur, on the ground that the same was not contemplated in the agreement, and later rescinded (December 2000) the contract, as contractor abandoned the work. However, de-watering charges were paid subsequently to the agency, which was entrusted the balance work, although this agreement also did not provide for de-watering charges.

On this being pointed out, EE replied (December 2001) that de-watering charges were paid to the contractors in view of unnatural conditions, as water was let out into the river from Ujjain Dam for drinking purposes. The reply is not tenable for the following reasons:

(i) As per the agreement, rates for items of work were inclusive of de-watering and river diversion works.

(ii) De-watering charges were paid in respect of one package (Rs.12.70 lakh) to an agency who was awarded the balance work but denied to the agency who was originally entrusted with the work, although both agreements did not provide for payment of such charges.

(iii) Further scrutiny in audit revealed that as per the 'Statement of Daily observed discharge of water' maintained by Central Water Commission, there was no water flow in the Bhima River for the period from 1 January 2001 to 30 August 2001, during which period de-watering charges were paid, except for 3 days. Since, there was almost no flow of water in the river during the period for which de-watering charges were paid, payment of Rs.31.22 lakh (in respect of work at Sl. No. 1 and 3) so paid was doubtful expenditure.

The matter was referred to Government in July 2002 and reply has not been received (November 2002).

PUBLIC WORKS DEPARTMENT

NATIONAL HIGHWAYS

4.5 Shifting of electrical utilities

Excess reimbursement, locking up of funds, avoidable and unfruitful expenditure aggregating to Rs.1.85 crore relating to the work of shifting of electrical utilities and providing underground cable

In connection with the work of four laning of Bangalore-Hosur stretch of NH 7 (km 8 to km 33), it was the responsibility of the State Public Works Department to hand over the land free of obstruction, viz., electrical/telephone poles, water pipes etc., to the contractor entrusted with the work.

The work of shifting of electrical utilities was initially proposed to be executed through Karnataka Electricity Board (KEB) on deposit contribution basis. For this purpose, department deposited Rs.51.48 lakh with KEB between June 1991 to July 1992. Anticipating procedural delays, KEB suggested (July 1992) shifting of poles by the department itself.

The work, estimated to cost Rs.54.07 lakh, was split into 8 packages and Executive Engineer (EE) invited tenders for shifting of electrical utilities in July 1992. No response was received in the first call. In the second call, two firms submitted their tenders only for 2 packages, which was rejected, as the rate quoted was more than 150 per cent of the estimated cost. Tenders were invited for the third time (October 1992) and two firms submitted their tenders for 8 packages. The lowest offer received was for Rs.1.03 crore. Later, the firm, in its letter dated 16-10-1992 stated that their rates were exclusive of taxes and extra 15 per cent should be paid for each item mentioned in the tender.

Although the acceptance of the tender was not within the competence of Chief Engineer (CE), pending approval from the Government, CE directed (December 1992) EE to enter into an agreement with the firm incorporating the condition put forth by the firm.

Scrutiny of the records relating to the work revealed (a) excess reimbursement of Rs.27.51 lakh towards taxes, (b) avoidable payment of compensation of Rs.33.31 lakh including interest, (c) unfruitful expenditure of Rs.73.23 lakh on supply of materials and (d) locking up of funds of Rs.51.48 lakh.

(a) Pending approval of the Government, department accepted addition of 15 per cent to each item of work (both equipment and labour) towards taxes. After a delay of 16 months, Government ordered (May 1995) reimbursement of the sales tax (ST) paid by the firm after obtaining proof of payment. However, the Division reimbursed Rs.37.43 lakh towards ST without obtaining any proof of payment of ST and deducted at source a sum of Rs.9.92 lakh towards Taxes on works. Thus entering into an agreement before acceptance of tender by Government and without obtaining the proof of payment towards taxes resulted in excess reimbursement of Rs.27.51 lakh to the firm, as the contractor had not accounted this transaction in his annual returns of the sales tax filed with Sales Tax authorities.

(b) In the related work, M/s Vinayaka Electrical Enterprises, who was executing the work of shifting electrical utilities, was also given the additional work of 'Providing HT underground cable crossing' by entering (May 1994) into supplementary agreements aggregating to Rs.76.40 lakh. The work was to be completed within three months from the date of handing over the site. Department paid secured advance of Rs.73.23 lakh towards supply of materials. The work could not be completed within the stipulated period due to non-completion of ducts by another agency. The ducts were finally completed in October 1997, at a cost of Rs.11.17 lakh.

Meanwhile, the Department took the view that laying the underground cable crossing was not necessary and stopped the work, which not only rendered the entire expenditure of Rs.73.23 lakh unnecessary but also blocked these funds for over 8 years.

Out of the materials supplied, material worth Rs.15 lakh was stolen and the matter was under investigation by Lokayuktha. The balance material was lying unutilised in sub-division.

(c) The contract of shifting of electrical utilities involved the supply of material¹ (83 per cent) and labour² (17 per cent). While the contractor supplied materials worth Rs.1.45 crore he could not execute the shifting work, as the department failed to hand over the site in time and also due to delay in KEB giving line clearance³. Finally the work was completed during March 1997, at a total cost of Rs.1.76 crore, including the cost of extra items.

¹ Poles, danger boards, iron angles, wire

² Digging the pit to erect the poles, earthwork excavation, laying cable etc.

³ Switching off the line to enable the contractor to tackle the work

The contractor claimed compensation for idle labour and vehicles for the period from April 1993 to March 1997. The same was referred to the Claims Committee, headed by Principal Secretary to Government, Finance Department. The Claims Committee ordered (March 1997) payment of compensation of Rs.23.73 lakh along with interest at 15 per cent from March 1993. Thus, the work which was entrusted to the agency prior to Government approval on grounds of urgency was finally completed in March 1997, i.e. 39 months after awarding the work, as against the stipulated period of 3 months. The department also had to pay labour charges for idle period amounting to Rs.33.31 lakh to the contractor, as they could not hand over land in time or get KEB clearances. As such, entrustment of the work prior to Government approval on grounds of urgency was not justified.

(d) The division deposited Rs.51.48 lakh between June 1991 and July 1992 with KEB to execute the work. Based on the suggestion of KEB, the work was executed through a firm on tender basis. However, the division had not obtained refund of deposit from the KEB in the last 11 years.

WATER RESOURCES DEPARTMENT

HEMAVATHY PROJECT

4.6 Avoidable extra cost due to delay and faulty method

Delay in decision to adopt cover blasting to avoid damage to private property resulted in extra cost of Rs.42.43 lakh

The earthwork excavation in 48th km of T Mariyappa Canal (Nagamangala Branch Canal) was entrusted (June 1989) to contractor 'A'¹ at his tendered cost of Rs.26.17 lakh, and the work was to be completed by December 1990. Although the alignment of the canal passed in the vicinity of villages, the estimate did not provide for cover blasting, and the villagers stopped the contractor from executing the work with open blasting. Although the contractor brought the problem to the notice of the Department (May, December 1990) the Department took no action to solve the problem. Finally the contractor stopped work (April 1991) after giving financial progress of Rs.38.79 lakh. He also requested (October 1993) the Department to close the contract without risk and cost. The Chief Engineer agreed and decided (April 2000) to take up the balance work by inviting fresh tenders. The fresh tender now called for included a rate for excavation in hard rock with cover blasting and the balance works estimated to cost Rs.61.42 lakh was entrusted (May 2000) to contractor 'B'² at his tendered cost of Rs.68.07 lakh. The work has been completed (August 2002) at a total expenditure of Rs.104.49 lakh (including the amount paid to the first agency).

¹ Shri KV Subba Reddy

² Shri H.M. Narayanamurthy

Scrutiny in audit revealed that the Department could have ordered the contractor to take up cover blasting at that stage itself and worked out a separate data rate, or used an approved (May 1993) data rate³, available in the same circle, at Rs.175 per cum for the excavation in hard rock with cover blasting. Had this been done, the work could have been completed at a cost of Rs.21.76 lakh. Due to the delay of more than 9 years in taking a decision, cost of the balance work shot up to Rs.64.19 lakh, including Rs.3.48 lakh towards cost of removal of silt, which had accumulated in the excavated portion of the canal.

Thus, the failure of the Department in not providing for cover blasting in the estimate and not enforcing provisions of the contract to instruct the contractor to tackle the work and regulating the payment at a derived data rate, resulted in delay in taking up of balance work besides leading to an additional cost of Rs.42.43 lakh as detailed below:

(Amount in Rupees)

Sl No.	Item of work	Balance quantity executed (cum)	Contractor 'A'		Contractor 'B'		Extra cost
			Rate	Cost	Rate	Cost	
1	Excavation in soil	760	9.50	7220	90.00	68400	61180
2	Excavation in SR	1030	22.00	22660	117.00	120510	97850
3	Excavation in MR/SR with blasting	2102	40.00	84080	181.00	380462	296382
4	Excavation in HR with cover blasting	11781	175.00	2061675	467.00	5501727	3440052
5	Removal of wet silt	4516	-	-	77.00	347732	347732
	TOTAL			2175635		6418831	4243196

The Government replied (October 2002) that the works beyond 43 km was not taken up during 1992-93, as the tunnel work in km 42 and 43 was in progress. The reply is not tenable as canal work in other reaches beyond the tunnel work were executed departmentally between 1993-95.

³ Data rate is prepared separately for item of work not available in the Schedule of Rates

KRISHNARAJASAGAR PROJECT

4.7 Irregular finalisation of rates and excess payments due to mismanagement of contract

Escalation of cost by Rs.7.10 crore due to faulty estimate, excess payment of Rs.3.44 crore to a contractor in violation of Government order and wasteful expenditure of Rs.81.20 lakh for providing permanent support, not approved by the Consultant, in construction of a tunnel in Link Canal of Krishnarajasagar Project

The estimate for the construction of a tunnel in Link Canal of Krishnarajasagar Project from Ch 16700 m to 18100 m including exit canal was technically approved (July 1993) by the Chief Engineer, Irrigation (South), Mysore. The Department entrusted (October 1993) the works for Rs.6.36 crore to Karnataka State Construction Corporation Limited (KSCC), a State Government concern, at 15 per cent above the Schedule of Rates (SR) prevalent during the period of execution. The KSCC, in-turn, entrusted (July 1994) the work to a sub-contractor at 5 per cent above the SR of 1994-95. The works were withdrawn (December 1994) from KSCC, as sub-letting the works was in violation of codal provisions. By that time the sub-contractor had executed works amounting to Rs.78 lakh.

As the sub-contractor¹ volunteered to execute the balance work at SR of 1994-95 plus 5 per cent, Government, in their order (24 May 1995) entrusted the balance work costing Rs.9.55 crore to sub-contractor (at SR of 1994-95 plus 4.99 per cent) with the condition that the work should be carried on till completion at the said rate without price escalation and arbitration. As per the latest Running Account and part bill (May 1999), the agency had executed work valued at Rs.16.64 crore. The final bill has not been prepared so far (September 2002).

The steep increase in cost of balance work from Rs.9.55 crore to Rs.16.64 crore and increase in quantities was on account of inadequate investigation, provisions made in the sanctioned estimate being based on assumptions, execution of items not provided for in the estimate, payments regulated at higher rates for quantities executed beyond 125 per cent of the tendered quantities, instead of rates approved as per the Government order etc., as discussed in the succeeding paragraphs.

(i) Trial bores were taken at interval of 50 mtrs as against prescribed interval of 30 mtrs or less to ascertain the strata. Due to inadequate investigation and defective preparation of estimate, quantities under different methods of tunnel excavation increased. Provision for supporting section for 325 mtrs and non-supporting section for 975 mtrs were made in the estimate. However, the length of section requiring supports increased to 1154.50 mtrs (increase of 255 per cent) and length of non-supporting section decreased to

¹ Tom Tom Peddaguruva Reddy Ltd..

134.50 mtrs (decrease of 86 per cent). There was also increase in the quantities of lining, providing and fixing rock bolts, grouting etc., which led to cost escalation of Rs.7.10 crore as detailed in Appendix 4.9.

(ii) Based on instructions of the Chief Engineer, the Executive Engineer, in violation of the Government Order, entered into an item rate agreement, which, for some items, was found to be in excess of the rates prescribed by Government, resulting in extra payment of Rs.88.95 lakh.

(iii) In respect of 6 items of work, quantities increased over 125 per cent of tendered quantity and payments were made at higher rates in violation of rates agreed to in the Government order resulting in excess payment of Rs.1.22 crore as detailed below:

SL No.	Item No. and details of work in Schedule 'B'	Quantity executed above tendered quantity +25 %	Rate paid (Rs)	Rate payable (Rs)	Difference in rate paid (Rs)	Excess payment (Rs)
1	02. Excavation for tunnel	19207 cum	1675.00	1495.00	180.00	3457260
2	05. Removing and hauling the over fallen muck	6852 cum	374.81	230.00	144.81	992238
3	06. Providing and fixing temporary supports	632 mtrs	5581.26	4630.06	951.20	601158
4	07. Providing and fixing permanent supports	319.50 mtrs	43229.63	30376.00	12853.63	4106735
5	09. Lining the tunnel sides and arch with Cement Concrete	2960 cum	3621.10	2800.00	821.10	2430456
6	16. Providing and fixing rock bolts	6241.20 RMT	892.41	792.00	100.41	626679
Total						12214526

(iv) The Consultant appointed to identify the reaches requiring permanent supports visited the work spot on 18.12.1995 and sought certain information for giving his opinion in the matter. Meanwhile, department, on the basis of the opinion (April 1996) of Senior Geologist, Mines and Geology Department, erected 203 permanent supports at an expenditure of Rs.87.29 lakh. Consultant opined (June 1996) that the reach between Ch 16800 and 17270 m did not require permanent supports. Expenditure of Rs.81.20 lakh incurred on erecting these permanent supports, without waiting for the opinion of the Consultant, was rendered wasteful.

(v) As per the general conditions of the contract, the rate was inclusive of all operations involved in excavation and disposal of excavated muck. On the oral instruction (March 1997) of Minister for Major Irrigation, the Department initially allowed 2 'turn pockets'¹ for speedy execution of works. Subsequently, the Department allowed and paid for 3 more such 'turn pockets'. As the turn pockets were to be constructed by the contractor at his own cost, the expenditure of Rs.41.45 lakh on 5 'turn pockets' incurred by the Department resulted in unintended financial aid to the contractor.

¹ Space created for easy movement/turning of vehicle in the tunnel, which carries the excavated muck

Government was requested (July 1999) by audit to arrange for a detailed investigation of this case. Government constituted (April 2001) a Committee to investigate matters and the Committee submitted its Report in July 2001 substantiating the above irregularities and recommending recoveries from the contractor in respect of serial numbers (ii) and (v) above. So far Rs.1.05 crore has been recovered by encashing bank guarantee.

In addition to the above, Committee also recommended for recovery of Rs.14.50 lakh paid in excess for the execution of item 'Lining of tunnel (sides) with M-15 grade concrete with 40 mm down size metal' as the rate paid was a higher one meant for 'M-15 grade with 20 mm down size metal'. The recovery was recommended in respect of the quantities executed beyond 125 per cent of the tendered quantity. It was observed in audit that the department had adopted the higher rates in the original estimate itself. This discrepancy resulted in extra payment of Rs.91.94 lakh on the item 'Lining of tunnel' (both sides and beds).

In all, there was a total extra payment of Rs.3.44 crore to the contractor of which Rs.1.05 crore had been recovered (January 2002).

The matter was brought to the notice of Government in March 1999 and May 2002 and reply is awaited (November 2002).

4.8 Loss to Government due to injudicious decision

Government suffered a loss of Rs.2.10 crore in collection of camera fees, entrance fees to Brindavan Gardens

The right to collect entrance fees and camera fees from tourists visiting Brindavan Gardens at Krishnarajasagar was awarded (July 1999) to a firm² for Rs.1.55 crore on tender basis, for a period of one year from 1 September 1999 to 1 September 2000. In March 2000, the existing firm offered to pay an annual fee of Rs.2.51 crore if Government enhanced the entrance fees and camera fees. No decision was taken on this offer and two days (30 August 2000) before expiry of the agreement period, Government directed the Chief Engineer to finalise a new agency by 15 September 2000 after inviting short-term tenders, and to continue the existing firm at the same rates till finalisation of tenders. Accordingly, Executive Engineer (EE) invited tenders (September 2000) with the minimum upset value fixed at Rs.1.55 crore, for which 3 bids were received. Before these tenders could be finalised, Government increased the entry fees and camera fees with effect from 13 October 2000 and ordered for inviting fresh tenders, after revising minimum upset value at Rs.2.51 crore as proposed by the existing firm. Further, Government in their order directed that the existing firm would continue to collect the fees till the new tenders were finalised, and ordered them to remit 75 per cent of the amount of collection at enhanced rates to Government.

² M/s Karnataka Commercial & Industrial Corporation, Bangalore

Accordingly, a supplementary agreement was executed with the existing firm by EE on 27 October 2000. In response to fresh tenders (January 2001) 11 bids were received. The highest bid received was for Rs.3.23 crore and the lowest bid was for Rs.2.57 crore, from the existing firm.

Meanwhile, a meeting was held on 4 June 2001 in the presence of Minister for Water Resources Department, wherein it was decided to entrust the right of collection of entrance fees and camera fees at Brindavan Gardens to Karnataka State Tourism Development Corporation Limited (KSTDC), a Government of Karnataka enterprise. Consequently, Government issued an order (February 2002), after a delay of seven months, entrusting this work to KSTDC for two years at Rs.3.20 crore per annum. However, KSTDC was yet to take over (September 2002) the work and the original firm had been continuing to collect and remit the fees at the rate of 75 per cent fixed by Government in October 2000.

In this regard the following audit points are made:

(i) The Government decided to fix the revised upset price at Rs.2.51 crore based on an offer made by the firm, without carrying out any analysis as to what the minimum upset price should have been on the basis of revised rates, number of tourists, sale of tickets under different categories etc.

(ii) The decision to ask the firm to remit 75 per cent of the total collection, after increasing the entry fees and camera fees, without fixing any minimum amount payable, even though the firm itself had volunteered to pay a minimum of Rs.2.51 crore, resulted in a loss of Rs.1.38 crore for 17 months (November 2000 to March 2002).

(iii) With reference to the minimum upset value (Rs.2.51 crore) and the highest bid (Rs.3.23 crore) received, Government would have realised Rs.4.27 crore against which Government realised Rs.2.17 crore as detailed below.

Period	Number of days/ months	Amount realisable (Rs)	Amount remitted by agency to Government (Rs)	Shortfall (Rs)	Remarks
30.10.2000 to 07.04.2001	5 months 9 days	11059585	7347792	3711793	Calculated on the basis of upset price Rs.25060000 (fixed by Government on 13.10.2000)
08.04.2001 to 31.03.2002	11 months 23 days	31622787	14375291	17247496	Calculated based on the highest bid received Rs.32278678
TOTAL		42682372	21723083	20959289	

The amount realised was even less than the annual fee (Rs.2.51 crore) offered by the existing contractor.

The matter was referred to Government in July 2002 and the reply is awaited (November 2002).

4.9 Wasteful expenditure on deviation canal

Department took up construction of deviation canal despite a technical opinion that it was not necessary. The work was ultimately abandoned resulting in wasteful expenditure of Rs.28.74 lakh

The Modernisation of Krishnarajasagar Project envisaged the construction of a Combined Regulator in 37th km of Visweswaraiyah Canal (VC) to regulate water supply into a link canal.

Since the VC is a perennial canal, taking up construction of the Combined Regulator would have affected irrigation activities due to stoppage of water in the canal. The Department therefore proposed in 1991, construction of a deviation canal of 300 mtrs length, at a cost of Rs.30.27 lakh, to divert the supply of water from the VC during the construction of Combined Regulator.

The Chief Engineer (Irrigation-South), Mysore (CE) while sanctioning (December 1991) the scheme, recorded in his 'Technical Note' that a proposal for 'long closure period' of the Visweswaraiyah Canal System was under preparation and that the possibility of taking up the construction of the Combined Regulator during this 'long closure period' should be examined in order to avoid extra expenditure on the construction of a deviation canal.

Despite these directions, CE approved (March 1992) departmental construction of deviation canal. Earthwork excavation of 240 mtrs out of 300 mtrs length was completed by June 1994. While the excavation of the middle portion of the canal was completed, the deviation canal could not be connected to the main canal, by executing the remaining 30 mtrs each at either side, as the VC was not closed for the minimum period of 25 days required to give the end connections. The work remained incomplete till December 1996.

When the department proposed for taking up the balance work in December 1996, CE opined that the canal was to have a longer closure and the construction of Combined Regulator could be completed within these 5 months. He ordered for abandonment of the incomplete deviation canal. By then the department had incurred Rs.28.74 lakh on the deviation canal.

On this being pointed out (January 1998), Government replied (February 2000) that closure of the VC system for six months was not anticipated and hence a deviation canal was proposed to enable construction of combined regulator without affecting irrigation. The reply is not tenable as department was aware, as early as in December 1991, that a long closure period was required to give end connections, etc. Further, it was not technically feasible to complete the deviation canal by giving end connections without closing the Main VC for at least 25 days, which was possible only if 'long closure' was declared. However, once the 'long closure' was declared, the deviation canal itself was not required as the works pertaining to the combined regulator could be completed in that period. CE's decision to permit construction of the deviation canal departmentally was therefore inconsistent and injudicious, and rendered expenditure of Rs.28.74 lakh incurred on the deviation canal wasteful.

TUNGABHADRA PROJECT

4.10 Irregularities in direct entrustment of work

Government directly entrusted a major work without technical sanction and injudicious decision in re-entrusting balance work again resulted in extra cost of Rs.2.50 crore besides excess payment of Rs.50.54 lakh

Construction of Balancing Reservoir at Mile 109 of Tungabhadra Left Bank Canal estimated to cost Rs.7.45 crore was administratively approved by Government in July 1992. Technical Committee on Krishna Godavari Project (TCKGP) cleared the project on 22 July 1992 with the instruction that the design should be according to Indian Standard specifications. However, Government, on the request of the Karnataka State Construction Corporation Limited (KSCC), directly entrusted the work to KSCC, in August 1992, without carrying out the instructions of the TCKGP and without technical sanction by the competent authority. As KSCC sub-let the work to sub-contractors, Government withdrew (December 1994) the work from KSCC, by which time it had given financial progress of Rs.10.23 crore. In the meantime the design was modified as per the instructions of the TCKGP and revised cost was assessed as per SR 1993-94 at Rs. 21.42 crore (including Rs.2.50 crore towards cost of land acquisition).

In order to complete certain vital portions of the work, and considering the good progress made by the sub-contractors, the CE recommended (February 1995) that the sub-contractors be entrusted with the work of completing essential components, estimated to cost Rs.4 crore. The sub-contractors had earlier executed the works for KSCC at 0.12 per cent below SR of 1994-95 and this work was now entrusted to them by Government at 1 per cent below SR of 1994-95, based on a Government Order of May 1995. The sub-contractors completed the work in July 1997 at a cost of Rs.4.09 crore.

However, no action was taken by the CE to tender out the balance work estimated at Rs.5.76 crore (as per SR of 1995-96) till April 1996. A proposal was placed before the Technical Advisory Committee (TAC) of Government in May 1996, seeking to entrust the balance work to the same sub-contractors at 3 per cent below SR of 1995-96. TAC while rejecting the proposal opined that work of this magnitude should be decided upon either by calling for tenders or by entrusting the work to KSCC.

In December 1996, Government took a decision to re-entrust the balance work to KSCC at 5 per cent above the SR rates of the year of execution. KSCC completed the balance work in July 1999 at a total cost of Rs.8.09 crore. The total expenditure incurred on the work, as of September 2001, was Rs.37.67 crore.

Scrutiny in audit revealed the following:

(i) As per codal provision, no work should be entrusted/commenced without Technical Sanction by the competent authority. It was noticed in audit that Chief Engineer had not technically sanctioned the work when Government directly entrusted the work to KSCC in August 1992. Entrustment of work by Government before technical sanction was highly irregular. After entrusting the work to KSCC, department changed the design considerably leading to change in scope of work and the cost of the project went up by 288 per cent.

(ii) Government's decision to re-entrust the work to KSCC was made 7 months after the recommendation of the TAC and 18 months after entrusting the sub-contractors with certain urgent items, during which time tenders could have been called for and the competitive rates availed of. Given that the work had earlier been withdrawn from KSCC, and that the sub-contractors were offering to carry out the works at rates below SR, the decision to re-entrust the work to KSCC at 5 per cent above SR was injudicious, resulting in extra cost of Rs.2.50 crore.

(iii) Government re-entrusted (December 1996) the balance work to KSCC at 5 per cent above SR of the year of execution. However, the division paid KSCC at 12 per cent above SR for the work executed from 1.4.1997 and onwards, in terms of Government Order dated 31.10.1997 (effective from 1.4.1997). The revised rates cannot be made applicable to the present case, as Government Order of December 1996, specifically provided that KSCC should be paid only at 5 per cent above SR of year of execution. Thus, payment at 12 per cent over SR as against the admissible 5 per cent premium resulted in excess payment of Rs.50.54 lakh to KSCC.

The matter was referred to Government in April 2002 and reply is awaited (November 2002).

