

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2019-2021)**

**FORTY SIXTH REPORT
(Presented on 26th June, 2019)**



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2019

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2019-2021)**

FORTY SIXTH REPORT

on

**Paragraphs relating to Public Works Department contained in
the Report of the Comptroller and Auditor General
of India for the year ended 31st March,
2014 (Economic Sector)**

CONTENTS

	<i>Page</i>
Composition of the Committee ..	v
Introduction ..	vii
Report ..	1
Appendices :	
I. Summary of Main Conclusions/Recommendations ..	18
II. Notes furnished by Government ..	22

COMMITTEE ON PUBLIC ACCOUNTS (2019-2021)

Chairman :

Shri V. D. Satheesan.

Members :

Smt. P. Aisha Potty

Shri P. K. Basheer

Shri James Mathew

Shri K. Kunhiraman

Shri Mathew T. Thomas

Shri A. Pradeepkumar

Shri Mullakkara Retnakaran

Shri Roshy Augustine.

Legislature Secretariat :

Shri C. Jos, Secretary-in-charge

Smt. Manju Varghese, Joint Secretary

Shri R. Venugopal, Deputy Secretary

Smt. Chitra K. I., Under Secretary.

+

INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Forty Sixth Report on paragraphs relating to Public Works Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2014 (Economic Sector)

The Report of the Comptroller and Auditor General of India for the year ended 31st March 2014 (Economic Sector) was laid on the Table of the House on 29th June, 2015.

The Committee considered and finalised this Report at the meeting held on 24th June, 2019.

The Committee place on records their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
24th June, 2019.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

REPORT

PUBLIC WORKS DEPARTMENT

Avoidable expenditure in a bridge work

The Departmental lapses in working out the eligible rate for the items of work of forming sand bund using sand bags resulted in extra financial liability of ₹ 1.27 crore.

The Public Works Department, GoK issued (February 2012) Administrative Sanction and the Chief Engineer, Roads and Bridges, Thiruvananthapuram (CE) issued (March 2012) Technical Sanction for the construction of 89.28 m long Marancherrykadavu bridge across Kaliyar river in Ernakulam district at an estimated cost of ₹ 9.25 crore under Rural Infrastructure Development Fund (RIDF) XVII of National Bank for Agriculture and Rural Development (NABARD). The work was awarded to M/s. Kerala State Construction Corporation Limited (KSCC) at the accepted rate of 11.10 per cent below the Estimated Probable Amount of Contract (EPAC) of ₹ 8.60 crore and thus the Accepted Probable Amount of Contract (APAC) of the work amounted to ₹ 7.73 crore⁶. The site was handed over to the contractor in February 2013 stipulating the period of completion as 18 months. The work was still in progress (March 2015).

The Audit scrutiny of the records revealed the following:

Avoidable expenditure in forming ring bund using river sand in place of sand for filling

When the foundation of abutment or piers is to be constructed at inundated locations, a suitable method is used to prevent intrusion of water from construction points. In this work, the method adopted was providing sand bunds using sand filled in empty cement bags. The requirement of sand considered for one metre of ring bund around the pier was one cubic metre (cum) of sand filled in 37 empty cement bags. The cost of sand was taken as ₹ 2,012.50 per cum which was the cost of river sand as per Schedule of Rates (revised SoR 2010). River sand (item

⁶ ₹ 8.60 crore less cost of departmental materials, plant and machinery etc. Of ₹ 0.68 crore on which tender variation is not applicable (88.90 per cent of ₹ 7.92 crore) (+) ₹ 0.68 crore cost of departmental materials.

No. 62 of SoR 'River sand clean, sharp and dry for mortar') was not specifically required for the purpose of filling empty cement bags as the filling material would not require any physical property except that it should not dissolve in water. Sand for filling (item No. 64 of SoR 'sand for filling') has such property and hence it would suffice for the purpose which costs only ₹ 517.50 per cum (revised SoR 2010). Had the sand for filling been used for the purpose, the cost of sand per one cum would have come down by ₹ 1,495. Even after taking into account the contractor's profit of 10 per cent and overhead of five per cent provided on the cost of materials, the cost difference would go upto ₹ 1,719.25 per m³. The net difference after applying the contractor's quoted rate of 11.10 per cent below the estimated rate amounted to ₹ 1,528.41 per m³. The quantity executed was 3,775 m³ for which 3,775 cum of sand was required. The avoidable expenditure thus works out to ₹ 0.58 crore.

[Audit Paragraph 5.3 and 5.3.1 contained in the report of the C & AG of India (Economic Sector) for the financial year ended 31st March 2014]

Notes received from Government on the above audit paragraph is included as Appendix II.

The Committee noticed the audit observation that lapse of the department in working out the eligible rate for the items of work of forming sand bund using sand bags resulted in extra financial liability of ₹ 1.27 crore. An official from the office of the Accountant General informed that during the construction of Marancherrykadavu bridge across Kaliyar river in Ernakulam district, an additional cost was incurred by using costlier river sand instead of sand for filling and it was contrary to the approved estimates. The witness, Chief Engineer (Roads & Bridges) deposed that it was done in order to prevent intrusion of water to the construction points of the bridge. He added that earlier sea sand was used for the purpose but at that point of time the sea sand was not available as sea sand mining had been prohibited by the National Green Tribunal.

2. The Committee was of the opinion that the extra amount spent for river sand instead of sand for filling was really an avoidable expenditure since low priced sand was sufficiently available in the proposed site. The Committee suspected the wilful involvement of the department officials to help the contractor to use the costlier river sand instead of sand for filling in the construction of sand bund.

3. The Committee was aggrieved to note that usage of river sand instead of sand for filling resulted in an extra payment of ₹ 0.58 crore. The Committee expressed its displeasure over the reply furnished by the Government and informations adduced by the department and urged the department to furnish a detailed report to the Committee addressing the questions such as who were the officials responsible; why a higher cost was given; how the approved estimates were deviated, the Special Secretary, Public Works Department agreed to do so.

Conclusion/Recommendation

4. The Committee is of the opinion that the extra amount spent for river sand instead of sand for filling is really an avoidable expenditure and suspects the wilful involvement of the department officials to help the contractor. Therefore, the Committee expresses its displeasure over the reply furnished by the Government and the information adduced by the department. Hence the Committee demands the department to furnish a detailed report regarding the question such as who were the officials responsible; why a higher cost was given and how the approved estimates were deviated.

Excess provision in computing rates of labour charges for filling sand in bags

In the case of filling sand in bags, the EE Roads Division, Muvattupuzha worked out the requirement of labour as per the stipulation in SI 56 Standard Data Book (SDB) of Kerala Public Works Department. The labour requirement under SI 56 is 2.96 days for 10 cum earth. But in the data sheet, it was taken as 3.65 days per one cum. As the permissible rate of wages for labour was to be taken as ₹ 276 per day per labourer, the permissible labour charges per one cum would amount to ₹ 93.96⁷ instead of ₹ 1,158.51⁸ as given in data sheet. The erroneous calculation resulted in an excess provision of ₹ 1,064.55⁹ per cum. Considering the tender rebate of 11.10 per cent also, the rate per cum was excessive by ₹ 946.38¹⁰. For the executed quantity of cum of work, the avoidable expenditure amounted to ₹ 0.36 crore.¹¹

7 $2.96/10 \times ₹ 276 = ₹ 81.67 + ₹ 8.17$ (10 per cent contractor's profit) + ₹ 4.09 (five per cent overhead).

8 $3.65 \times ₹ 276 = ₹ 1,007.40 + 100.74$ (10 per cent contractor's profit) + ₹ 50.37 (five per cent overhead).

9 ₹ 1,158.51 - ₹ 93.96.

10 1,064.55 less 11.10 per cent.

11 3,775 cum x ₹ 946.38.

[Audit paragraph 5.3.2 contained in the report of the C & AG of India (Economic Sector) for the financial year ended 31st March 2014]

Notes received from Government on the above audit paragraph is included as Appendix II.

5. The Committee was surprised to note the audit observation that 3.65 days was taken for filling 1 cubic mtr earth in the data sheet inspite of knowing the fact that labour requirement was 2.96 days for 10 cubic mtr earth according to Sl. No. 56 of SDB (Standard Data Book) of Kerala PWD. The Chief Engineer (Roads & Bridges) explained that the data item Sl. No. 56 of Standard Data Book was for earth work excavation in ordinary soil and this cannot be applied to sand filling in bags and the mention about Sl. No. 56 in the estimate was a clerical mistake.

6. An officer from the office of the Accountant General informed that labour requirement stipulated in Sl. No. 56 of SDB of Kerala PWD was to dig 1m³ ordinary soil and put it in to 50m of land. But, according to the tender conditions, inorder to fill 37 empty bags with 1m³ of sand labour charges required were more than three days eventhough it could be done within an hour. The Committee was of the opinion that by giving excess labour charges for lesser work, an amount of ₹ 36 lakh had been lost by the department.

7. Therefore, the Committee directed the department to furnish a report including detailed explanation for the lapse, the list of responsible officers and the steps taken by the department to recover the amount paid in excess if it was a clerical mistake etc. The Committee also decided to recommend that inorder to avoid such lapse in future, the department should be more vigilant while dealing such cases.

Conclusion/Recommendation

8. The Committee expresses its anguish over the fact that an amount of 36 lakh had been lost by the department by giving excess labour charges for lesser work. The Committee directs the Public Works Department to furnish a report including a detailed explanation for such lapse and the list of officers responsible for this at the earliest. The Committee directs the Department to take urgent steps

to realise the amount paid in excess if it had occurred as a clerical mistake. The Committee recommends that in order to avoid such lapses in future, the department should be more vigilant while dealing such cases.

Avoidable expenditure on conveyance of sand from far away source

The source of sand for the bridge work was shown as Kalady which is situated 41 km away from the site even though the source of sand for other works of the division was Ayavana which was the site of the bridge work itself. The conveyance charges of sand worked out in the revised estimates against the item 'forming sand bag bund around the piers and abutment' was ₹ 637.10 per cum. However, the conveyance element in the data is only ₹ 181.70 per cum in the case of sand taken for other works from the site of bridge work. Therefore, the amount allowed per cum of sand was in excess by ₹ 455.40. The net excess after allowing 10 per cent contractor's profit and five per cent over head charges and tender rebate of 11.10 per cent is ₹ 523.71 per cum. As the requirement of sand was 3,775 cum, the avoidable expenditure in this regard would be ₹ 0.18 crore.

[Audit paragraph 5.3.3 contained in the report of the C & AG of India (Economic Sector) for the financial year ended 31st March 2014.]

Notes received from Government on the above audit paragraph is included as Appendix II.

9. The Committee observed that, for the construction of Marancherrykadavu bridge, the conveyance charges for fetching sand from a far away place had resulted in extra expenditure of ₹ 18 lakh. The witness Chief Engineer (Roads & Bridges) deposed that sufficient quantity of sand required for the work was not available in the near by source and huge quantity of sand was required for the construction of bridge and the nearest place where sand available in such a large quantity was Kalady and that was why Kalady was chosen as source for sand. The Committee could not accept the explanation of the department since, Ayavana, the work site of Marancherikadavu bridge itself was a source of sand even for other works. The Committee was of the opinion that those officers who monitored the work should be answerable. Therefore, the Committee expressed its displeasure and remarked that the department officials had unduly protected the interests of the contractors and directed the department to furnish a detailed report.

Conclusion/Recommendation

10. The Committee criticizes the department officials who monitored the work though Ayavana, the work site of Marancherikadavu bridge itself is a source of sand even for other works and also expresses its displeasure over the lackadaisical attitude of the department in monitoring the work and directs to furnish a detailed report.

Avoidable expenditure in providing ring bund for abutment at elevated ground level

Maximum flood level, ordinary flood level and low water level (LWL) in the river at the site of the bridge were 90.190 m, 88.50 m and 88.12 m above mean sea level (MSL) respectively. Of the two abutments, the ground level of abutment at Pothanikkadu side was 90.700 m above MSL. Hence, the foundation could be constructed without providing any barrier for preventing water intrusion even at the time of river having high water level. As the entire work on foundation of the bridge was executed during the time of LWL, provision for ring bund was not at all required at that abutment point. However, ring bund (using sand bags) for a length of 309.88 m was provided at that point resulting in avoidable extra financial liability of ₹ 0.15 crore¹² including the filling cost inside the ring bund with contractor's own earth at the rate of ₹ 5, 204 per m.

Thus, the Departmental lapses in working out the correct eligible rate for the item of work of forming sand bund using sand bags' and providing for the execution of the item of work indiscriminately resulted in extra financial liability of ₹ 1.27 crore.

The matter was reported to the Department (January 2014) and to Government (September 2014); their reply has not been received (March 2015).

[Audit paragraph 5.3.4 contained in the report of the C & AG of India (Economic Sector) for the financial year ended 31st March 2014]

¹² Forming bund using sand bags at the rate of ₹ 5,204 per metre for 309.88 metre = ₹ 16,12,615
 Filling with contractor's own earth at the rate of ₹ 341 per cum for 150.885 cum ₹ 51,451 Total
 expenditure = ₹ 16,64,066; less tender reduction of 11.10 per cent = ₹ 1,84,711; Excess expenditure =
 ₹ 14,79,355

Notes received from Government on the above audit paragraph is included as Appendix II.

11. While considering the audit observation about avoidable expenditure in providing ring for abutment at elevated ground level, an official from the office of the Accountant General informed that the additional cost incurred for the construction of foundation of abutment at Pothanikkadu side could not be justified. The Committee perceived that the abutment was above the maximum flood level and as the entire work on foundation was executed during the time of low water level, a provision for ring bund was not at all required at that point. The Chief Engineer (Roads & Bridges) informed that the position of pier was shifted. The Committee was of the opinion that providing ring bund for abutment at elevated ground level was really an avoidable expenditure as the foundation could have been constructed without any obstruction even at the time of maximum water level.

12. Moreover the Committee was not to accept the reply from the department that contractor's workable rates had no relevance to the estimated rates. The Committee was astounded to note that the department furnished such an irresponsible reply eventhough the sole responsibility was vested with the department itself to check the figures submitted by the Contractor and to take action wherever necessary. Therefore, the Committee directed the department to conduct a departmental enquiry in this regard and to report its findings at the earliest.

Conclusion/Recommendation

13. The Committee admonishes the officials of the department for their irresponsible and evasive reply regarding construction of foundation of abutment at Pothanikkadu side. The Committee observes that providing a ring bund for abutment at elevated ground level was really an avoidable expenditure, and the sole responsibility to check the figures submitted by the Contractor and to take action wherever necessary, vests with the department itself. Therefore the Committee directs the department to conduct a departmental enquiry and to report its findings at the earliest.

Over payment due to mistake in calculation of rates

Erroneous calculation of rates on chiseling of rock and non application of agreed tender rebate for extra items resulted in overpayment of ₹ 66.00 lakh to a contractor for road work.

M/s Kerala State Industrial Development Corporation (KSIDC) deposited (September 2007) ₹ 4.30 crore with the Executive Engineer, Roads Division, Kannur (EE) for improvement work of Koothuparamba - Mooriyad - Valiyavelicham Growth Centre road 0/000 to 6/000 km in Kannur district. The Government issued Administrative Sanction to execute the work as deposit work with an estimated cost of ₹4.30 crore. The Chief Engineer, Roads and Bridges, Thiruvananthapuram (CE) issued (November 2007) Technical Sanction for ₹ 4.21 crore. The Superintending Engineer, Roads and Bridges, North Circle, Kozhikode (SE) awarded the work to a contractor at 17.86 per cent below the Estimated Probable Amount of Contract (EPAC) of ₹ 4.13 crore (SoR 2007). Accepted Probable Amount of Contract (APAC) amounted to ₹ 3.45 crore. The site was handed over to the contractor on 15 February 2008, to complete the work within 18 months. Due to Departmental lapse in handing over land free from encumbrance and also due to detection of hard rock at works site between km 3/300 and 3/484 which could be removed only by chiseling operation, there was a delay in completion of work. The work was to be completed by 14 August 2009 but it was completed in March 2011. The EE paid (October 2013) a total amount of ₹ 4.02 crore.

The Audit scrutiny (January 2014) of the records in this regard revealed the following:

Payment of excessive rate for chiseling in hard rock

For removing the hard rock found in the alignment of the road, the CE accorded approval for chiseling an estimated quantity of 791.40 cum hard rock at the rate of ₹ 7,709 per 10 cum as blasting was prohibited in the inhabited area. A supplementary agreement was also executed with the contractor for removal of estimated quantity of hard rock. As the tendered rate of the contractor was 17.86 per cent below the estimates, the unit rate of the item should be ₹ 6,332.17 per 10

cum and the amount due on the item would be ₹ 5,01,128. But the amount of item was wrongly calculated as ₹ 61,00,903 applying the unit rate on one cum instead of 10 cum without applying the tender rebate and the payment was made by EE accordingly resulting in excess payment of ₹ 56.00 lakh to the contractor.

[Audit paragraph 5.4 and 5.4.1 contained in the report of the C & AG of India (Economic Sector) for the financial year ended 31st March 2014]

Notes received from Government on the above audit paragraph is included as Appendix II.

14. When the Committee enquired about the audit objection of excess amount of ₹ 56 lakh, the department stated that ₹ 46 lakh only had been paid in excess. The Chief Engineer (Roads & Bridges) deposed that at that time there was shortage of fund. He added that eventhough the department had started RR proceedings against the contractor, the Hon'ble High Court stayed the decision. The Audit's view was that the tendered rate of the contractor was 17.86 per cent below the estimates, the unit rate of the item should be ₹ 6332.17 per 10 cum and the amount due on the item would be ₹ 5,01,128. But the amount of item was wrongly calculated as ₹ 61,00,903 applying the unit rate on one cum instead of 10 cm without applying the tender rebate and the payment was made by Executive Engineer accordingly resulting in excess payment of ₹ 56 lakh to the Contractor. The Committee expressed its displeasure over the inertia on the part of the officials in not taking any action against the delinquents. The Committee suspected of a nexus between the officials of the department and the contractor as the mistakes in calculation were not seen by any of the officers and directed the department to take urgent action against the officials responsible and to furnish a detailed report on all the actions taken in this regard.

15. The Committee further wanted that the department should take all precautionary measures to avoid such lapses in future.

Conclusion/Recommendation

16. The Committee expresses its displeasure over the inertia on the part of the officials in not taking any action against the delinquents. The Committee suspects of a nexus between the officials of the department and the contractor as the mistakes in calculation were not seen by any of the officers and it directs the

department to take urgent action against the officials responsible and to furnish a detailed report on all the action taken in this regard at the earliest. The Committee recommends that the department should take all precautionary measures to avoid such lapses in future.

Non application of agreed tender rebate for extra items sanctioned

As per clause 23 (3) (iii), in the case of extra item, the rate shall be arrived at on the basis of Departmental data rate at the time of ordering the extra item after applying tender deduction except on cost of Departmental materials. Owing to the delay in providing encumbrance free land in time, the work was delayed and the Department accepted the demand of the contractor for revision of rates. The CE issued (November 2012) sanction for revised estimate incorporating seven extra items for ₹ 1.16 crore. While issuing sanction, the CE erroneously issued the direction for effecting payments for the above extra items without application of the agreed tender rebate. This was in violation of the terms of the agreement which clearly stipulated that original tender rebate was to be applied on the rates worked out for extra items also. Non-compliance of the stipulation of the agreement had resulted in excess expenditure of ₹ 10.00 lakh.

Thus, the failure of the Department to comply with the agreement stipulations in regard to the application of permissible unit rate and tender rates of the agreement while paying extra items resulted in excess payment of ₹ 66.00 lakh to the contractor.

The matter was reported to the Department (March 2014) and to Government (October 2014); their reply had not been received (March 2015).

[Audit paragraph 5.4.2 contained in the report of the C & AG of India (Economic Sector) for the financial year ended 31st March 2014]

Notes received from Government on the above audit paragraph is included as Appendix II.

17. The Committee observed that by owing to the delay in providing encumbrance free land in time, the department accepted the demand of the contractor for revised estimates and payment was made without deducting tender rebate for seven

extra items which were included in the revised estimate. This had resulted in excess payment to the contractor and loss of ₹ 66 lakh to the state exchequer. The Committee opined that similar mistakes were repeated in every aspect of the particular work and lack of monitoring at higher levels was evident.

18. The Committee had not accepted the reply furnished by the department and directed to furnish a detailed report regarding this at the earliest.

Conclusion/Recommendation

19. The Committee evaluates that the non application of agreed tender rebate for extra items resulted in undue benefit to the contractor and a loss of ₹ 66 lakh to the exchequer. The Committee remarks that repeated mistakes have been occurred in every aspect of the particular work and hence lack of monitoring at higher levels is very evident. Therefore the Committee expresses its anguish over the irresponsible attitude of the department as they could not give a satisfactory reply before the Committee. The Committee directs the department to furnish a detailed report at the earliest.

Improper award of works

Awarding works that did not qualify to be executed by Labour Contract Co-operative Society to one such society and extension of price preference led to avoidable loss of ₹ 1.12 crore.

Co-operation Department issued (November 1997) instructions for award of works to Labour Contract Co-operative Societies (LCCS) which inter alia provided the following stipulations:

- LCCS was eligible to be entrusted with earth work of all types, simple masonry works, simple building works, maintenance and minor repairs of roads and buildings, other items of works not involving skilled labour (clause 7).
- In cases where the bid of a private party happened to be the lowest (L1) and LCCS was also a participant, the work should be awarded to LCCS at 10 per cent above the lowest offer [Clause 8(b)(i)].

- Monetary limit for entrustment of an item of work to a Class 'A' LCCS was fixed at ₹ 10 lakh, subject to condition that the work in hand at any time should not exceed ₹ 50 lakh. The ceiling was enhanced (January 2002) to ₹ 20 lakh and ₹ one crore respectively.

Audit noticed that SE, NH, North Circle, Kozhikode awarded (December 2011 and August 2012) the following two road works at item rate¹³ to Uralungal Labour Contract Co-operative Society Ltd. (ULCC) - a Class 'A' contractor at higher rates allowing price preference and overlooking the lowest bid from a private contractor¹⁴

Details of road work awarded invoking price preference

(₹ in crore)

Sl. No.	Name of work	Lowest bid amount	Agreed Probable Amount of Contract	Avoidable loss (4-3)
1	CRF 2010-11 Improvements to Karipoor Airport - Edavannappara - Nellikkaparambu Road from 0/000 to 6/000	4.87	5.35	0.48
2	Periodical Renewal of NH 17 for the year 2011-12 -50 mm BM & 25 mm BC from 194/160 to 206/500	9.47	10.11	0.64
	Total	14.34	15.46	1.12

13. In item rate contract, the contractor is required to quote the rates for individual items mentioned in the schedule of quantities.

14. Shri V. P. Thrimathy, Government contractor, Edavanna (Work I), M/S PMR Construction Company Malappuram (Work II)

Both works were completed and ₹ 4.89 crore and ₹ 10.60 crore was paid (February 2015) respectively. On scrutiny of records of CE and SE (May 2013 and October 2012 respectively), Audit observed the following irregularities:

- The works awarded to ULCC required highly sophisticated equipments, skilled labour and were not labour oriented. Hence entrustment of such works by extending the benefit of price preference, was not in order.
- The APACs of the works far exceeded the monetary limits fixed for entrustment of works to LCCS, and thus award of works was in violation of Government instructions.

Thus, by awarding works involving skilled labour and sophisticated machinery to ULCC invoking price preference provisions overlooking the prescribed monetary ceiling resulted in avoidable loss of ₹ 1.12 crore.

The matter was reported to Government (September 2014); their reply had not been received (March 2015).

[Audit paragraph 5.5 contained in the report of the C & AG of India (Economic Sector) for the financial year ended 31st March 2014]

Notes received from Government on the above audit paragraph is included as Appendix II.

20. While considering the audit objection about improper award of works, an official from the office of Accountant General informed that the intention of Government Order dated 1997 was to support the Labour Co-operative Societies like Uralungal Labour Contract Co-operative Society by allowing price preference while tendering labour oriented works. He added that when the lowest tenderer was a private contractor and Labour Contract Co-operative Society was also a participant, the work should be awarded to the Labour Contract Co-operative Society only at 10% above the lowest offer. Eventhough the Government modified this clause regarding the price preference enjoyed by the Co-operative Society by issuing a G.O. on 2004, the ULCCS challenged the G.O. and the Honourable High Court passed an interim order staying the operation of the said Government Order. But the stay was vacated in 2012. Audit's view was that if the work was given to the lowest contractor, the additional expenditure could have been avoided.

21. The Chief Engineer (National Highway) informed that the Government Order on 2008, allowed all the benefits to ULCCS. He added that eventhough there was stay, Government Order dated 2008 was relevant when the work was awarded in 2012. The Committee considered the social aspect of Co-operative sector. The Committee noticed that the Uralungal Labour Contract Co-operative Society established during 1925 by Vagbhadananda had grown into one having an annual turnover of ₹ 2000 crore to ₹ 4000 crore by its honest and committed initiatives in the field of infrastructure development. By considering the social aspect of the Co-operative sector, particularly that of ULCCS, the Committee accepted the explanation of the department eventhough participation of ULCCS affected the tender system, adversely to a certain extent.

Conclusion/Recommendation

No Comments.

Avoidable expenditure due to delay in providing hindrance free land

The delay in providing hindrance free land and the injudicious decision of the Department for revaluation of land offered by PCK for road improvement work resulted in cost overrun of ₹ 0.85 crore.

Public Works Department (PWD) accorded (November 2004) Administrative Sanction (AS) for Improvement of Bevinje-Alur-Iriyani Road between km 4/500 and 9/48 in Kasaragod district at a cost of ₹ one crore. The Chief Engineer (CE), Roads and Bridges, issued (March 2005) Technical Sanction (TS) for ₹ 1.38 crore. The Superintending Engineer, North Circle, Kozhikode. (SE) awarded (September 2005) the work to a contractor¹⁵ at the accepted rate of 10 per cent above the Estimated Probable Amount of Contract (EPAC) of ₹ 1.13 crore. The Accepted Probable Amount of Contract (APAC) worked out to ₹ 1.24 crore. The work was to be completed within 12 months from September 2005.

KPWD manual enjoins upon the authorities concerned to ensure before the award of work that land would be ready for being handed over to the contractor. The required land either should have already been acquired or the otherwise available or acquisition proceedings should have reached at a fairly advanced stage, when it could be reasonably anticipated to make available the land before the contractor starts the work.

¹⁵ Shri M.A.A.Haris, PWD contractor, P.O. Chengala, Kasaragod.

The contractor could not commence the work as the land measuring 486.49 cents on which the road was to be constructed belonged to Plantation Corporation Kerala Ltd. (PCK) which had not been handed over by PWD to the contractor even after the award of work. PCK had agreed to hand over the land in July 2004, but demanded compensation of ₹15.29 lakh towards cost of land and crop loss. The Department did not accept the cost of land demanded by PCK and instructed (February 2006) the District Collector, Kasaragod (DC) to reevaluate the land. The DC re-evaluated the cost of land at ₹ 1,250 per Cent. The Revenue Department, however fixed the compensation at ₹ 9.21 lakh and settled the claim in December 2007 after a lapse of three years. Accepting the compensation, PCK transferred the land in July 2009.

Meanwhile, the contractor demanded (June 2009) revision of estimates according to SoR 2009 citing various reasons such as increase in cost of materials, revisions of SoR, enhancement in labour charges. The Department rejected the demand and terminated (March 2011) the work without risk and cost of the contractor as the Department was not able to hand over the site in time.

PWD accorded (March 2011) fresh AS for ₹ 3.43 crore for the work and the CE awarded TS for ₹ 3.39 crore. SE awarded the work (August 2011) to another contractor ¹⁶ at the accepted rate of 13.50 per cent below the EPAC of ₹ 3.12 crore. Thus, the APAC was ₹ 2.73 crore stipulating the time for completion of work as September 2012. The work was progressing as of October 2014. The contractor was paid ₹ 1.29 crore up to July 2013.

Audit scrutiny of records of Executive Engineer, Roads Division, Kasaragod revealed the following:

The Department provided ₹16 lakh in TS for the purpose of payment of compensation on account of land acquisition from PCK. Despite having sufficient provision in the TS issued in March 2005 to pay the compensation of ₹ 15.29 lakh demanded by PCK, the Department insisted for fresh valuation by Revenue Department. The decision eventually delayed the execution significantly though the compensation amount got reduced marginally by ₹ 6.08 lakh. The cost escalation on account of the execution of the work through second contractor worked out to ₹ 91 lakh.

Thus, the failure of the Department to ensure the availability of the required land before the award of work and to accept the offer of land by PCK at a cost of ₹ 15.29 lakh for the construction of road and determination of the Department for valuation of land afresh by Revenue Department resulted in cost overrun of ₹ 85 lakh and time overrun of more than eight years.

The Department stated (January 2014) that delay in acquisition of land was inevitable. The reply is not tenable as it is mandatory for the Department to make available encumbrance free land to the contractor at the time of award of contract. The land should have been transferred at the time of award of contract in September 2005. PCK and PWD being Government entities, the dispute over the cost of land could have been settled subsequently by negotiations in order to avoid delay in completion of work.

[Audit paragraph 5.6 contained in the report of the C & AG of India (Economic Sector) for the financial year ended 31st March 2014]

Notes received from Government on the above audit paragraph is included as Appendix II.

22. While considering the audit observation about avoidable expenditure due to delay in providing hindrance free land, the official from Office of the Accountant General informed that, the required land should have been acquired before the award of work. Audit's view was that the failure of the department to ensure the availability of the required land before the award of work and the failure to accept the offer of land by Plantation Corporation at a cost of ₹ 15 lakh for the Construction of road and determination of the department for valuation of land afresh by Revenue department resulted in cost overrun of ₹ 85 lakh. The Chief Engineer PWD (National Highway) deposed that the actual delay occurred was due to the dispute regarding the value of the land. The Committee noticed that the department had not made available encumbrance free land to the Contractor at the time of award of contract. The Committee was aggrieved to note that the failure of the department to provide hindrance free land and injudicious decision of the department for revaluation of land offered by Plantation Corporation for road improvement work resulted in a loss of ₹ 85 lakh to the exchequer. Therefore, the Committee directed the Public Works Department to take all effective measures to avoid such lapses in future.

23. The Committee was of the opinion that as the Plantation Corporation and PWD being Government entities, the dispute over the cost of land could have been settled subsequently by negotiation in order to avoid delay in completion of work.

24. While considering the audit paras, the Committee was not at all satisfied with the reply furnished by the department except the reply furnished in para 5.5. Therefore, in general, the Committee desired to be informed about the officials responsible for the lapse, action taken against those officials, if action were not taken the reason for the same, effective measures taken to avoid such lapses in future etc., to the Committee.

Conclusion/Recommendation

25. The Committee finds that the failure of the department to provide hindrance free land and the injudicious decision of the department for revaluation of land offered by plantation corporation for road improvement work resulted in a loss of ₹ 85 lakh to the exchequer. Therefore, the Committee directs the department to take all effective measures to avoid such lapses in future.

26. The Committee perceives that the replies furnished by Government on all audit paras discussed above except para 5.5 lack clarity and guidance. The Committee recommends that the department should furnish replies including the details such as the officials responsible for the lapses, action taken against such officials, if actions were not taken the reasons for the same and the measures taken to avoid such lapses effectively in future.

Thiruvananthapuram,
24th June, 2019.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

APPENDIX-I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No.	Department Concerned	Conclusions/ Recommendations
1	2	3	4
1	4	Public Works	The Committee is of the opinion that the extra amount spent for river sand instead of sand for filling is really an avoidable expenditure and suspects the wilful involvement of the department officials to help the contractor. Therefore, the Committee expresses its displeasure over the reply furnished by the Government and the information adduced by the department. Hence the Committee demands the department to furnish a detailed report regarding the question such as who were the officials responsible; why a higher cost was given and how the approved estimates were deviated.
2	8	Public Works	The Committee expresses its anguish over the fact that an amount of 36 lakh had been lost by the department by giving excess labour charges for lesser work. The Committee directs the Public Works Department to furnish a report including a detailed explanation for such lapse and the list of officers responsible for this at the earliest. The Committee directs the Department to take urgent steps to realise the amount paid in excess if it had occurred

1	2	3	4
			as a clerical mistake. The Committee recommends that in order to avoid such lapses in future, the department should be more vigilant while dealing such cases.
3	10	Public Works	The Committee criticizes the department officials who monitored the work though Ayavana, the work site of Marancherikadavu bridge itself is a source of sand even for other works and also expresses its displeasure over the lackadaisical attitude of the department in monitoring the work and directs to furnish a detailed report.
4	13	Public Works	The Committee admonishes the officials of the department for their irresponsible and evasive reply regarding construction of foundation of abutment at Pothanikkadu side. The Committee observes that providing a ring bund for abutment at elevated ground level was really an avoidable expenditure, and the sole responsibility to check the figures submitted by the Contractor and to take action wherever necessary, vests with the department itself. Therefore the Committee directs the department to conduct a departmental enquiry and to report its findings at the earliest.
5	16	Public Works	The Committee expresses its displeasure over the inertia on the part of the officials in not taking any action against the delinquents. The Committee suspects of a nexus between the officials of the

1	2	3	4
			<p>department and the contractor as the mistakes in calculation were not seen by any of the officers and it directs the department to take urgent action against the officials responsible and to furnish a detailed report on all the action taken in this regard at the earliest. The Committee recommends that the department should take all precautionary measures to avoid such lapses in future.</p>
6	19	Public Works	<p>The Committee evaluates that the non application of agreed tender rebate for extra items resulted in undue benefit to the contractor and a loss of ₹ 66 lakh to the exchequer. The Committee remarks that repeated mistakes have been occurred in every aspect of the particular work and hence lack of monitoring at higher levels is very evident. Therefore the Committee expresses its anguish over the irresponsible attitude of the department as they could not give a satisfactory reply before the Committee. The Committee directs the department to furnish a detailed report at the earliest.</p>
7	25	Public Works	<p>The Committee finds that the failure of the department to provide hindrance free land and the injudicious decision of the department for revaluation of land offered by plantation corporation for road improvement work resulted in a loss of ₹ 85 lakh to the exchequer. Therefore, the Committee directs the department to take all effective measures to avoid such lapses in future.</p>

1	2	3	4
8	26	Public Works	<p>The Committee perceives that the replies furnished by Government on all audit paras discussed above except para 5.5 lack clarity and guidance. The Committee recommends that the department should furnish replies including the details such as the officials responsible for the lapses, action taken against such officials, if actions were not taken the reasons for the same and the measures taken to avoid such lapses effectively in future.</p>

Notes furnished by Government

GOVERNMENT OF KERALA

PUBLIC WORKS (D) DEPARTMENT

**Reply to the report of Comptroller and Auditor General of India on Economic Sector
for the year Ended on 31 March 2014
(Report No.4)**

Para No.	Remarks of C&AG	Reply
5.3	<p><u>Avoidable expenditure in a bridge work</u></p> <p>The Departmental lapses in working out the eligible rate for the items of work of forming sand bund using sand bags resulted in extra financial liability of ₹1.27 Crore</p> <p>The Public Works Department, GoK issued (February 2012) Administrative Sanction and the Chief Engineer, Roads and Bridges, Thiruvananthapuram (CE) issued (March 2012) Technical Sanction for the construction of 89.28m long Marancherrykkadavu bridge across Kaliyar river in Emakulam district at an estimated cost of ₹ 9.25 Crore under Rural Infrastructure Development Fund (RIDF) XVII of National Bank for Agriculture and Rural Development Fund (NABARD). The work was awarded to M/s Kerala State Construction Corporation Limited (KSCC) at the accepted rate of 11.10 percent below the Estimated Probable Amount of Contract (EPAC) of ₹ 8.60 Crore and thus the Accepted Probable Amount of Contract (APAC) of the work amounted to ₹ 7.73 Crore. The site was handed over to the contractor in February 2013 stipulating the period of completion as 18 months. The work was still in progress (March 2015)</p>	<p>The work was completed on 11.08.2014. The detailed reply is given below in 5.3.1, 5.3.2, 5.3.3, 5.3.4 para.</p>

5.3.1	<p><u>Avoidable expenditure in forming ring bund using river sand in place of sand for filling</u></p>	<p>The Accountant General has observed that river sand was used instead of sand for filling and this incurred an avoidable expenditure of 0.58 Crores. Kindly note that sea sand mining has been prohibited by the National Green Tribunal and hence sea sand was not available. That was why river sand was used instead for sand filling. Hence, the audit para may be dropped.</p>
	<p>When the foundation of abutment or piers is to be constructed at inundated locations, a suitable method is used to prevent intrusion of water from construction points. In this work, the method adopted was providing sand bunds using sand filled in empty cement bags. The requirement of sand considered for one metre of ring bund around the pier was one cubic metre (cum) of sand filled in 37 empty cement bags. The cost of sand was taken as ₹ 2,012.50 per cum which was the cost of river sand as per Schedule of Rates (revised SoR 2010). River sand (item no.62 of SoR 'River sand clean, sharp and dry for mortar') was not specifically required for the purpose of filling empty cement bags as the filling material would not require any physical property except that it should not dissolve in water. Sand for filling (Item no.64 of SoR 'sand for filling') has such property and hence it would suffice for the purpose which costs only ₹ 517.50 per cum (revised SoR 2010). Had the sand for filling been used for the purpose, the cost of sand per one cum would have come down by ₹ 1,495. Even after taking into accounts the contractor's profit of 10 percent and over head of five percent provided on the cost of materials, the cost difference would go up to ₹ 1,719.25 per m3. The net difference after applying the contractor's quoted rate of 11.10 percent below the estimated rate amounted to ₹ 1,528.41 per m3. The quantity executed was 3,775 m3 for which 3,775 cum of sand was required. The avoidable expenditure thus works out to ₹ 0.58 Crore.</p>	

5.3.2	<p><u>Excess provision in computing rates of labour charges for filling sand in bags</u></p> <p>In the case of filling sand in bags, the EE Roads Division, Muvattupuzha worked out the requirement of labour as per the stipulation in SI 56 Standard Data Book (SDB) of Kerala Public Works Department. The labour requirement under SI 56 is 2.96 days for 10 cum earth. But in the data sheet, it was taken as 3.65 days per one cum. As the permissible rate of wages for labour was to be taken as ₹ 276 per day per labourer, the permissible labour charges per one cum would amount to ₹ 93.96 instead of ₹ 1,158.51 as given in data sheet. The erroneous calculation resulted in an excess provision of ₹ 1,064.55 per cum. Considering the tender rebate of 11.10 per cent also, the rate per cum was excessive by ₹ 946.38. For the executed quantity of cum of work, the avoidable expenditure amounted to ₹ 0.36 Crore.</p>	<p>The Accountant General has observed that the labour requirement for filling sand in the bags is based on item 'SI.No.56 in the Standard Data Book and erroneous calculation resulted in an excess payment of ₹ 0.36 Crores. Kindly note the data for filling sand in bags is "an observed data" and the rate is calculated for 1m3 of sand. The data item SI.No.56 of Standard Data Book is for earth work excavation in ordinary soil and rate is worked out for 10m3 of earth. This cannot be applied to sand filling in bags and the mention about the SI.No.56 in the estimate is a clerical error. Hence this audit para may be dropped.</p>
5.3.3	<p><u>Avoidable expenditure on conveyance of sand from far away source</u></p> <p>The source of sand for the bridge work was shown as Kalady which is situated 41 Km away from the site even though the source of sand for other works of the division was Ayavana which was the site of the bridge work itself. The conveyance charges of sand worked out in the revised estimates against the item 'forming sand bag bund around the piers and abutment' was ₹ 637.10 per cum. However the conveyance element in the data is only ₹ 181.70 per cum in the case of sand taken for other works from the site of bridge work. Therefore, the amount allowed per cum of sand was in excess by</p>	<p>It is observed that the source of sand provided in the estimate is Kalady which is 41 Km. away from Ayavana (Work site of Marancherikkadavu Bridge) whereas for other works under the Division, the source for sand is Ayavana itself. Conveyance of sand from a far away place has resulted in an extra financial liability of 0.18 Crore. Kindly note that, during the construction of Marancherikkadavu bridge there were no recognized sand mining sites in Ayavana Panchayath. In general, source of material should be the place where sufficient material required for the work is available. Huge quantity of sand was required for construction of bridge</p>

	<p>₹ 455.40. The net excess after allowing 10 per cent contractor's profit and five percent over head charges and tender rebate of 11.10 per cent is ₹ 523.71 per cum. As the requirement of sand was 3,775 cum, the avoidable expenditure in this regard would be ₹ 0.18 Crore.</p>	<p>and the nearest place where sand is available in such large quantities was Kalady. That was why Kalady was provided as the source for sand. Hence audit para may be dropped.</p>
5.3.4	<p><u>Avoidable expenditure in providing ring bund for abutment at elevated ground level</u></p> <p>Maximum flood level, ordinary flood level and low water level (LWL) in the river at the site of the bridge were 90.190m, 88.50 m and 88.12 m above Mean Sea Level (MSL) respectively. Of the two abutments, the ground level of abutment at Pothanikkadu side was 90.700 m above MSL. Hence, the foundation could be constructed without providing any barrier for preventing water intrusion even at the time of river, having high water level. As the entire work on foundation of the bridge was executed during the time of LWL, provision for ring bund was not at all required at that abutment point. However, ring bund (using sand bags) for a length of 309.88m was provided at that point resulting in avoidable extra financial liability of ₹ 0.15 Crore including the filling cost inside the ring bund with contractor's own earth at the rate of ₹ 5,204 per m. Thus the Departmental lapses in working out the correct eligible rate for the item of work of 'forming sand bund using sand bags' and providing for the execution of the item of work indiscriminately resulted in extra financial liability of ₹ 1.27 Crore.</p>	<p>It is alleged that the ring bund was provided for the abutment at Pothanicadu side where it was not required since the land is above MFL. This resulted in an extra financial liability of ₹ 0.15 Crores. As per the approved alignment, the position of this abutment is on land which is above MFL. But on actual execution it was found that the position of pier P3 comes very close to deep 'Kayam' which is around 4m deep and it is most dangerous to place a pier near to the Kayam since open foundation is adopted for the construction of this bridge. Hence the position of P3 was shifted close to the river. Thus ring bund became necessitated for the construction of foundation of abutment at Pothanicade side. Hence, the objection may be dropped.</p> <p>In general it is informed that the Contractor has quoted his workable rates which has no relevance to the estimated rates and in this case there is a savings of ₹ 0.87 Cr as per quoted rates.</p>

Heebals

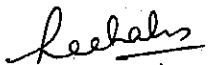
R. SREEKALA DEVI
 Special Secretary to Govt.
 Public Works Department
 Govt. Secretariat, Tvpm.
 Ph: 2327175, 2518465

GOVERNMENT OF KERALA
PUBLIC WORKS (PS) DEPARTMENT
REMEDIAL MEASURES TAKEN STATEMENT ON THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEAR ENDED 31.03.2014 (ECONOMIC SECTOR)

Sl No.	PARA No.	RECOMMENDATION	REMEDIAL MEASURES TAKEN STATEMENT
1.	5.4	<p>Overpayment due to mistake in calculation of rates</p> <p>Erroneous calculation of rates on chiseling of rock and non application of agreed tender rebate for extra items resulted in overpayment of ₹ 66.00 lakh to a contractor for road work.</p> <p>M/s. Kerala State Industrial Development Corporation (KSIDC) deposited (September 2007) ₹4.30 crore with the Executive Engineer, Roads Division, Kannur (EE) for improvement work of Koothuparamba – Mooriyad – Valiyavelicham Growth Centre road 0/000 to 6/000 Km in Kannur District. The Government issued Administrative Sanction to execute the work as deposit work with an estimated cost of ₹4.30 crore. The Chief Engineer, Roads and Bridges, Thiruvananthapuram (CE) issued (November 2007) Technical Sanction for ₹ 4.21 crore. The Superintending Engineer, Roads and Bridges, North Circle, Kozhikode (SE) awarded the work to a contractor at 17.86 per cent below the Estimate Probable Amount of Contract (EPAC) of ₹4.13 crore (SoR 2007). Accepted Probable Amount of Contract (APAC) amounted to ₹3.45 crore.</p>	<p>Administrative Sanction for the work of improvement to Koothuparamba – Mooriyad – Valiyavelicham Growth Centre road 0/000 to 6/000 Km in Kannur District has been accorded vide G.O (Rt) No. 1196/2007/ID dated 13.09.2007. The work was taken up by the Public Works Department as a deposit work. The funds were provided by the Industries Department (Kerala State Industrial Development Corporation) to cater to the needs of the Industrial Growth Centre at Valiyavelicham. The work was awarded to Sri. C.A. Mahamood, PWD Contractor, Kasargod under a contract agreement No. SE(K) 33/2007-08 dated 13.02.2008. The work was started by the contractor on 15.02.2008 with a time limit of 18 months for the completion of works, but due to the delay in acquiring the site, the work was delayed and it was actually completed on 30.03.2011. The contractor has executed</p>

	<p>The site was handed over to the contractor on 15 February 2008, to complete the work within 18 months. Due to Departmental lapse in handling over land free from encumbrance and also due to the detection of hard rock at works site between km 3/300 and 3/484 which could be removed only by chiseling operation, there was a delay in completion of work. The work was to be completed by 14 August 2009 but it was completed in March 2011. The EE paid (October 2013) a total amount of ₹4.02 crore.</p> <p>The Audit scrutiny (January 2014) of the records in this regard revealed the following:</p>	<p>some portion of work after the actual time of completion, and also executed some extra items.</p> <p>Since the contractor had to execute some portion of work beyond the time of completion and some extra items as well, he had applied to the Government for getting rate enhancement. Government vide G.O (Rt) No: 1277/2012/PWD dated 16.07.2012 ordered allowing the Schedule of Rates prevalent during the period for works carried out from 05.08.2009 to 30.03.2011 and to settle the claim of the contractor limiting the expenditure to the Administrative Sanction amount.</p>
5.4.1	<p>5.4.1 - Payment of excessive rate for chiseling in hard rock.</p> <p>For removing the hard rock found in the alignment of the road, the CE accorded approval for chiseling an estimated quantity of 791.40 cum hard rock at the rate of ₹7,709 per 10 cum as blasting was prohibited in the inhabited area. A supplementary agreement was also executed with the contractor for removal of estimated quantity of hard rock. As the tendered rate of the contractor was 17.86 per cent below the estimates, the unit rate of the item should be ₹6,332.17 per 10 cum and the amount due on the item would be</p>	<p>It was pointed out that the rate approved for the extra item No.3 of the referred work in the Revised Estimate, chiseling the hard rock, where blasting prohibited was erroneously taken as ₹7709/m³ instead of 7709/10m³ for a quantity of 791.4 m³ of hard rock. This has resulted in an excess payment to the contractor amounting ₹54,90,803/- (₹6100903 - 610090). On the basis of Accountant Generals' Report, the CC Bills of the work were recalculated and found that the bill amount comes to an amount of ₹3,47,46,637/- instead of ₹4,02,37,450/-.</p>

<p>₹5,01,128. But the amount of item was wrongly calculated as ₹61,00,903 applying the unit rate on one cum instead of 10 cum without applying the tender rebate and the payment was made by EE accordingly resulting in excess payment of ₹56.00 lakh to the contractor.</p>	<p>But at the time of payment, the bill amount of ₹4,02,37,450/- was limited to ₹3,93,95,903/- due to the lack of fund. Hence the difference between the actual payment was recalculated to be ₹46,49,266/- (i.e; ₹ 3,93,95,903/ - ₹3,47,46,637 = ₹46,49,266/-) and which has to be recovered from the contractor. Three registered notices were issued to the contractor on 15.02.2014, 05.04.2014 & 13.06.2014 for remitting the amount immediately. As he did not remit any amount to the department, the Revenue Recovery proceedings have been initiated against the contractor through the District Collector, Kasargod. But the contractor has filed a Writ Petition against the Revenue Recovery proceedings before the Hon'ble High Court of Kerala (WP (C) No. 22596/14). As per the Judgement dated 11.06.2015 the Hon'ble High Court quashed the Revenue Recovery proceedings and therefore District Collector, Kasargod has returned the requisition on 31.12.2015. Based on the direction from the Government, a fresh Revenue Recovery proceedings against the contractor has been taken on the part of the Executive Engineer, PWD Roads Division, Kannur vide Req.No. RR/2016/3657/14 dated 09.11.2016</p>
---	---

		through the District Collector, Kasargod and which is in progress.
5.4.2	<p>5.4.2 - Non application of agreed tender rebate for extra items sanctioned.</p> <p>As per clause 23(3) (iii). In the case of extra item, the rate shall be arrived at on the basis of Departmental data rate at the time of ordering the extra item after applying tender deduction except on cost of Departmental materials. Owing to the delay in providing encumbrance free land in time, the work was delayed and the Department accepted the demand of the contractor for revision of rates. The CE issued (November 2012) sanction for revised estimate incorporating seven extra items for ₹1.16 crore. While issuing sanction, the CE erroneously issued the direction for effecting payments for the above extra items without application of the agreed tender rebate. This was in violaion of the terms of the agreement which clearly stipulated that original tender rebate was to be applied on the rates worked out for extra items also. Non-compliance of the stipulation of the agreement had resulted in excess expenditure of ₹10.00 lakh.</p> <p>Thus, the failure of the Department to comply with the agreement stipulations.in regard to the application of permissible unit rate and tender rates of the agreement while paying extra items resulted in excess payment of ₹66.00 lakh to the contractor.</p>	<p>Government ordered vide Para 6 of G.O (Rt) No. 1277/2012/PWD dated 16.07.2012, allowing schedule of rates prevelent during the period, for the works carried out from 05/08/2009 to 30.03.2011. Hence, instead of 17.86% below 2007 SoR (Quoted rate), schedule of rates prevalent during the time of execution was admitted. As per the Government decision, no tender variation has to be applied to in the prevalent SoR. Extra items were also executed after 15/08/2009. Hence, the prevalent SoR was admitted without tender variation.</p> <p style="text-align: right;">  R. SREEKALA DEVI Special Secretary to Govt. Public Works Department Govt. Secretariat, Typut. Ph: 2327175, 2518465 </p>

**GOVERNMENT OF KERALA
PUBLIC WORKS (D) DEPARTMENT**

Action taken Statement.

**on the Report of the Comptroller and Auditor General of India
on economic Sector for the year ended March 2014.**

Report No.4 of the year 2015

Para No.	Recommendation	Action taken					
5.5	<p><u>Improper award of works</u></p> <p><i>Awarding works that did not qualify to be executed by Labour Contract Co-operative Society to one such society and extension of price preference led to avoidable loss of Rs.1.12 Crore</i></p> <p>Co-operation Department issued (November 1997) instructions for award of works to Labour Contract Co-operative Societies (LCCS) which interalia provided the following stipulations:</p> <ul style="list-style-type: none"> LCCS was eligible to be entrusted with earth work of all types, simple masonry work, simple building works, maintenance and minor repairs of roads and buildings, 	<p>The MTR relating to the following two works awarded to Uralungal Labour Contract Co-operative Society by invoking price preference. The estimate PAC of the work, Date of tender, Date of approval, Agreement No and date of completion are also furnished below:</p>					
		Name of work	Estimate PAC	Date of Tender	Tender approved date	Agmt. No	Date of Completion
		CRF 2010-11 Improvements to Karipoor Airport - Edavannappara Mahasivakshetram - Nellikkamparumba Road from 0/000 to 6/000	5.09 Crore	21.06.11	29.10.11	11/2011-12/SE/1-12-11	14.12.12

other items of works not involving skilled labour (Clause 7).

- In cases where the bid of a private party happened to be the lowest (L1) and LCCS was also a participant, the work should be awarded to LCCS at 10 per cent above the lowest offer (clause 8(b)(i)).
- Monetary limit for entrustment of an item of work to a Class 'A' LCCS was fixed at ₹ 10 lakh, subject to condition that the work in hand at any time should not exceed ₹ 50 lakh. The ceiling was enhanced (January 2002) to ₹ 20 lakh and ₹ One Crore respectively.

Audit noticed that Superintending Engineer, NHs, North Circle, Kozhikode awarded (December 2011 and August 2012) the following two road works at item rate to Uralungal Labour Contract Co-operative Society Ltd. (ULCC) – a Class 'A' contractor – at higher rates allowing price preference and overlooking the lowest bid

Periodical Renewal of NH 17 for the year 2011-12 -- 50mm BM & 25mm BC from Km194/160 to 206/500	10.11 Crore	30.12.11	16.03.12	4/12- 13/SE /28.05 .13	28.05.13
--	----------------	----------	----------	---------------------------------	----------

The Government, with a view to promoting the Co-operative sector of our state, granted certain concessions including price preference to Labour Contract Co-operative societies in awarding of works floated by PWD. The initial Government Order in this regard was issued on 28.10.1974 prescribing the terms and conditions for awarding Government works to the Labour contract societies. Subsequently, the monetary limit were revised vide GO(MS)No.135/97/Co-op dated: 13.11.97. Even though the limits up to which a particular items of work that can be entrusted to the societies and the total value of work a society may have on hand had been regulated by this Government Order as pointed out in the Audit Para, The Uralungal Labour Contract Co-operative Society enjoyed certain privileges which are allowed by Government from time to time considering their experience

from a private contractor.

Table 5.1 :Details of road work awarded invoking price preference (Rs.in Crore)

Sl No	Name of work	Lowest bid amount	Agreed Probable Amount of Contract	Avoidable loss (4-3)
1	CRF 2010-11 Improvements to Karipoor Airport - Edavannappara -Nellikka parambu Road from 0/000 to 6/000	4.87	5.35	0.48
2	Periodical Renewal of NH 17 for the year 2011-12 - 50mm BM & 25mm BC from 194/160 to 206/500	9.47	10.11	0.64
Total		14.34	15.46	1.12

Both works were completed and ₹ 4.89 Crore and ₹ 10.60 Crore was paid (February 2015) respectively. On scrutiny of records of Chief Engineer and

and contribution in this field. As of now, Uralungal Labour Contract Co-operative Society is permitted to carry out any type of civil works without the restriction of financial limits. The Government Order Number and date by which Government have enhanced the financial limit of undertakings of work, in various occasions are furnished below.

1. GO(Rt)No.335/97/Co-op dated:28.03.1997- 1.00 Crore
2. GO(Rt)No.575/97/Co-op dated:17.12.1999-5.00 Crore
3. GO(Rt)No.619/05/Co-op dated:26.10.2005 - 15.00 Crore
4. GO(Rt)No.181/05/Co-op dated:02.08.2008 - without limit

Besides this, clause (18) of GO(MS) No.135/97/Co-op dated: 13.11.1997, stipulates " However this order will not affect the Labour Contract Co-operative Society which are enjoying the concession of enhanced limit by special order of Government". Hence the contention of audit that the price preference is only for labour oriented minor works entrusted to the society and award of work is irregular does not seem to be correct taking in to account of the fact that the Uralungal Labour Contract Co-

Superintending Engineer (May 2013 and October 2012 respectively), Audit observed the following irregularities.

- The works awarded to ULCC required highly sophisticated equipments, skilled labour and were not labour oriented. Hence entrustment of such works by extending the benefit of price preference, was not in order.
- The APACs of the works far exceeded the monetary limits fixed for entrustment of works to LCCS, and thus award of works was in violation of Government instructions.

Thus, by awarding works involving skilled labour and sophisticated machinery to ULCCS invoking price preference provisions overlooking the prescribed monetary ceiling resulted in avoidable loss of ₹ 1.12 Crore.

operative Society is eligible for the special concession sanctioned by Government.

It may be noted that the Uralungal Labour Contract Co-operative Society established in the Co-operative sector of Kerala during 1925 is being played a key role in the infrastructural development of Kerala. The major portion of the share capital of the society is contributed by Government of Kerala and the society is functioning under the Administrative control of Co-operative department. The society has acquired various types of art and sophisticated construction equipments including plants and have well trained and experienced team of Technical Professionals which make the society qualified and eligible to execute all sort of major construction works. The society, in fact constructed several major Bridges, Buildings, Roads etc. for PWD and other Government agencies without any complaint from anywhere. The people have an awareness about the positive intervention made by the society in the development of infrastructural facilities of our state so that they always welcome the participation of the society in these areas.

Clause 8(b) (i) of GO(MS)No.135/97/Co-op dated: 13.11.97, stipulates "when a lowest tenderer is from a private contractor and Labour Contract Co-operative Society is also a participant, the work should be awarded to the Labour Contract Co-operative Society at 10% above the lowest offer, conducting negotiation in writing". It is true that the PWD has modified the above clause regarding the price preference enjoyed by the Labour Contract Co-operative Societies by issuing GO(MS)No.44/04/PWD dated: 19.03.2004 as pointed out in the audit objection. Meanwhile, Uralungal Labour Contract Co-operative Society and others approached the Hon'ble High Court of Kerala by filing WP(C) No.13449 of 2004 challenging the provision in GO(MS)No.44/04/PWD dated: 19.03.2004 and the Hon'ble High Court passed an interim order staying the operation of the said Government Order, by virtue of Interim Order dated: 09.06.2004. The stay Order issued by the Hon'ble High Court existed till 21.05.2012 when the Court pronounced the Judgment in the Writ Petition and the Government Order in accordance with the Judgment has come into force only on 04.08.2012. As the works in question were tendered within this period, the

Uralungal Labour Contract Co-operative Society is eligible for the benefit covered in GO(MS) No.135/97/Co-op dated: 13.11.97 since the operation of modified Government Order was under stay. Negligence of interim order of Hon'ble High Court will definitely invite unnecessary litigations including contempt of Court Case. Moreover, the society had started the work as per Conditional Selection Notice issued by the Department without waiting for the approval of Tender Committee, so as to ensure the completion of the works before monsoon. As per condition in the Selection Notice the society is bound to execute the work at any rate sanctioned by the Tender Committee. The Tender Committee later approved the tender at their-agreed rate which means that the society is eligible for the aforesaid price preference. The irregularities pointed out in the Draft Para are;

- The work awarded were not labour oriented.
- The work exceeded the monetary limit fixed for Labour Contract Co-operative Society.

		<p>These two objections are no relevant in the light of, GO(MS)No.181/08/Co-op dated, 02.08.2008 wherein Government have permitted the Uralungal Labour Contract Co-operative Society to take up and execute any work without the restriction in financial limit. In the above circumstances it is clear that two works mentioned in the Draft Para of C&AG had been awarded to the M/s Uralungal Labour Contract Co-operative Society Ltd., P.O.Madappally College, Vatakara by observing all the rules and regulations prevailing in PWD in awarding of works and also in obedience with the Hon'ble High Court Order. The contention of the audit objection does not seem to be correct taking into accounts of the fact that it was Government, with a view to promoting Co-operative Society of our state, sanctioned certain concessions to Co-operative Societies, especially Uralungal Labour Contract Co-operative Society . In the light of the above explanation the objection raised may kindly be dropped.</p>
--	--	---

Reekha
R. SREEKALA DEVI
Special Secretary to Govt.
Public Works Department
Govt. Secretariat, Tvm.
Ph: 2327175, 2518465

**GOVERNMENT OF KERALA
PUBLIC WORKS (PS) DEPARTMENT**

STATEMENT OF ACTION TAKEN ON THE RECOMMENDATION CONTAINED IN THE REPORT
OF THE C & AG OF INDIA ON ECONOMIC SECTOR FOR THE YEAR ENDED MARCH 2014

(Avoidable Expenditure due to delay in providing hindrance free land)

Sl. No.	Para No.	Recommendation	Remedial Measures Taken
1	5.6	<p><u>The delay in providing hindrance free land and the injudicious decision of the Department for revaluation of land offered by PCK for road improvement work resulted in cost overrun of ₹ 0.85 crore.</u></p> <p>Public Works Department (PWD) accorded (November 2004) Administrative Sanction (AS) for Improvement of Bevinje-Alur-Iriyani Road between KM 4/500 and 9/48 in Kasargod district at a cost of Rs. one crore. The Chief Engineer, Roads & Bridges, issued (March 2005) Technical Sanction (TS) for ₹ 1.38 crore. The Superintending Engineer, North Circle, Kozhikode (SE) awarded (September 2005) the work to a contractor at the accepted rate of 10 per cent above the Estimated Probable Amount of Contract (EPAC) of ₹ 1.13 crore. The Accepted Probable Amount of Contract (APAC)</p>	<p>Bevinje-Aloor-Iriyani road in Kasaragod District has a total length of 18.15 km. The work mentioned in the Audit Report is improvement work of this road in between KM.4/500 to 9/480</p> <p>Some portion of alignment of this reach of the road is passing through the land occupied by Plantation Corporation of Kerala (A Public Sector undertaking of Government of Kerala). In anticipation that the land required for forming the above reach of the road would be transferred to PWD by the Corporation, the work was tendered and entrusted for execution under above agreement. But due to delay in processing the transfer of required land from the Plantation Corporation of Kerala, the work could not be started and the agreement executed with the contractor was terminated. For handing over the site from Plantation Corporation, various</p>

worked out to ₹ 1.24 crore. The work was to be completed within 12 months from September 2005.

KPWD manual enjoins upon the authorities concerned to ensure before the award of work that land would be ready for being handed over to the contractor. The required land either should have already been acquired or the otherwise available or acquisition proceedings should have reached at a fairly advanced stage, when it could be reasonably anticipated to make available the land before the contractor starts the work.

The contractor could not commence the work as the land measuring 486.49 cents on which the road was to be constructed belonged to Plantation Corporation Kerala Ltd. (PCK) which had not been handed over by PWD to the contractor even after the award of work. PCK had agreed to hand over the land in July 2004, but demanded compensation of ₹15.29 lakh towards cost of land and crop loss. The Department did not accept the cost of land demanded by PCK and instructed (February 2006) the District Collector, Kasaragod (DC) to re-evaluate the land. The DC re-evaluated the cost of land at ₹1,250 per cent. The Revenue Department, however fixed the compensation

difficulties were faced by this department which are detailed below.

As informed by the Manager, Plantation Corporation of Kerala, Mullyar a detailed land sketch with number of trees to be transferred to PWD has been prepared. After joint inspection conducted with the Manager, Plantation Corporation of Kerala, Kasargod and village authorities in the presence of PWD officials. Accordingly the corporation had prepared a compensation amount of ₹ 15,29,205/- (fixing value @ ₹2,500/- percent for a total extent of 486.49 cents) and requested to pay the amount in advance. As the valuation given by the Plantation Corporation of Kerala was not accepted, direction was given to the District Collector to revise the compensation for the land at the rate of ₹ 1,000/- per cent instead of ₹ 2,500/- per cent fixed by the Corporation. According to the revised calculation, the compensation amount comes to ₹ 7,99,530/- and the same amount has been remitted to the Corporation as per DD No.023566 dated, 08.01.2007. But the Corporation has not handed over the land to PWD. The Executive Engineer, PWD Roads Division, Kasargod had addressed the District Collector, Kasargod to take necessary action for handing over the land to PWD from the Corporation. The District Collector addressed the

at ₹ 9.21 lakh and settled the claim in December, 2007 after a lapse of three years. Accepting the compensation, PCK transferred the land in July 2009.

Meanwhile, the contractor demanded (June 2009) revision of estimates according to SoR 2009 citing various reasons such as increase in cost of materials, revisions of SoR enhancement in labour charges. The Department rejected the demand and terminated (March 2011) the work without risk and cost of the contractor as the Department was not able to handover the site in time.

PWD accord (March 2011) fresh AS for ₹3.43 crore for the work and the CE awarded TS for ₹3.39 crore. SE awarded the work (August 2011) to another contractor at the accepted rate of 13.50 per cent below the PAC of ₹3.12 crore. Thus, the APAC was ₹ 2.73 crore stipulating the time for completion of work as September 2012. The work was progressing as of October 2014. The contractor was paid ₹ 1.29 crore up to July 2013.

Audit scrutiny of records of Executive Engineer, Roads Division, Kasaragod revealed the following.

The Department provided ₹15 lakh in 1st for the

Plantation Corporation about this matter and the Managing Director of the Corporation informed the District Collector that they are having dispute over the compensation released. A meeting was convened on 28.11.2007 to discuss the issue of the land value and directed the Corporation to accept the value fixed by the District Collector, Kasargod.

The District Collector, Kasargode has revised the land value to ₹1,250/- per cent instead of ₹ 1,000/- per cent fixed earlier. The Board of Directors of the Corporation also decided to accept the rate fixed by the District Collector and the Managing Director of Plantation Corporation has accorded sanction for transferring the required land after demarcation measuring 486.49 cent. The PWD has taken possession of above land in July, 2009.

Meanwhile, as per G.O (Rt) No.1159/2004/PWD dated 20.11.2004 Administrative Sanction was accorded for the work of improvements to Bevinje-Aloor-Iriyani road for ₹100 lacs. Technical Sanction was also accorded and the work was put on tender and entrusted to M/s. M.A Haris, PWD Contractor, Chengala, Kasargod vide agreement No. SE(K)109/205-06 dated 20.09.2005. Due to delay in handing over the site to Contractor, he expressed his unwillingness to carry out the work

purpose of payment of compensation of account of land acquisition from PCK. Despite having sufficient provision in the TS issued in March 2005 to pay the compensation of ₹ 15.29 lakh demanded by PCK, the Department insisted for fresh valuation by Revenue Department. The decision eventually delayed the execution significantly though the compensation amount got reduced marginally by ₹ 6.08 lakh. The cost escalation on account of the execution of the work through second contractor worked out to ₹ 91 lakh.

Thus, the failure of the Department to ensure the availability of the required land before the award of work and to accept the offer of land by PCK at a cost of ₹15.29 lakh for the construction of road and determination of the Department for valuation of land afresh by Revenue Department resulted in cost overrun of ₹ 85 lakh and time overrun of more than eight years.

The Department stated (January 2014) that delay in acquisition of land was inevitable. The reply is not tenable as it is mandatory for the Department to make available encumbrance free land to the contractor at the time of award of contract. The land should have been transferred at the time of award of contract in

without revising the sanctioned rate and as per G.O (RI) No. 432/2011/PWD dated 01.03.2011, the contractor was relieved of his contractual obligations without risk & cost.

At present, PWD has no power to fix the value of the land to be acquired from private parties or transferred from other department, to carry out various improvements work of road in which extra land is required. In this case the department had remitted sufficient amount for the compensation of land without any delay. But the actual delay occurred due to the dispute regarding the value of the land.

The process of land acquisition or transfer is time consuming. Now, various steps have taken to overcome delayed execution of projects due to delay in land acquisition. From the facts given above it can be seen that;

1. The delay in fixing compensation occurred due to the official procedure in fixing the rate of land value and acceptance of the same by PCK Ltd.
2. The work was arranged in anticipation of availability of land for early completion of work. The dispute regarding the compensation of land could not be anticipated before arrangement of the work.

September 2005. PCK and PWD being Government entities, the dispute over the cost of land could have been settled subsequently by negotiations in order to avoid delay in completion of work.

2. As the land was not available the work could not be carried out with original Technical Sanction and the delay in acquisition of land was beyond the control of the Department as detailed above. The process of fixing the value of land is a lengthy and time consuming process which involves different departments. Public Works Department alone could not fix the land value and acquire land. The delay in acquisition of land owned by a public sector undertaking was not foreseen and unexpected.

4. Government have made all efforts to take the land. Work was tendered and arranged with a good intention to execute the work as soon as possible. But the unforeseen controversy over value of land resulted in this delay.

Considering the above facts, the observation in the Audit Report may kindly be dropped.

Seehans

•
Kerala Legislative Secretariat
2019

KERALA BHAYAMASABHA PRINTING PRESS.