

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2011-2014)**

THIRTY THIRD REPORT

(Presented on 9th July, 2013)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2013

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on

**Action taken by Government on the Recommendations contained
in the One Hundred and Sixth Report of the
Committee on Public Accounts
(2008-2011)**

1014/2013.

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Thirty Third Report on Action Taken by Government on the Recommendations contained in the One Hundred and Sixth Report of the Committee on Public Accounts (2008-11).

The Committee considered and finalised this Report at the meeting held on 2nd July, 2013.

Thiruvananthapuram,
9th July, 2013.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

REPORT

This Report deals with the action taken by Government on the recommendation contained in the One Hundred and Sixth Report of the Committee on Public Accounts (2008-2011).

The One Hundred and Sixth Report of the Committee on Public Accounts (2008-2011) was presented to the House on July 17, 2009. The Report contained 19 recommendations relating to Local Self Government Department and Finance Department. The Government were addressed on 24-7-2009 to furnish the Statement of Action Taken on the recommendations contained in the Report and the final reply was received on 30-3-2012.

The Committee examined the Action Taken Statements at its meeting held on 10-4-2012 and 1-8-2012.

The Committee decided not to pursue further action in the light of the replies furnished by Government. The recommendations and replies are incorporated in the Report.

LOCAL SELF GOVERNMENT DEPARTMENT

Recommendation

(Sl. No. 1, Para No. 32)

The Committee learns that the PMGSY (Pradhan Mantri Gram Sadak Yojana), a cent per cent Centrally Sponsored Scheme launched in December 2000 which aimed at providing good all weather road connectivity to the unconnected habitations in rural areas, could not achieve its targets. Only 60% of the intended works were undertaken due to non-utilization of funds and non-compliance of GOI guidelines. The Committee understands that out of the sanctioned 772 road works covering about 838 kms., only 256 works covering 424.24 kms. of road could be completed. Moreover 21 works were dropped midway due to poor foresight and planning. Works relating to one hundred and forty four roads sanctioned in Phase VI could not even be arranged due to lack of contractors ready to do the works. The Committee notes with dismay that out of the total funds of Rs. 69.17 crore received from GOI during 2000-01 to 2003-04, the DRDAs could spend only Rs. 48.49 crore leaving behind Rs. 20.68 crore as unspent amount which comes to 30% of the allotted funds. The Committee sees that this happened mainly due to delay in submitting proposals within the stipulated time as a result of which the targeted population were denied the benefit of road connectivity.

Action Taken

The target of new connectivity was for connecting 476 habitations. Out of this, proposals were submitted for connecting 456 habitations which were cleared by the GOI. The proposal for 20 habitations could not be considered because of insufficient land width and the difficulty of the terrain to construct the roads as per the specifications prescribed by PMGSY guidelines.

Out of the proposals for connecting 456 habitations cleared by GOI, roads connecting 448 habitations could only be proceeded with. Proposal for 8 habitations could not be taken up because of insufficient land width. Out of this, 379 habitations have been connected as on 09/09. The road works for connecting the balance 101 habitations are in progress. Since all the proposal for connecting eligible and feasible habitations were submitted to GOI and cleared by the GOI, no new connectivity proposal is pending. The number of roads sanctioned up to Phase VI is 772 having length of 1621 kms. Out of this 554 roads having length of 1113.034 kms. were completed as on 30-9-2011 which constitute 71.76% of the sanctioned numbers. The work of the remaining roads are progressing in different stages and will be completed by 31-3-2012. It is true that 21 roads had to be dropped due to non-availability of required land width.

Accordingly in Phase VI, the proposals for 322 roads were cleared by GOI, of which 297 road works were awarded, leaving a balance of 25. Out of the sanctioned works, 198 roads having a length of 440.500 km. had been completed as on 30-9-2011. Based on the G.O. No. 2696/09/LSGD dated, 20-10-2009, the process for awarding the balance works is in progress and will be completed by 30-11-2011.

Out of the unspent balance of Rs. 20.68 crore an amount of Rs. 10.38 crore was received only on 16-1-2004 as 1st installment of fund for Phase III i.e., only 2 months before the closing of financial year 2003-04. The balance amount had been fully utilized in the subsequent financial year (2004-05). As on 30-9-2011, utilized 100% of the amount released.

Recommendation

(Sl. No. 2, Para No. 33)

It is also interesting to note that out of the total 322 road works sanctioned in Phase VI of PMGSY scheme, 144 works are yet to be arranged for want of contractors ready to undertake the work due to low rates specified in estimates. The Committee sees that a proposal had been submitted to Government for entrusting this work to Local Self Government Institutions if they agree to meet the additional financial commitment since contractors are reluctant

to do PMGSY works. But the Committee is of the opinion that since the Local Self Government Institutions are at present facing severe financial crisis due to considerable reduction in the funds allotted to these institutions, it will not be feasible to entrust PMGSY works to them. Therefore, the Committee recommends that the Government should meet the additional expenses incurred over and above the tender rate in respect of the 144 roads which are yet to be arranged.

Action Taken

The Government of Kerala as per G.O. (Rt.) No. 1448/09/LSGD dated 17-6-2009 sanctioned tender premium of 10% and as per G.O. (Rt.) No. 2696/09/LSGD dated 20-10-2009 sanctioned tender premium of 15% to meet the expenditure and on account of excess over PAC for the works arranged with effect from date of G.O. Accordingly in Phase VI, the proposals for 322 roads were cleared by GOI, of which 277 road works were awarded, leaving a balance of 45, allowed 15% Tender premium.

Recommendation

(Sl. No. 3, Para No. 34)

The Committee further sees that increasing cost of materials and unscientific lead allowed for the works causes serious hindrances to completion of works. It is highly illogical to give same lead to town areas and hilly areas since transportation cost in hilly areas is very high. The Committee, therefore suggests that differential lead should be given to various areas according to geographical conditions.

Action Taken

As per G.O. (Ms.) No. 100/2008/LSGD dated 28-3-2008, Government have ordered to provide actual level for estimates costing more than Rs. 50 lakh, subject to the condition that the quarries must be from among those adopted for arriving at the average lead for the district. Now the estimates are prepared accordingly.

Recommendation

(Sl. No. 4, Para No. 35)

Another obstacle which the Committee notices in the implementation of PMGSY works is lack of timely revision of schedule of rates of materials. Due to this lapse, there occur huge difference in the estimate and the actual expenditure. The Committee also understands that the Public Works Department and Water Resources Department are reluctant to revise Schedule of Rates.

Action Taken

There has been annual revision of SoR from 2007 onwards by PWD.

Recommendation

(Sl. No. 5, Para No. 36)

The Committee recommends for the timely revision of Schedule of Rates (SoR) according to the fluctuation in the market prices of major items of construction materials included in it and that it should be effected in all estimates. The Committee blames the negligent attitude exhibited by the PWD and WRD in complying with the directions issued by the Finance Department to revise the SoR preferably in December or January based on the market price of the commodities and suggests that the directions in this order should be complied with. Though the Committee opines that works undertaken by PMGSY maintains good standard, the failure to overcome the problems faced due to the varying prices of commodities by the timely revision of SoR resulted in additional financial commitments and reluctance of tenderers to take over the works, due to non-availability of tender excess. The Committee criticizes the poor and vague response given by PWD officials when enquired about the timely revision of SoR and opines that tender excess after the approval of the design and estimate will affect the Government more than the PWD since all additional expenses incurred due to non-revision of SoR should be met by the former. The Committee also infers that the revision of SoR will be beneficial to Government since all additional expenses due to revision of SoR will be met by the Central Government if the estimate is prepared accordingly, as PMGSY is a cent per cent centrally sponsored scheme. The Committee also suggests that the Panchayats should fix a local rate for all the works from the current year onwards with the concurrence of Government without waiting for the revision of rates by the PWD & Water Resources Department.

Action Taken

Now the practice of annual revision of SoR is followed:

In order to mitigate the problem of difference in cost of materials like, cement, steel and bitumen, Government vide Order G.O. (Ms.) No. 43/2008/LSGD dated 16-2-2008 had allowed the actual cost of these materials, as a one time measure for the works that could not be arranged in Phase VI. Now Government is allowing tender premium up to 15%.

Recommendation

(Sl. No. 6, Para No. 37)

The Committee further suggests that the method adopted by CPWD in which schedule rate is varied on monthly basis according to the market rate of commodities, should be followed in our State also. The market rate of commodities can easily be collected from the respective producers. The Committee also stresses that the department should prepare a Schedule of Rate exclusively for the works tender PMGSY and based on that the estimate should be prepared and tenders called for. The Committee strongly feels that such a system will be beneficial to the State Government since the actual expenditure towards such works can be calculated at the time of preparation of estimate itself.

Action Taken

The recommendation of PAC is to prepare SoR based on the prevailing market rate. The Separate Schedule of Rates for PMGSY works may not be possible as in para 4.3.4 of Operation Manual suggests that State Schedule of Rates shall be used for all rural roads.

Recommendation

(Sl. No. 7, Para No. 38)

The Committee remarks that the decision to abolish the system which kept track of the purchase, storage and distribution of materials during construction, was too appalling since that system was mainly adopted to check the corruption during the transit of raw materials by maintenance of store, stock registers and BINCARD.

Action Taken

Here the system followed is that adopted by the PWD. There is no storage mechanism or raw materials at the sites. The procurement and storage of materials are done by the contractors themselves.

Recommendation

(Sl. No. 8, Para No. 39)

The Committee sees serious manipulation in the purchase of raw materials and suspects deliberate nexus between the officials and contractors in this matter. Hence, the Committee strongly suggests that corruption in the purchase should be stopped by introducing an apt system and that there should be transparency in the purchase of materials.

Action Taken

As far as PMGSY is concerned, there is no departmental purchase or supply of materials.

Recommendation

(Sl. No. 9, Para No. 40)

The Committee points out that currently the estimates prepared by PWD are to be scrutinized by the State Technical Agency (Engineering College, Thiruvananthapuram) and to be approved by Central Agencies. Since the additional expenses incurred after the approval of the estimates are to be met by the State Government, the Committee recommends to prepare estimates according to the prevailing market rate after revision of SoR.

Action Taken

The estimates for PMGSY works are prepared by District Level Programme Implementation Units for PMGSY and by PWD. As per para 4.3.4 of Operation Manual of PMGSY the detailed estimate will be based on schedule of Rate prepared using the book of specifications and standard data book published in Indian Road Congress and prescribed by National Rural Road Development Agency. Hence preparation of estimate as per prevailing market rate may not be feasible.

Recommendation

(Sl. No. 10, Para No. 41)

The Committee understands that out of Rs. 136 crore allotted to the project till March 2007, Rs. 123 crore was spent and the balance amount was not refunded but given as allocation mode. The interest accrued on this amount (Rs. 1 crore) was used for the works as against GOI guidelines. The Committee suggests that in future, prior approval of Central Government should be obtained for using the interest accrued on scheme fund for the work itself, The Committee views it as a serious lapse on the part of the Rural Development Department in not inviting peoples representatives (MP's and MLA's) to the discussions on the selection of roads under PMGSY and suggests that due participation of concerned MP's and MLA's should be ensured in such meetings.

Action Taken

As per clause 19.2 of PMGSY guidelines, release would be subject to utilization of 60% of available funds. Available funds will be the funds available with SRRDA on 1st day of financial year (including interest accrued) plus the amount of the installment released, if any, during the financial year.

Hence it is clear that no separate sanction is required to utilize the interest earned for the projects cleared by the Government of India.

The list of Road works to be taken up under PMGSY are prepared each year by District Panchayats through a consultative process involving lower level panchayat institutions and elected representatives. The list is finalized and approved by the District Planning Committee.

Recommendation

(Sl. No. 11, Para No. 42)

The Committee observes that though PMGSY guidelines demand a Core Network based on geographical conditions, habitat distributions and access to social and economic services, such a network could not be created satisfying all factors since neither the Revenue Department nor the Panchayats had an authoritative data stating the above features. Hence, the Committee opines that going behind such a utopian idea is utter waste of time and resources.

Action Taken

As per the guidelines of PMGSY, Core Network is prepared based on geographical conditions, habitat distribution and access to social and economic services. This is one of the fundamental principles in the guidelines. Any amendment to this clause can be made by MoRD, GOI.

Recommendation

(Sl. No. 12, Para No. 43)

The Committee understands that a core network should be prepared with a practical approach i.e., with the help of Panchayats, PWD and District level authorities, aiming at the upgradation of roads which has maximum demands, along with the suggestions and findings of PCI surveys.

Action Taken

There is already provision for these suggestions in the Programme Guidelines. The revision of Core Network can be done only if the GOI permits it.

Recommendation

(Sl. No. 13, Para No. 44)

The Committee understands that the State Government's eligible amount of PMGSY was fixed as 50% of amount collected as road cess on petrol and diesel. As per the criteria our State was eligible for getting Rs. 900 crore up to

April 2007 which unfortunately did not happen due to the inability of state to make use of even the released fund. The Committee views this as a grave negligence on the part of the department which failed to prepare the schemes in accordance with the guidelines of GOI and opines that the increased fund could have been used for repairing and constructing road in the remote areas of our State.

Action Taken

50% cess on High Speed Diesel is earmarked for this programme. The fund allocation criteria is 75% on need based and 25% on demand based. The unconnected habitation in Kerala is less, compared to other states in India. Hence demand based allocation will be comparatively less. Moreover it may be noted that, in the initial 4 years the normative allocation to the state was Rs. 20 crore to 50 crore. It was with the introduction of Bharat Nirman, that a higher allocation was made to the State. As such, up to 2008-09, an amount of Rs. 710.46 crore has been sanctioned to the State and another proposal worth Rs. 220 crore is under the consideration of MoRD.

Recommendation

(Sl. No. 14, Para No. 45)

The Committee finds that during the implementation of the scheme in various Districts, the department failed to identify and select Blocks for the year 2002-03 resulting in non-implementation of the scheme for that year. The Committee criticizes the department for this lapse and also in not posting dedicated Executive Engineers during this period which was stated as a reason for the failure of the Scheme. This also resulted in a delay of around 2 years for the full implementation of the scheme.

Action Taken

Proposal for roads to be taken up for 2002-03 and 2003-04 were submitted to MoRD during 2003-04 and sanction was received on 2003-04. The roads to be taken up during 2002-03 was got sanctioned in 2003-04 and hence same is compensated, though there was delay.

Recommendation

(Sl. No. 15, Para No. 46)

The Committee finds that the department's decision in giving multi connectivity for two packages in Wayanad and Malappuram Districts respectively was against the guidelines fixed by Central Government. The Committee views the decision for effecting multi-connectivity complying with

Local Self Government Department norms as totally unnecessary and urges the Department to fix liability on those officers who were responsible for causing extra expenditure of Rs. 82.73 lakh.

Action Taken

Only single connectivity roads was proposed and taken up for execution under two packages in Wayanad and Malappuram. There is no violation of norms in this regard. However roads have been subsequently constructed by local bodies under different schemes namely Flood relief, People's plan MP LADS etc. which led to multiple connectivity.

Recommendation

(Sl. No. 16, Para No. 47)

The Committee views with great concern the factors, like giving conveyance charge to contractors for transportation of cut earth from the site in 5 DRDAs, as against guidelines which caused loss of Rs. 62.92 lakh and supplying departmental materials which was not envisaged in the scheme. Though the department recouped the amount from the contractors after audit observation, the committee views this act of the department in giving unintended benefit to the Contractors, as unfair.

Action Taken

Findings of PAC is noted for future guidance. It may kindly be noted that the cost of transportation of cut earth have been recovered from the Contractors.

Recommendation

(Sl. No. 17, Para No. 48)

As far as the supply of materials by the department is concerned, the Committee opines that it caused heavy monetary loss to the Government in terms of tax. Even though the Committee sees the purchase of quality goods from market as a measure to keep-up the standard of the work, the department should have realized sales tax from the concerned contractor at rates imposed on private purchase in order to avoid loss to Government in terms of tax.

Action Taken

There is no departmental supply of materials except arranging modified bitumen from the manufacturers to the contractors during 2001-02. This was subsequently dispersed with Sale Tax for the materials purchased for PMGSY have since been recovered from Contractors Bill.

Recommendation*(Sl. No. 18, Para No. 49)*

The Committee blames the inability of the department in maintaining a strong internal audit wing and proper checking-mechanisms to curb the menaces of corruption in purchase and supply of materials, curbing defaults in departmental works and implementing a dedicated system for conducting the works. The Committee laments the pathetic condition of existing Internal Audit Wing of the Rural Development Department and opines that the audit wing does nothing but aids the corrupted officials of the Department. The Committee recommends to create a unique audit wing under the control of Finance Department by redeploying existing staff who have expertise in auditing to audit all Government departments. The Report of this Audit Wing should be sent to the Finance Department and all Heads of Departments. The Committee further recommends that the Finance Department should also think of recruiting professionals having qualifications like CA, ICWAI etc., for constituting the above said internal audit wing.

Action Taken**LOCAL SELF GOVERNMENT DEPARTMENT**

As per norms of PMGSY bi-yearly internal audit for each financial year have to be done. Now the internal audit wing has been formed and started internal audit of PMGSY works. GOI's intention is to outsource the internal audit of PIU's and SRRDA. The new guidelines in this regard is awaited.

FINANCE DEPARTMENT

Strict direction has been given to CRD vide D.O. Lr. No. 49972/IAC-A1/09/Fin. dated, 9-3-2011 to reconstitute the existing Internal Audit Wing under the control of Accounts Officer/Senior Finance Officer in that department and to strictly adhere the instructions laid down in the Circular dated 19-12-2003.

Recommendation*(Sl. No. 19, Para No. 50)*

The Committee criticizes the Department in not executing the works within the stipulated time, i.e., six months from the date of approval of the project. The Committee recommends the Department to strictly adhere to the PWD Manual which stipulates clauses like handing over of the required land for the project during the preparations stage itself, inviting tenders only after handing over the site etc. The Committee warns the Department officials of any indifferent attitudes shown in such matters in future and any action which disregards the guidelines of the Manual in the PMGSY Scheme.

Action Taken

It is true that there has been delay in executing the works in stipulated time. It happened so due to the following reasons:

- (a) Non response to tender calls.
- (b) Delay in handing over hindrance free site due to the presence of utilities existed in the proposed roads.
- (c) Lack of sufficient land width at surface width.

All these problems are since addressed by taking remedial measures.

Thiruvananthapuram,
9th July, 2013.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.