



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE ON
PUBLIC UNDERTAKINGS
(2014-2016)**

EIGHTY SIXTH REPORT

(Presented on 02-07-2015)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2015**

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**COMMITTEE
ON
PUBLIC UNDERTAKINGS
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EIGHTY SIXTH REPORT

On

The action taken by Government on the Recommendations contained in the Ninetieth Report of the Committee on Public Undertakings (2008-11) relating to Kerala Water Authority based on the Report of the Comptroller and Auditor General of India for the years ended 31st March 2003, 2004 & 2006 (Civil)

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COMMITTEE ON PUBLIC UNDERTAKINGS (2011-2014)

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Smt. P. K. Girija, Additional Secretary.

Smt. M. R. Maheswary, Deputy Secretary.

Shri. P. S. Selvarajan, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2014-16) having been authorised by the Committee to present the Report on their behalf, present this eighty sixth Report on the action aken by Government on the recommendations contained in the Ninetieth Report of the Committee on Public Undertakings (2008-11) on the working of the Kerala Water Authority based on the Report of the Comptroller and Auditor General of India for the year ended 31st March 2003, 2004 & 2006 (Civil)

The Statement of action taken by the Government included in this Report was considered by the Committee constituted for the year (2014-16).

This Report was considered and approved by the Committee at the meeting held on 19-6-2015.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala, in the examination of the statements included in this Report.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.

Thiruvananthapuram,
02 -07 -2015.

REPORT

This Report deals with the action taken by Government on the recommendations contained in the Ninetieth Report of the Committee on Public Undertakings (2008-11) relating to Kerala Water Authority based on the Reports of the Comptroller and Auditor General of India for the years ended on 31st March 2003, 2004 & 2006 (Civil). The Ninetieth Report was presented to the House on 15th July 2010.

The report contains Five recommendations and the Government furnished replies to all the recommendations. The Committee considered the replies received from the Government at it's meeting held on 8-11-2013 and 23-12-2014.

The Committee accepted the reply to the recommendations in Para No. 11 and 12 without any remarks. These recommendations and the reply furnished by the Government form Chapter I of the Report.

The Committee accepted the reply to the recommendations in Para No. 33, 34 and 35 with remarks. These recommendations and the reply furnished by the Government form Chapter II of the report.

CHAPTER - I

REPLY FURNISHED BY GOVERNMENT WHICH HAS BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS

(1)	(2)	(3)	(4)	(5)
Sl. No	Para. No.	Department Concerned	CONCLUSIONS/ RECOMMENDATIONS	Action taken by Government
1	11 & 12	Water Resources Department	<p>The Committee understands that the omission of Kerala Water Authority to follow the normal tender procedures and obtain technical sanction for the LIC aided Water Supply Scheme led to subsequent retendering which attributed to extra expenditure of ₹ 29.20 lakhs. Had the normal tender procedures been observed before the initial tendering the extra commitment of this ₹ 29.20 lakh could have been avoided. The Committee is surprised to note that Water Authority has not yet fixed the responsibility for the loss even after the Government rejecting the offer citing the irregularities. The Committee view seriously this lapse and reiterate the fact that the delay in taking action against those responsible for the irregularities is to protect the officers so that they could retire without any action being taken against them.</p> <p style="text-align: right;">The Committee recommends to take action against</p>	<p>The subject work was tendered by the Superintending Engineer, Public Health Circle, KWA Kozhikode during 2/1998. Even though wide publicity and sufficient time were given, only two offers were received. The lowest offer was ₹ 1,36,80,000/- But the tender was cancelled by the Government with direction to retender the work, on the ground that there was no separate Technical Sanction for this particular component of work and that tenders were invited before the approval of the NIT, which was not in order and the tender participation was poor.</p> <p>Administrative Sanction and Technical Sanction were issued to the Scheme by the competent Authorities as per rule. The subject work was covered under the Administrative Sanction issued for the project vide AS. No. KWA/P&M/3/319/95-96 dated 26-3-1996 by KWA and subsequent Technical Sanction issued by the Chief Engineer (NR) vide TSNo.</p>

		<p>the officer responsible in this case and to recover from him the amount lost. The Committee desires to be intimated about the action taken in the matter. The Committee is of the opinion that stringent measures should be taken to avoid repetition of such serious lapses in future.</p>	<p>CE/NR/22/95-96 dated 28-3-1996.</p> <p>The subject work was tendered as LS tender No. 25/97-98 vide notification dated 20-1-1998 with due date on 22-4-1998. The tender notice was published in Indian Express and Mathrubhumi dailies on 26-2-1998. The due date was extended to 28-8-1998 vide notification dated 17-4-1998. The extension notice was published in Indian Express on 24-2-1998 and Mathrubhumi on 25-2-1998. Due date was further extended vide notification dated 26-6-1998 to 28-8-1998, the extension notice was published in Mathrubhumi on 8-7-1998. The sale of tender schedule was upto 20-7-1998. The draft NIT was approved by Superintending Engineer on 14-6-1998 and tender schedule was sold after the approval. Two tenders were received out of 4 tender schedule sold. Tenders were opened on 28-8-1998 and after evaluating the technical bid, the price bid was opened on 23-10-1998.</p>
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				<p>Even though wide publicity and sufficient time was given for the tender call, only two offers were received. This poor participation might have been due to the fact that it was for the first time LS tenders invited for intake works and as such the contractors were not familiar with this type of work. Moreover the difficult nature of the work might have been another reason.</p> <p>The estimate for the work was prepared based on the 1996 schedule of rates and it was ₹ 99.25 lakhs. As per the 1st tender call, the lowest offer was ₹ 136.8 lakhs. As directed by the Government, the work was retendered by the Superintending Engineer, PH Circle, KWA, Kozhikode on 11/99. The lowest quoted amount for this retender was ₹ 179/- lakhs which is 29% above the estimated PAC as per the then schedule of rates. Vide Resolution No. 5607 of the Authority meeting held on 29-9-2000, it was resolved to recommend to Government, the offer of Sri. C. K. Appukuttan if the</p>
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				<p>contractor is willing to carry out all works as per NIT for a total amount of ₹ 166 lakhs, which is approximately 20% above the 1999 schedule.</p> <p>The Government as per letter G.O.(Rt) No. 728/2002/WRD dated 27-8-2002 have conveyed the approval, for entering into agreement with Sri. C. K. Appukuttan for the subject work for an amount of ₹ 166 lakhs.</p> <p>The Superintending Engineer, PH Circle, Kerala Water Authority, Kozhikode who invited tenders in 02/1998 without getting the NIT approved and without obtaining Technical Sanction was responsible for cancellation of the tender and consequent extra expenditure of ₹ 29/- lakhs.</p> <p>The following explanations are submitted for consideration.</p> <ol style="list-style-type: none"> 1. AS & TS for the LIC aided Water Supply Scheme to
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				<p>cheekkode and adjoining villages were issued by the competent authority AS amount of ₹ 990 lakhs was sanctioned by the authority on 26-3-1996 and TS by the Chief Engineer (NR) for ₹ 990 lakhs on 28-3-1996. There is no practice of issuing separate AS and TS for individual works/components and the same is being followed in every office of KWA.</p> <p>2. The Tender Notice and Notice inviting Tenders are different. The tender notice which is published in the notice board and newspapers contain the name of work, tender No, cost of tender form, period of sale of tender forms, last date of submission of tenders, designation of officer inviting tender etc. Whereas the NIT contain schedule of tender detailed specification, rate, quantity, amount, terms and conditions, validity details etc. In this case this was an L.S. tender and tender notification was published on 20-01-1998 with due date for submission of tenders on 22-4-1998. Adequate publicity was given and the due date for</p>
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				<p>submission of tender was extended up to 28-8-1998. Draft NIT was approved by the Superintending Engineer on 14-6-1998. Sale of tender schedule was upto 20-7-1998. Four numbers of tender schedules were sold and two numbers were received back. The tenders were opened on 28-8-1998 and price bids were opened on 23-10-1998.</p> <p>The tender for the above work was cancelled by the Government of Kerala vide letter No. 2468/B1/99/IRD dated, 14-4-1999, which was the first tender call. The work was retendered again based on the Government direction and the tender was approved as per GO(RT) No. 728/2002/WRD dated, 27-8-2002, in the second tender call. NIT being the same, except the increase in estimate cost due to schedule revision.</p> <p>Hence, the audit objection may kindly be dropped considering the fact that tender notice was published in advance only to save time. Unfortunately, the bid documents could not be approved before the date of sale of bid documents as per original tender</p>
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				<p>call, the due date of the tender was extended up to 28-8-1998. The bid document was approved by SE on 14-6-1998 and the last date of sale of tender was 20-7-1998. So sufficient time was there for the sale of the bid documents after its approval. Even though four persons purchased the tender schedule, only two persons participated in the tender. Government rejected the tender with direction to retender after giving wide publicity due to the following reasons as per letter No. 2468/B1/IRD dated, 14-4-1999.</p> <ol style="list-style-type: none"> 1. Only Technical sanction slip is seen attached and not detailed estimate is submitted. 2. Tenders are seen received before finalising NIT. 3. Only two bids are received which is not enough for a meaningful and healthy competition. The work was again retendered in 11/99 and the work was awarded for an amount ₹ 166 lakhs vide GO(RT) No. 728/2002/WRD dated 27-8-2002. <p style="text-align: right;">Thus the tender was not rejected due to</p>
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				<p>procedural lapse but mainly due to poor competition as only two persons participated in the tender. The sale of tender started only after finalizing the bid documents on 14-6-1998 and the tender received only on 28-8-1998. So the contention that the bid received before finalizing the NIT is not correct. Even though the tender notice was published in the month 1/98, the sale of tender started in 6/98 after approval of the NIT. So there was delay in approval of NIT and no procedural lapse.</p> <p>The work was retendered as per Government direction and the increase in the cost due to the revision of schedule of rates which was unavoidable. In view of the above explanations, it is requested that the para 11 & 12 may be dropped.</p>
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CHAPTER II**REPLY FURNISHED BY GOVERNMENT WHICH HAS BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS**

Sl. No	Para. No.	Department Concerned	Recommendations/Conclusions	Action taken by Government
2	33, 34 & 35	Water Resources Department	<p>The Committee finds that non-compliance of Water Authority with the instructions issued by Government for the supplying and laying contract led to an extra expenditure of ₹ 1.12 Crores. The Committee is of the opinion that Water Authority should have assessed the reasonableness of the rates with respect to different costs such as cost of labour, current cost of pipes and other materials. However, the Committee agrees with the fact that there are hidden and indirect costs including the cost of specials and wastages and conveyance associated with supplying and laying contract which will have to be paid by the supplier.</p> <p>The Committee opined that 'supplying and laying' contract benefits the supplier more than the Water Authority. Hence the Committee</p>	<p>Due to shortage of pipes the execution of many water supply schemes were unduly delayed. Kerala Water Authority was facing adverse criticism on the poor progress on plan schemes especially ARP Schemes. When pipes were purchased directly it often resulted either in the shortage of a particular type of pipes or sometimes in the wastage of the same when excess quantity were procured. In order to achieve more progress, the Authority approved to arrange the work on supplying and laying basis initially for the PVC pipes and later extended to other classes of pipes.</p> <p>For ensuring that the contractors</p>

			<p>recommends that Water Authority should abide by the instructions issued by Government, while executing the 'supplying and laying' contract.</p> <p>The Committee also recommends that KWA should find alternate ways for procurement of pipes instead of purchasing through the contractor.</p>	<p>are not given any excess amount as advance, only 75% of the estimate amount of the pipes is given as secured advance. The contractors are required to give guarantee for the pipes supplied and laid by them (18 months from the period of completion of the work).</p> <p>Also in order to ensure that the contractors do not quote abnormally high rates for pipes, action has been taken to conclude rate contract for different types of pipes for water supply schemes. The tenders of the same are under progress.</p>
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Remarks :- The Committee opines that the advance payment of 75% of the estimated amount to contractors is not a prudent practice. The Committee further recommends that prior to approval of contracts KWA should ensure that the quoted rates of pipes do not exceed their market rates unreasonably

Thiruvananthapuram,
2-7-2015

K.N.A. Khader,
Chairman,
Committee on Public Undertakings

