

**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2023-2026)**

**SEVENTY SIXTH REPORT**  
(Presented on ....12<sup>th</sup>..... March, 2025)



**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM**

**2025**

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**SEVENTY SIXTH REPORT**

on

**Paragraphs relating to Public Works Department contained in the Reports  
of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup>  
March, 2016 and 2017 (Economic Sector)**

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## **COMMITTEE ON PUBLIC ACCOUNTS (2023-26)**

### **COMPOSITION**

#### **Chairperson:**

Shri. Sunny Joseph

#### **Members:**

Shri. Manjalamkuzhi Ali

Shri. M.V. Govindan Master

Dr. K. T. Jaleel

Shri. C. H. Kunhambu

Shri. Mathew T. Thomas

Shri. M. Rajagopal

Shri. P. S. Supal

Shri. Thomas K. Thomas

Shri. K. N. Unnikrishnan

Shri. M. Vincent

#### **Legislature Secretariat**

Dr. N. Krishna Kumar, Secretary

Shri Selvarajan P.S, Joint Secretary

Shri. Jomy K. Joseph, Deputy Secretary

Smt. Beena O.M., Under Secretary

## INTRODUCTION

I, the Chairperson, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the 76<sup>th</sup> Report on paragraphs relating to Public Works Department contained in the Reports of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup> March, 2016 and 2017 (Economic Sector).

The Reports of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup> March, 2016 and 2017 (Economic Sector) were laid on the Table of the House on 8<sup>th</sup> August, 2017 and 30<sup>th</sup> November, 2018 respectively.

The Committee considered and finalised this Report at the meeting held on 7<sup>th</sup> February, 2025.

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

Thiruvananthapuram  
12<sup>th</sup> March, 2025.

**SUNNY JOSEPH**  
Chairperson,  
Committee on Public Accounts.

## REPORT

### PUBLIC WORKS DEPARTMENT

#### **4.4 Excess payment to contractors due to non-recovery of cost index on the cost of bitumen reimbursed at market rate**

**Failure to recover cost index added on the cost of bitumen in the estimate of nine works by the Executive Engineers from work bills resulted in excess payment of ₹3.67 crore to contractors.**

Public Works Department (PWD) ordered (February 2004) that the contractors should purchase bitumen themselves for road works costing above ₹15 lakh and the actual cost would be reimbursed to the contractors. Government ordered (April 2013) adoption of Delhi Schedule of Rates (DSR) in PWD with effect from 01 October 2013.

Scrutiny of records relating to 30 works executed during 2014-15 in connection with the 35<sup>th</sup> National Games conducted (January-February 2015) in Kerala revealed that in nine works arranged by two PWD Roads divisions<sup>1</sup> in two districts, the technical sanctioning authorities<sup>2</sup> allowed cost index<sup>3</sup> on the cost of bitumen while preparing estimates. Even though the actual cost of bitumen was reimbursed to the contractors, at the time of passing the contractors' work bills, the Executive Engineers of the Divisions concerned deducted the cost of bitumen only from the bills but did not recover the element of cost index applied thereon. This resulted in excess payment of ₹3.67 crore to contractors (Appendix-III(1)).

1 PWD Roads Divisions, Thiruvananthapuram and Alappuzha.

2 Chief Engineer (Roads & Bridges) - four works and Superintending Engineer (Roads & Bridges), South Circle, Thiruvananthapuram - five works.

3 This is to equalise the cost of materials to the prevailing rates, as DSR would be of earlier period.

The matter was referred (February 2017) to Government. In the exit meeting (February 2017) the Department accepted the audit observations and assured to recover the entire excess payments within a month.

**[Audit paragraph 4.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2016 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

1. When the Committee inquired about the details regarding the audit paragraph, the Chief Engineer (Roads), Public Works Department replied that recovery procedures had been proposed for nine works, of which the recovery of eight had been completed. However, the recovery in connection with one work was still pending as a case filed in connection with that was under the consideration of the Court and the Court had directed the Department to take a decision after hearing the complainant.

2. The Committee pointed out that the Department had not mentioned in its reply that the said matter was under the consideration of the Court, and sought an explanation regarding that. In addition, the Committee urged the Department to furnish additional information regarding the case, such as case number, current status of the case, court in which the case was being heard, and so on. The Chief Engineer (Roads), Public Works Department responded that the case was being heard by the District Court, Thiruvananthapuram. He also stated that more information regarding the case would be provided as soon as possible. The Committee expressed its concern over the lack of preparedness and irresponsible attitude of the Department officials while attending the Committee meetings as they could not furnish

sufficient details regarding the audit queries to the Committee during witness examination.

3. The Committee noted that the Department stated in its reply that ₹95,46,471/- was adjusted and realized to the Government vide Chalan No. KL006516303201617/M dated March 18, 2017, by forfeiting the security deposit worth ₹81,15,300/- of the same work. The Committee inquired how an amount of ₹95,46,471/- was adjusted from the security deposit of ₹81,15,300/-. In addition, the Committee also inquired whether the security deposit earned any interest. The Chief Engineer (Roads), Public Works Department replied that no interest was earned, and the recovery for the eight works had been made from the security deposit. He added that the amount had been recovered from the part bill for another work costing ₹1,25,97,287/- and the details could be provided only by checking the facts in the file concerned.

4. The Committee pointed out that the excess payment was ₹2,50,74,458/-. After adjusting ₹95,46,471/- from the security deposit and ₹1,25,97,287/- from the part bill for another work, ₹29.3 lakh was still pending for recovery. The Additional Secretary, Public Works Department replied that the balance amount had not been recovered as the case filed in connection with that was still pending before the court.

5. When the Committee inquired about the amount to be recovered from the said work, the Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that a detailed report would be furnished to the Committee within two weeks.

6. The Committee directed the Department to submit the details of recovery that had been effected and the balance to be recovered. The Committee also directed to submit the details of the case including the case number and its present status to the Committee within two weeks.



### Conclusions/ Recommendations

7. The Committee directs the Department to submit all the details regarding the case pending before the court in connection with the audit para including the court in which it is pending, the case number and the present status of the case within two months.

8. The Committee also urges the Department to provide the details regarding the excess payment already recovered as well as the outstanding balance to be recovered.

#### 4.5 Extra expenditure of ₹86.26 lakh in five works entrusted to M/s Kerala State Construction Corporation Limited

Inclusion of five per cent OH charges in addition to the ten per cent included in the estimates prepared as per MORTH data resulted in extra expenditure of ₹86.26 lakh for five works.

According to the Standard Data Book of Ministry of Road Transport and Highways (MORTH), the data for items of works includes overhead (OH) charges of 10 per cent so as to cover elements of office furniture, site accommodation, sales/turnover tax, etc. The standard data book of State Public Works Department (PWD) did not contain such provision for OH charges. Considering the liability of contractors towards taxes and duties, Government of Kerala (GoK) approved (May & December 2010) OH charges of five per cent, to be included in the estimate data of works as per PWD specifications.

According to the guidelines (September 2007) issued by GoK for execution of works through agencies other than PWD, the estimate for the construction should be based on latest PWD Schedule of Rates and Technical Sanction for civil works can be issued by the executing agency, provided the cost of work does not exceed the Administrative Sanction amount by more than 15 per cent. Government subsequently (February 2012) ordered that, data based on Indian Roads Congress standards and MORTH specifications along with PWD schedule of rates would be used for preparing estimates for PWD projects.

GoK accorded (October 2012) sanction for five road works at a cost of ₹35.35 crore in order to improve the riding quality of the connected roads to Chamravattam Regulator Cum Bridge, which were under the jurisdiction of PWD Roads Division Manjeri and decided to entrust these works to M/S Kerala State Construction Corporation Limited (KSCC).

Scrutiny of the estimate records relating to these road works entrusted with KSCC revealed that, the Managing Director, KSCC accorded technical sanctions (January 2013 to April 2013) to these five works based on MORTH specifications, allowing additional OH charges of five per cent in the estimate data. As MORTH data already included OH charges, inclusion of OH charges as per State PWD specifications was unnecessary. It was observed that the data relied upon for the issue of Administrative Sanction for these works also included additional OH charges of five per cent.

The unnecessary inclusion of five per cent OH charges over and above the ten per cent OH in the estimates prepared as per MORTH data resulted in extra financial commitment of ₹1.22 crore in respect of these works. Up-to-date extra expenditure (September 2016) on this account worked out to ₹86.26 lakh (Appendix-III(2)) resulting in extra benefit to the contractor.

The matter was referred to Government in March 2017 and the reply is awaited.

**[Audit paragraph 4.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2016 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

9. When the Committee enquired about the details regarding the extra expenditure of ₹86.26 lakh incurred in connection with five works entrusted to M/s.Kerala State Construction Corporation Limited, the Managing Director, Kerala State Construction Corporation Limited, Ernakulam submitted that as per the report of the C&AG, the inclusion of 5% OH charges in addition to the 10% OH charges already included as per MORTH data resulted in an extra expenditure of ₹86.26 lakh in respect of the five works. It was disclosed that ₹86.26 lakh was expended as excess expenditure for the work already executed till then, and after the completion of the entire work, it was observed that an amount of ₹128.31 lakh had been paid in excess, which was subsequently recovered.

10. The Committee enquired about the details regarding the work related to the Tanalur- Puthenathani road widening. The Managing Director, Kerala State Construction Corporation Limited, Ernakulam, replied that the agreed rate for Tanalur- Puthenathani road widening was ₹9,65,55,000/-. However, the work was completed at a cost of ₹9,45,34,000/-, and an amount of ₹45,01,000/- paid in excess had already been recovered.

11. The Committee observed that even though the government had stated that 5% OH charges were sufficient, it had paid 5% OH charges in addition to the 10% OH charges as per MORTH's estimated data. The Committee opined that the Construction Corporation was solely responsible for the excess expenditure incurred, as the Government had released the excess fund to it. The Committee also pointed out that the decision taken at the Chief Engineer level meeting had not been intimated to the Kerala State Construction Corporation, which resulted in extra expenditure. The Additional Secretary, Public Works Department clarified that the 5% OH charges paid in excess had been recovered. The Committee noticed that several lapses had occurred on the part of the Department in dealing with the said matter.

12. The Senior Finance Officer (Roads & Bridges), Public Works Department informed that when OH charges were first introduced in PWD, it was at the rate of 5% and the funds of the State Government were being used for that purpose.

13. The Chief Engineer (Roads), Public Works Department informed that 10% OH charges were included in the Standard Data Book of MORTH. However, for State government work, 5% Over Head charges were allowed additionally after working out the data. The DSR of the State government did not include the MORTH's 10% OH charges. He further explained that the additional inclusion of 5% OH charges as State share apart from the already included 10% OH charges as per the MORTH's data, resulted in a total of 15% OH charges, which was deemed unnecessary.

14. The Committee then inquired about the reason for allowing 5% Over Head charges as State share. The Chief Engineer (Roads), Public Works Department replied that Over Head charges of 5% were allowed by the State Government during the stage of Administrative Sanction and that the overhead charges of 10% in the MORTH data were given at the time of issuing Technical Sanction. Later, when the payment was made, both were added, resulting in a total of 15%. The Senior Finance Officer, Public Works Department supplemented that though the Standard Data Book of PWD did not contain such provision for overhead charges, the Government had approved OH charges of 5% and the estimate was prepared by including an additional OH charge of 5%. Later, the work was incorporated into MORTH data. As the MORTH data already included OH charges of 10%, the inclusion of 5% OH charges as State share resulted in extra expenditure. He added that now there was only MORTH data, and the objection raised in the audit para was rectified.

### Conclusions/ Recommendations

#### **15. No Comments**

### 3.2 Functioning of the Kerala Road Fund Board.

#### 3.2.1 Introduction

The Kerala Road Fund Board (KRFB), a statutory body was established (February 2002) by Government of Kerala (Government) pursuant to the Kerala Road Fund Act, 2001 (the Act). The Act provides for the establishment of a Fund for investments in transport facility projects in the State and to constitute a Board for administration of the said Fund and to monitor and supervise the activities financed from the Fund. The Act prescribed proceeds from various sources to be credited to the Fund. The Secretary to Government, Public Works Department (PWD) is the Member Secretary (MS) and administrative head of the KRFB.

There is an executive committee (EC) for the Board and the Chief Executive Officer (CEO), appointed on contract basis, is the head of office controlling technical and ministerial functions of the Board. The organisational structure of the Board and the Executive Committee is given in Table 3.2.1.

Table 3.2.1: Organisational structure of the Board and the Executive Committee

	Board	Executive Committee
Chairman	Chief Minister	Minister for works
Vice Chairman	Minister for works	Secretary to Government/PWD
Ex-Officio Members	Minister for finance	Secretary to Government/Finance
	Minister for transport	
	Secretary to Government/PWD (Member Secretary)	Secretary to Government /Law
	Secretary to Government /Law	Chief Engineer/Roads and Bridges
	Chief Engineer/Roads and Bridges	
Nominated Members	Three persons nominated by Government among the heads of financial institutions engaged in the business of infrastructure, scheduled banks or technical or engineering personnel working in national level institutions.	Two members nominated by the Board from among the nominated members of the Board

(Source: Kerala Road Fund Act)

### 3.2.2 Audit objectives and scope

The objectives of audit were to ascertain whether:

- (a) the Kerala Road Fund was established and properly administered by the Board in compliance with the provisions of the Act;
- (b) transparent procedures were adopted in selection of project proposals and Concessionaires for Public Private Partnership (PPP) projects, and the projects were implemented observing canons of financial propriety; and
- (c) supervision and monitoring of the projects by KRFB were in compliance with the provisions of the Act.

As the first project undertaken (March 2004) by KRFB, viz. Thiruvananthapuram City Roads Improvement Project (TCRIP) was still continuing, the activities of the Board from March 2004 were covered in audit. The only other PPP project, Kozhikode City Roads Improvement Project (KCRIP) was commenced in 2015 of which phase-IA was nearing completion.

### Audit Findings

#### 3.2.3 Poor achievement of objectives

Section 6(2) of the Act prescribed various sources of funds to be credited to the Road Fund which included:

- all moneys received from the Central Road Fund established under the Central Road Fund Act, 2000;
- 10 per cent of the Motor Vehicle Tax (MVT) collected as per provisions of the Kerala Motor Vehicles Taxation Act, 1976;
- all fees, fines and other amount collected by the Government as per the provisions of the Kerala Highway Protection Act, 1999; and
- all amounts standing to the credit of the Bridges Fund established under Section 12 of the Kerala Tolls Act, 1976;

KRFB received no fund in compliance with the above provisions except the share of MVT, which was also far below the prescribed share as per the Act. The total amount of MVT collected by the State during the period 2000-01 to 2015-16 was ₹16,456.62 crore out of which ₹1,645.65 crore was to be released to KRFB. The Government released only ₹895.23 crore (up to June 2017). The Government was yet to reply regarding the reason for the shortfall in crediting the prescribed share of MVT to KRFB.

Section 4 of the Act authorised the Board to formulate criteria for financing transport facility projects, but the Board did not formulate any such criteria. The CEO stated that financing of projects was based on the decision of the Government from time to time.

KRFB undertook only two City Road Improvement Projects-TCRIP and KCRIP improving 64.318 km of road during the last 15 years. Other than this, there were seven City Road Improvement Projects (CRIPs) proposed under KRFB, the present position of which is shown in Table 3.2.2:

**Table 3.2.2: Present position of CRIPs**

Name of city	DPR <sup>4</sup> submitted to government in	Present position (January 2018)
Alappuzha (phase-I)	January 2017	Administrative sanction (AS) obtained (May 2017), tendering in process
Alappuzha (phase-II)		Final DPR under preparation
Kannur	November 2013	AS obtained (August 2017)
Kollam	March 2017	Final DPR approved and AS awaited
Kottayam	November 2013	DPR approval awaited
Malappuram	November 2014	DPR approval awaited
Thrissur		Final DPR under scrutiny

Source: Records of KRFB

The gross total expenditure incurred by KRFB during the 15 year period ending 2016-17 comes to ₹803.56 crore as detailed in Table 3.2.3:

**Table 3.2.3: Expenditure details of KRFB**

Amount paid to M/s. TRDCL <sup>5</sup> towards annuity for TCRIIP	₹181.40 cr.
Amount paid to M/s TRDCL towards arbitration award <sup>6</sup>	₹124.95 cr.
Expenses for other projects including preparation of DPRs	₹173.07 cr.
Administrative expenses	₹11.80 cr.
Funds provided to PWD/ other agencies for implementation of works under SPEEID Kerala Programme	₹312.34 cr.
<b>Gross total expenditure</b>	<b>₹803.56 cr.</b>

Source: Accounts of KRFB

The DPR of Kannur CRIP submitted in 2013 was approved only in 2017 and that of Kottayam (2013) and Malappuram (2014) are not yet approved. The CEO claimed (October 2017) that the primary objectives of KRFB were achieved by implementing seven CRIPs besides funding a few projects of other wings of PWD by spending ₹312.34 crore for Sustainable and Planned Efforts for Effective Infrastructure Development (SPEEID) Kerala Programme. But, the fact remains that only two CRIPs were undertaken during the last 15 years. In respect of SPEEID, the role of KRFB was only funding without involvement in monitoring and supervision of the activities so funded.

Thus, the achievement of KRFB in formulating and implementing projects for improving the transport facilities in the State was poor.

**[Audit paragraphs 3.2, 3.2.1, 3.2.2 & 3.2.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraphs are included as Appendix II]**

5 Thiruvananthapuram Road Development Company Ltd.

6 This aspect was commented in para 3.4.6 of C&AG's Audit Report (Civil) for the year ended 31 March 2011 (Report No.2 Government of Kerala)



## **Excerpts from the Committee's discussion with Departmental officials**

16. The Committee enquired about the details regarding the above audit paragraphs, the Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that the City Road Improvement Programme, which was the first PPP in the sector, faced some initial issues but was subsequently improved and had been progressing well. The City Road Improvement programmes in Thiruvananthapuram and Kozhikode had already been completed, and those in Kannur and Alappuzha were currently in progress. He explained that funding remains a significant challenge as the fund in compliance with the Motor Vehicle Tax prescribed to KRFB had not been released for years, with a pending amount of ₹1160 crore. The Joint Secretary, Public Works Department & Chief Executive Officer Kerala Road Fund Board informed that frequent communications were being forwarded to the relevant authorities for the release of the pending amount at the earliest.

17. Then the Committee commented that the speedy release of pending funds would be possible only with the ministerial level interventions, in addition to Departmental measures. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied in the affirmative.

### **Conclusions/ Recommendations**

18. The Committee learns that KRFB hardly received any fund in compliance with the provisions except the share of MVT, that too far below the prescribed share as per the Act. Therefore, the Committee directs the Department to take prompt measures to collect the arrears due to KRFB at the earliest.

### **3.2.4 Injudicious application of funds**

#### **3.2.4.1 Lending of ₹53.69 crore outside the purview of prescribed functions/activities**

The Act and Rules do not provide for lending from the fund except assistance in the form of loans secured by borrower's assets. KRFB advanced an amount of ₹53.69 crore (Appendix III(3)) to Roads and Bridges Development Corporation Kerala Ltd (RBDCKL), a PSU, during the years 2007 and 2008, in different spells with varying rates of interest as low as 6 per cent per annum. KRFB lent the amount for meeting the working capital requirements<sup>7</sup> of RBDCKL which did not repay any amount towards principal or interest till date (August 2017). The EC sanctioned the loan during the period when the Board did not meet for four and half years from 17 May, 2007 to 08 November, 2011 and the decision of the EC was ratified (09 November, 2011) by the Board. Lending of money was outside the purview of the prescribed functions/activities of KRFB and not in conformity with the provisions of the Act and Rules.

The total amount due from RBDCKL including interest of ₹33.69 crore accrued up to 31 August, 2017 worked out to ₹87.38 crore (Appendix III(3)). CEO stated (January 2018) that the matter was taken up with RBDCKL and the Government for settling the outstanding amount. The Government had already directed (September 2016) RBDCKL to repay the amount of loan with interest stating that KRFB did not have substantial income of its own for lending.

**[Audit paragraphs 3.2.4 & 3.2.4.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

7 For enabling the company to meet the expenditure related to works already undertaken by them: to pay interest on bonds already issued by the company; for redeeming the bonds; for repaying the bridge loan taken from Bank and for paying the overdue liabilities to HUDCO.

## Excerpts from the Committee's discussion with Departmental officials

19. Regarding the audit query on the lending of ₹53.69 Crore outside the purview of the prescribed functions activities, the Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board informed that the Kerala Road Fund Board released the said amount to the Roads and Bridges Development Corporation Kerala Ltd (RBDCKL) as per Government Order, and it had not yet been repaid. Moreover, Government Ordered on 10<sup>th</sup> December 2021 to convert the principal amount into equity after waiving the interest.

20. In addition, the Committee inquired whether the Road Fund Board received revenue from sources other than motor vehicle taxes. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that although other sources of funds were prescribed in the KRFB Act, none of them were generating revenue.

21. The Committee also sought information on the submission of the DPR for road improvement programmes in Kottayam and Malappuram. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that the DPR of the road improvement programmes in Thrissur, with an estimated cost of ₹600 Crore, was pending before the Government. The Kannur City Road Improvement Programme, which requires crores of rupees, was at the land acquisition stage, and the next project is in Alappuzha district. Although the DPR had been prepared for seven identified cities, it was delayed due to a lack of proper funding. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board explained that the selection criteria for roads included having roads similar to Thiruvananthapuram and Kozhikode, covering mostly corporation areas, and involving the road network in the core of the city. Projects involving land acquisition would require huge amounts, as in the case of Thrissur.

22. The Committee pointed out that the detailed project report of Alappuzha CRIP was submitted in 2017 and received Administrative Sanction in the same year. However, the DPR for the Kannur project submitted in 2013 got Administrative Sanction only in 2017. The Committee sought clarification regarding the reason for that delay. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board explained that DPR selection for the City Road Improvement Programme would take time, as it was being prepared only after project selection and completion of all the studies. Moreover, the shortage of funds was the main reason for the delay in getting Administrative Sanction.

23. The Committee raised concerns about the poor condition of many rural roads and enquired whether the Public Works Department had any plan to address that issue. In response, the Joint Secretary, PWD & Chief Executive Officer, Kerala Road Fund Board replied that being a policy matter, it would require discussions at the minister level and the discussions were going on. He further added that during field inspections, it was observed that some minor roads had been designated as PWD roads in some areas, while some others that could have been designated as PWD roads had been excluded.

24. The Committee wanted to know the criteria for PWD roads and the Chief Engineer (Roads), Public Works Department answered that draft guidelines had been submitted to the Government, which included factors such as inter-connectivity between two PWD roads, regional importance, and so on. The Joint Secretary, Public Works Department & Kerala Road Fund Board assured the Committee that discussions on that matter would be held with the Hon'ble Minister and the Government Secretary.

### **Conclusions/ Recommendations**

**25. No Comments.**

### 3.2.4.2 Undue favour to contractors by way of mobilisation advance

As per the Government (Finance Department) orders<sup>8</sup>, no mobilisation advance (MA) would be given to agencies which are not executing works directly. The Government, accorded<sup>9</sup> administrative sanction to ten projects under SPEEID Kerala Programme to be funded through KRFB. As recommended by KRFB, the Government (PWD) sanctioned MA to the implementing agency for two works as shown in Table 3.2.4:

**Table 3.2.4: Details of mobilisation advance**

Particulars	Improvements and Heavy maintenance to Ramapuram-Nalambalam Darsanam road	Upgradation of Kanjikuzhy-Vettathukavala-Karukachal road
Project cost	₹67.00 cr.	₹67.00 cr.
Implementing agency	KSCC <sup>10</sup> Ltd	KSCC Ltd
Name of contractor	M/s. EKK&Co.	Sri.Sony Mathew
MA released	₹10.15 cr.	₹9.07 cr.
Date of release of MA	17 January 2015	16 January 2015

Source: Records of KRFB and KSCC

The CEO stated (September 2017) that the Government sanctioned the advances to the implementing agencies for onward transmission to the contractors. But, Kerala State Construction Corporation Ltd. (KSCC), in their tender notification clearly mentioned that no MA would be allowed. KRFB, while recommending the MA and PWD while sanctioning it, did not reckon the ineligibility of the contractors for advance with reference to the tender conditions. The CEO stated (January 2018) that such instances would be avoided in future.

**[Audit paragraph 3.2.4.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

8 Para 12 in Annexure II of the GO (P) No.311/14/Fin dated 30/07/2014.

9 G.O.(MS) No.18/2014/PWD dated 22/02/2014.

10 Kerala State Construction Corporation Ltd.

## **Excerpts from the Committee's discussion with Departmental officials**

26. When the Committee enquired about the action taken by the Department regarding the audit para on "undue favour to contractors by way of mobilisation advance," the Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board stated that the mobilization advance was sanctioned as per G.O. No. 33/2015/PWD dated January 7, 2015. The Committee enquired whether there were any restrictions on providing mobilization advances for large projects. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that mobilization advance would not be provided for works executed by PWD using the plan fund. In response to a further query of the Committee, the Joint Secretary, Public Works Department informed that the mobilization advance could be provided only if it was clearly mentioned in the tender document. The Additional Secretary, Public Works Department added that the mobilization advance had to be released in cash to the contractor before starting the work, and quick cash transfers had become difficult as the transactions were being done through the Treasury.

27. The Senior Audit Officer informed the Committee that a government order was in place for the sanctioning of mobilization advance during that time, but the issue was that it was granted in cases where it was not required. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board informed that the order was issued in 2015. The Principal Accountant General clarified that there was no provision for granting mobilization advance for the existing works and that provision had been stopped.

28. When the committee inquired; to whom the amount had been given, the Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board answered that the amount was paid to the contractor. He added that the project was under the Sustainable

and Planned Efforts for Effective Infrastructure Development (SPEEID) Kerala program, and the funds were granted for the construction of the Ramapuram-Nalambalam Darshanam road and the Kanjikuzhi-Vettathukkavala-Karukachal road.

29. The Committee pointed out that if the mobilization advance was not given, the work would become slow. The Committee also pointed out that Clause 12 of the Government Order of 2014 stated that "no mobilization advance will be given to agencies that are not directly executing the work. The mobilization advance up to 20% of the estimated cost for the components of work directly executed by the government agency can be considered in emergent situations with the prior approval of the government."

30. The Senior Audit Officer informed the Committee that the said work was not executed directly by the Construction Corporation, and in their tender notification, it had been mentioned clearly that they would not provide any mobilization advance. The Committee inquired whether the Construction Corporation was giving mobilization advances to its subcontractors, the Senior Audit Officer clarified that they would not provide mobilization advances to their subcontractors.

31. The Committee inquired whether bank guarantee, agreement, contract, etc. should be given as security for the mobilization advance, the Joint Secretary replied in the positive. The Senior Audit Officer clarified that agreement, bank guarantee, and security were commonly required in every contract, and if the mobilization advance was given, the contractor would not have to provide for expenses on his own.

### Conclusions/Recommendations

#### 32. No Comments.

##### 3.2.4.3 Irregular expenditure for publishing magazine

None of the provisions of the Act and Rules provide scope for spending from the Fund for any publication on behalf of the administrative

Department. The EC in its 17<sup>th</sup> meeting (March 2012) decided to provide funds for publishing an in-house journal for PWD. KRFB incurred ₹23.025 lakh during the period from 2012 to 2015 for publishing the magazine 'Rajaveedhi' through a private press. The CEO stated that in order to highlight the activities and achievements of KRFB and other organisations under PWD an exclusive journal was necessary. Spending on publishing of magazine on behalf of the PWD was beyond the scope of functions of KRFB and hence, irregular. The CEO assured that steps would be taken for observing financial propriety in future.

**[Audit paragraph 3.2.4.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

33. When the Committee enquired about the audit query on irregular expenditure for publishing magazine, during the period from 2012-15, the Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board answered that the publication of Rajaveedhi magazine was discontinued.

### **Conclusions/ Recommendations**

**34. No Comments.**

#### **3.2.4.4 Expenditure of ₹0.90 lakh for the purchase of a painting**

KRFB spent (October 2014) ₹0.90 lakh for the purchase of a painting by the renowned artist Shri B.D. Dethan, which was kept in the store room of KRFB. The CEO stated that the painting was purchased under orders of the then Member Secretary, Shri.T.O. Sooraj to furnish his office at the Government Secretariat. It was returned to KRFB on his



relief from the post of Secretary, PWD and kept in the cellar safely. The Act or Rules do not provide for incurring of such expenditure by the Board and the action also violated the provisions of the Kerala Financial Code, which stipulates that purchase of portraits for public buildings requires sanction from the Government. Thus, the utilisation of ₹0.90 lakh from the Kerala Road Fund for furnishing the office of the Secretary, PWD at the Government Secretariat was irregular. The CEO stated (January, 2018) that steps would be taken for valuation and disposal of the painting.

**[Audit paragraph 3.2.4.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

35. The Committee called for an explanation related to the expenditure of ₹0.90 lakh for the purchase of paintings. The witness, Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that steps had been taken to dispose of the painting through auction. The Committee directed to submit a report regarding the action taken in that regard to the Committee urgently.

### **Conclusions/ Recommendations**

36. The Committee notices the fact that KRFB spent an amount of ₹0.90 lakh for the purchase of a painting for furnishing the office of the then PWD Secretary, without obtaining Government approval. The Committee directs that immediate steps should be initiated for conducting auction for its sale as undertaken and the details regarding the measures taken in this regard should be furnished to the Committee at the earliest.

### 3.2.5 Irregularities in administrative matters

#### 3.2.5.1 Irregular exercise/delegation of financial powers

The Board resolved (March 2003) to fix the monetary limit delegated to the EC as ₹10 lakh. The Member Secretary (MS) ordered<sup>11</sup> (August 2010) that (i) administrative sanction for original works up to ₹3 lakh would be issued by Chief Finance Officer (CFO); (ii) up to ₹5 lakh by the Chief Operating Officer (COO); and (iii) Cheque operations of above ₹5 lakh up to ₹50 lakh for which approval of MS has been obtained would be carried out by the CFO and COO jointly. This order was further modified<sup>12</sup> to the effect that the financial powers delegated to all other officers were withdrawn and fully vested with the COO. Accordingly, cheque drawals of up to ₹50 lakh were being done solely by the CEO (COO was re-designated as CEO in November 2011). The CEO stated that the Board meeting held on 05 March 2003 authorised the MS to delegate his financial powers to any person/persons with the approval of the EC. But as the financial powers delegated to EC by the Board was ₹10 lakh only, that exercised by the MS above ₹10 lakh and subsequent delegation of the same to the COO was beyond the competency of the MS. The CEO stated that he was not aware of the matter till it was pointed out by Audit and would place it before the Board for regularisation.

**[Audit paragraphs 3.2.5 & 3.2.5.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

11 vide order No.1803/A3/KRFB/2010/Estt dated 20/08/2010.

12 vide order No.1803/A3/KRFB/2010/Estt dated 23/11/2010

37. When the Committee demanded an explanation for the above audit paragraph, the Senior Audit Officer brought to the attention of the Committee that the financial power delegated to the Member Secretary was up to ₹ 10 lakh. But beyond his competency, he had delegated the financial powers to the Chief Operating Officer for sanctioning an amount of around ₹50 lakh. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that the matter was ratified by the Executive Committee and now there were no such delegations.

38. The Committee further inquired whether ratification by the Executive Committee was enough or Government approval was required. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board responded that it was done due to certain emergency situations and at present, the CEO had the authority to sanction only up to ₹5 lakh. Consequently, many files had to be forwarded to the Member Secretary for approval.

39. The Committee expressed its strong displeasure over the procedural errors that had occurred while exercising the financial powers vested with the responsible officers and decided to recommend that the limit of financial power delegated to the CEO be increased to ₹25 lakh.

### Conclusions/ Recommendations

40. The Committee expresses its strong dissatisfaction with the procedural lapses that have occurred on the part of the officials while discharging financial powers delegated to them. The Committee urges the Department to take corrective measures to avoid recurrence of such instances. The Committee also suggests that the financial power delegated to the CEO be increased to ₹25 lakh.

### **3.2.5.2 Irregular continuation of CEO without approval by Government**

The EC in its meeting held on 03 December 2009 decided to appoint a COO on contract basis and appointed Shri Harikesh PC to the post and re-designated (November 2011) it as CEO. As decided by the EC (May 2013) the MS extended the term of the CEO up to June 2016. The Government ratified the action in February 2015. Though the Board sanctioned further extension for three years, government sanction for the same was not obtained. The incumbent was continuing in office - from July 2016 onwards without government approval. This was in contravention to the government order (November 2013) which directs that prior permission of the Government was required for recruitment of personnel to administrative/financial/legal posts of Public Sector Undertakings and Autonomous Bodies. The CEO stated that based on the audit observation, Government was addressed (January 2018) to issue necessary orders sanctioning the extension.

**[Audit paragraph 3.2.5.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

#### **Excerpts from the Committee's discussion with Departmental officials**

41. When enquired about the details regarding the above audit paragraph, the Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board replied that currently the Chief Executive Officer in KRFB was appointed on deputation basis and earlier it was on contract basis.

42. When the Committee pointed out that the contract had been extended without the approval of the Government, the Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that his service had been terminated when it was notified.

43. The Committee enquired whether the Government had issued a ratification order regarding the extension. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied in the negative and added that a proposal regarding that would be submitted to the Government. The Committee directed the Department to furnish a final report regarding the said matter to the Committee urgently.

### Conclusions/ Recommendations

44. The Committee directs the Department to furnish a report regarding the action taken to regularise the process of extension of the term of office of the CEO.

#### **3.2.6 Irregularities in implementation of PPP Project-TCRIP**

TCRIP was implemented for improvement of 42.067 km of city roads in 17 corridors. The project was arranged under BOT mode and the Concessionaire of the project was TRDCL. The concession agreement was executed on 16 March 2004 between KRFB, State PWD and the Concessionaire. As per the agreement, the Concessionaire shall construct the project facilities within a period of 32 months and on completion, operate and maintain the project facilities as per project requirements for 15 years. The amount of half-yearly annuity payable to the Concessionaire was fixed at ₹17.749 crore. Due to various reasons, the project could not be completed as per the agreed date of completion. It was mutually agree to complete the work in a phased manner and pay the annuity proportionately. The project was carried out in four phases and Commercial Operation Dates (COD) were declared with effect from January 2008, February 2012, February 2015 and May 2016 respectively.

##### **3.2.6.1 Non-compliance to Operation & Maintenance requirements**

As per Article 5.5 of the Concession Agreement, the Concessionaire shall be responsible to operate and maintain the project facilities in accordance with the Operation & Maintenance (O&M) requirements. On scrutiny of periodical reports of the Independent Engineer (IE),

Audit observed that the project facilities were not maintained as per the agreement conditions and O&M requirements. KRFB did not take proper action to repair and maintain the project facilities.

As per Clause 3.1.A(c) of Schedule-I of the Concession Agreement, the road roughness value shall be measured at least twice a year with a properly calibrated Bump Integrator (BI)<sup>13</sup> device and the Concessionaire shall ensure that at no point during the operation period the roughness of the road surface shall fall below the prescribed acceptable roughness value. As per the BI tests conducted in December 2016 and June 2017 under the supervision of the IE, most<sup>14</sup> of the corridors did not fall within the acceptable value. The CEO replied (September 2017) that these results differed from those produced by the Concessionaire and therefore KRFB would measure the road roughness through a third party. This was beyond the scope of the concession agreement and it undermined the role of IE. The CEO later stated (January 2018) that the BI tests conducted by the third party confirmed the evaluation by the IE based on which the Concessionaire was directed for rectification.

As per Appendix I-1 of the O&M Requirements in the concession agreement, timelines ranging from 24 hours to one month were fixed for each type of rectification work. As per Article 5.5(b), in the case of failure to meet O&M requirements, KRFB may cause to repair at the risk and cost of the Concessionaire and the Concessionaire shall be liable to reimburse one and a half times the cost to KRFB. Audit observed that the Concessionaire did not rectify the defects pointed out in monthly/half yearly reports of the IE in time, as evident from subsequent monthly/half-yearly inspection reports. During the joint site verification conducted (July and August 2017) by the Audit team along with the Site Engineer/Deputy Manager of KRFB, it was observed (six photographs are given as Appendix III(4)) that restoration/

13 BI –A device for quantitative integrated evaluation of surface irregularities on a digital counter

14 12 out of 17 (December 2016) and 14 out of 17 (June 2017)

rectification works in respect of cutting on road, paved footpath, etc. were not carried out by the Concessionaire at various points along 16 corridors (out of 17). The CEO stated (January 2018) that there were practical difficulties such as frequent road cuttings, delay in completion of works by utility agencies, high technology involved etc. in carrying out immediate restoration works and informed that notice was issued to the Concessionaire for remedial measures and in case of non-compliance, the work would be done at the risk and cost of the Concessionaire.

It is apparent from the above that the reports on the non-compliance of O&M requirements furnished by the IE in December 2016 to June 2017, many of which were confirmed in joint verification by Audit, were not acted upon, and penal provision as per Article 5.5 (b) not invoked (January 2018).

**[Audit paragraphs 3.2.6 & 3.2.6.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraphs are included as Appendix II]**

#### **Excerpts from Committee's discussion with Departmental officials**

45. When the Committee enquired about the details regarding the above audit paragraphs, the Joint Secretary, Public Works Department and Chief Executive Officer Kerala Road Fund Board replied that in the City Road Improvement Programme roads with improper shapes were declared as unavailable after measuring the roughness index of the road. The annuity amount was reduced, and an adjusted annuity was paid. Due to certain issues in connection with the contract agreement, proper overlaying was not possible from 2008 onwards. However, testing is being done on time after completing the overlay works on all roads in the Thiruvananthapuram City Road Improvement Project (TCRIP), he added.

46. When the Committee enquired whether the said matter was detected by the engineering wing before it was raised by the Audit, the Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board replied in the negative. He added that the Department had an independent engineering system. The repairs and overlays needed could be detected by conducting half yearly inspection tests. But due to communication gap in contract management, the test could not be arranged properly in certain situations. But in the said case, the overlay could not be done on time even though the amount was deducted after conducting the test. He added that there was no financial loss in contract management. In addition to it, the Chief Engineer (Roads), Public Works Department informed that the contractor failed to provide timely overlaying and other rectification works in connection with the roads in TCRIP but there was no financial loss related to it.

47. In continuation, the Senior Audit Officer commented that it was a PPP project and the role of the Independent Engineer was very important. Even though the Independent Engineer submitted a report regarding the said case, no action was taken by the CEO and it was approved only after conducting a third-party survey. He further added that the Independent Engineer's report in that regard had to be accepted. The appointment of the IE was made together by the concessionaire and the Board.

48. The Committee wanted to know the role of the Independent Engineer. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board answered that an Independent Engineer was considered as a consultant. To the Committee's query regarding the independent engineer, the Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board replied that there was a provision regarding the Independent Engineer in the tender document itself and the Independent Engineer is appointed as a supervisory consultant. For the



appointment of the Independent Engineer, the contractor would provide a list, and from that list, the government would shortlist and appoint the Independent Engineer based on mutual agreement of the Board and Concessionaire, he added.

49. The Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board, further added that the supervisory consultant was independent. As KSTP had a supervisory consultant system, the roads were in good condition. At the same time, these roads were very expensive.

50. The Committee pointed out that there are no supervisory officers on the work sites of PWD under Rebuild Kerala Initiative. To which the Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board, intimated that the Supervisory Consultant System was working strongly in KSTP.

51. When the Committee pointed out the lack of sufficient strength of engineers for the supervision of works in the Public Works Department, the Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board assured that the matter would be checked.

### Conclusions/ Recommendations

#### 52. No Comments.

#### **3.2.6.2 Failure in engagement of independent Project Engineer**

As per Article 1.1 of the Concession Agreement, Project Engineer (PE) means “a reputed person being a firm, company or a body corporate appointed in accordance with Article 4, for supervision and monitoring of compliance by the Concessionaire as per the project requirements, more particularly to undertake, perform and carryout the duties, responsibilities, services and activities set forth in Schedule-L”. The role of PE inter alia includes,

- independent review, monitoring, and approval of activities

associated with the Design, Construction, O&M of project facilities to ensure compliance by the Concessionaire with the DPR/project requirements; and

- report to the parties on the various aspects of the project based on inspections, site visits and tests.

As per Article 4.1 of the Concession Agreement, 'for the appointment of PE, the Board shall forward a list consisting of names with profile in brief of up to five persons who are willing to act as PE for the project. The Concessionaire shall select one person out of the list forwarded by KRFB together with its consent for appointment, and KRFB shall appoint within 15 days, such person as PE'.

But without following this procedure, KRFB posted Engineers from PWD as PE treating them as employees of the KRFB. Later KRFB appointed M/s Egis (India) Consulting Engineers Pvt. Ltd. (October 2012 to February 2016) and M/s Satra Infrastructure Management Services Pvt. Ltd., Secunderabad (September 2016 onwards) as Independent Engineers (IE). But the procedure prescribed under Article 4.1 was not followed in these appointments also.

The CEO stated that KRFB engaged the IEs for assisting in the monitoring of O&M activities of TCRIP. This was not true as the provisional certificate in respect of Phase III was issued by M/s Egis (India) Consulting Engineers Pvt. Ltd. in the capacity of 'PE' as envisaged in Article 5.4. The CEO admitted (January 2018) that the procedure prescribed as per Article 4.1 was not followed strictly for appointment of PE/IE, but it did not affect their performance as prescribed in the concession agreement. This was contrary to their earlier statement (September 2017) that the IE was posted to assist the PE. In effect, this loophole enabled the Concessionaire to discard the observations of the IE. The CEO assured that based on the audit observation, steps would be initiated for appointing an IE for TCRIP.

### 3.2.6.3 Excess expenditure of ₹10.74 crore due to exorbitant rates allowed as differential cost for substituting material for pavement of foot path

The approved DPR of TCRIP as well as the agreement provide for construction and maintenance of footpath paved with 18mm cobble stones laid over 150mm thick sub grade on 18 mm cement mortar wherever necessary. Based on a proposal, the EC meeting held on 25 August 2008 approved in principle substitution of the cobble stones with Polymer coated Interlocking Blocks (PCIB) and directed PE to prepare a detailed note showing cost implication. As per the agenda notes of the EC meeting held on 31 December 2008, the differential cost worked out based on observed data and market rates was ₹211.36/m<sup>2</sup> whereas that demanded by TRDCL was ₹304/m<sup>2</sup>, which was excess by 43 per cent.

The EC resolved (31 December 2008) that the rates would be negotiated and fixed by the Chief Engineer (CE), the then head of office, and additional commitment would be reported to the Committee. But TRDCL demanded (19 February 2009) enhanced rate of ₹1,398.80/m<sup>2</sup>, which was accepted by the CE who directed (02 April 2009) the Concessionaire to proceed with the work. The Concessionaire was allowed to carry out the work without the consent of the EC. Audit observed that the EC held on 31 December 2008 directed the CE to negotiate with TRDCL for reducing the differential cost from ₹304/m<sup>2</sup>, but the CE accepted the rate of ₹1,398.80/m<sup>2</sup>. The EC, which met on 03 December 2009 approved the rate and ratified the action in having proceeded with the work. An analysis of the approved rate revealed that the rate was exorbitant as evident from the following.

- (a) Cost of laying the PCIB originally proposed (December 2008) by TRDCL was ₹711/m<sup>2</sup>, but it was enhanced to ₹1,705/m<sup>2</sup> (excess 139.80 per cent).

- (b) An additional amount of ₹250/m<sup>2</sup> was added presumptively towards the cost of outer kerbs.

Hike in price of materials, need for purchase from outside the State and cost of establishment and overheads etc. were the reasons adduced for enhancement. This was not tenable as the differential rate demanded earlier by TRDCL itself was in excess of the then prevailing market rate. The total amount paid (up to May 2016) towards differential cost was ₹13.73 crore (Appendix III(5)) and a claim of ₹97.25 lakh<sup>15</sup> was pending payment. The excess expenditure incurred by KRFB on account of the executed quantity worked out to ₹10.74 crore<sup>16</sup>.

The CEO replied (September 2017) that as per the concession agreement, change of scope as agreeable to both the parties was admissible, which was approved by the EC. It was further stated (January 2018) that change in specification was made not to favour the Concessionaire. Audit observation was not regarding the change of scope/specification, but on the fact that, while sanctioning the change, KRFB allowed differential cost amounting to ₹13.73 crore, which was far in excess of the rates originally demanded by the Concessionaire, which happened due to want of diligence on the part of the KRFB authorities.

**[Audit paragraphs 3.2.6.2 & 3.2.6.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraphs are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

53. Regarding the audit query on the excess expenditure of ₹10.74 crore due to exorbitant rates allowed as differential costs for

15 For a quantity of 6,952.41 m<sup>2</sup>

16 (₹1,398.80-₹304) x 98,138.79 m<sup>2</sup> excluding VAT

substituting material for pavement on a footpath, the Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board replied that cobblestones were initially intended to be used on the footpath as per the TCRIP agreement. However, due to certain technical reasons, polymer-coated interlocking blocks (PCIB) were used instead of cobblestones, resulting in a higher rate. The reason for that was the price increase of PCIB by 45%, and the unavailability of bulk quantity of PCIB in Kerala. Therefore, more money would be required to import it from outside the State. The rates quoted by the concessionaire were approved by the then Chief Engineer, who recommended the same to the Executive Committee and duly got approval for the rate.

54. The Committee noted that even though the Executive Committee had directed to negotiate the amount of ₹304/m<sup>2</sup> quoted by the concessionaire, the CE accepted the revised higher rate of ₹1398.80/m<sup>2</sup>, which was more than four times the amount to be negotiated, resulting in an excess expenditure of ₹10.74 Crore. When the Committee inquired about the reason for that the Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board stated that a detailed reply would be submitted after verifying the details.

55. The Committee also inquired whether any study had been conducted before deciding to use PCIB instead of cobblestone. The Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board replied that it was based on the report submitted by the concessionaire. The Committee expressed its concern about the contractor deciding such matters. The Committee also noticed that the rate was not negotiated. The Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board submitted that the length of the road was approximately 43 kilometres and it was not a tourist destination. If it was a tourist destination, granite or cobblestones could be laid.

56. The Committee opined that if there was any change in the estimate, it should be authenticated by supporting documents. Then the Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board replied that upon considering its seriousness, the matter would be verified in detail.

57. The Committee pointed out that even though the rate quoted by the concessionaire was ₹304/m<sup>2</sup>, later, he had been paid ₹1398.80/m<sup>2</sup>. The Senior Audit Officer informed that the rate quoted by the concessionaire was ₹304/m<sup>2</sup>. However, instead of reducing the rate, it had been increased to ₹1398.80/m<sup>2</sup> after negotiation. The Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board informed that a reply would be submitted after verifying it.

### Conclusions/Recommendations

58. The Committee directs the Department to provide a detailed report containing reasons behind the excess expenditure of ₹10.74 crore resulting from the exorbitant rates allowed as differential cost for substituting material for pavement of footpath.

#### **3.2.6.4 Unwarranted payment of ₹79.50 lakh for engaging traffic wardens during construction**

Clause 3.1(ii) of Schedule-H of the Concession Agreement says that the Concessionaire should ensure construction with minimal inconvenience to traffic using the existing road and providing detours required. As per Article 5.8(k), the Concessionaire shall, at its own cost, make payments to the Police Department or any government body, if required, for provision of such services as are not provided in the normal course or are available only on payment. The Board shall assist the Concessionaire in obtaining police assistance against payment of prescribed charges (Article 6.2.c). No provisions in the Act/Rules enable the Board to expend for a service for which the Concessionaire was responsible. But, KRFB incurred an expenditure of ₹79.50 lakh

(Appendix III(6)), during the period from 2009 to 2015 for providing traffic wardens to regulate traffic at various project sites of TCRIP. As the agreement contains clear provisions entrusting the responsibility of traffic management during implementation period, with the Concessionaire, expenditure incurred by KRFB on this account was irregular and an undue favour to the Concessionaire.

The CEO stated (January 2018) that the traffic wardens were engaged to regulate traffic at various locations in areas adjacent to project corridors where traffic congestion was observed due to works carried out for TCRIP. As the expenditure required for regulation of traffic in connection with the work was to be borne by the Concessionaire, shouldering of the same by KRFB was unwarranted.

**[Audit paragraph 3.2.6.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

59. The Committee enquired as to why the KRFB had made a payment of ₹79.50 lakh for providing traffic wardens to regulate the traffic at various project sites of TCRIP, which the concessionaire had to bear as per the agreement. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that traffic wardens were appointed by the Traffic Police Authority. The expenditure incurred was paid to Traffic Police Authority as per their request and the payment had been approved by the Executive Committee.

60. The Committee opined that though traffic wardens were appointed by the local police, KRFB paid the said amount to the concessionaire. The Joint Secretary, Public Works Department and



Chief Executive Officer, Kerala Road Fund Board replied that the appointments of traffic wardens were made by the Traffic Police Authority.

61. The Committee wanted to know the terms of the agreement and also enquired whether the expenditure incurred was genuine. The Joint Secretary, Public Works Department and Chief Executive Officer, Kerala Road Fund Board replied that the service of Traffic wardens were not utilized in the TCRIP road works but their services were utilized to ease traffic congestion in other roads in the vicinity of the project corridors during implementation. He further added that the traffic management in the project site would be managed by the contractor during the implementation period. Being a special project, the work was started simultaneously on many roads in Thiruvananthapuram and traffic congestion occurred in different locations of various roads in the adjacent areas also and KRFB had accepted the proposal given by the Traffic Management Authority, he added.

62. The Committee directed the Department to submit the details regarding the payment of ₹79.50 lakh by the KRFB for engaging traffic wardens during construction and also enquired whether the amount had been paid to the concessionaire or to the traffic authority. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board informed that reply would be furnished after examining the matter in detail.

### **Conclusions/ Recommendations**

63. The Committee directs the Department to submit a report regarding the payment of ₹79.50 lakh by the Kerala Road Fund Board (KRFB) for engaging traffic wardens to regulate traffic at various project sites. In addition, the Committee urges the Department to provide details regarding the disbursement of the said amount specifying whether it has been paid to the concessionaire or to the Traffic Police Authority.



### 3.2.6.5 Irregular calculation of proportionate annuity resulting in undue gain to the Concessionaire on account of interest ₹1.53 crore

The EC resolved (April 2012) to calculate the proportionate annuity for phase-II based on the quantum of work completed and the proposal was submitted to the government. This action was ratified (June 2012) by the Board. Accordingly, the proportionate annuity was fixed at ₹6.018 crore. But, in the next meeting (October 2012) EC decided to release ₹6.59 crore based on the length of the road completed. Details are tabulated in Table 3.2.5 below:

Table 3.2.5: Details of calculated proportionate annuity

Proportionate annuity based on quantum of work completed		Proportionate annuity based on length of road completed	
Estimated project cost	₹105.60 crore	Total length of road considered	42.402 km
Cost of work completed in phase-II	₹35.81 crore	Length of road completed in phase-II	15.739 km
Percentage of completion	33.91	Percentage of completion	37.12
Proportionate annuity (17.749* $\frac{33.91}{100}$ )	₹6.018 crore	Proportionate annuity (17.749* $\frac{37.12}{100}$ )	₹6.59 crore

\*Total half yearly annuity. Source: Records of KRFB

Proportionate annuity paid was in excess by ₹0.572 crore (₹6.590 crore - ₹6.018 crore). Considering ₹0.572 crore was paid in advance, undue gain to the Concessionaire on account of interest for the period from November 2012 to May 2017 worked out to ₹1.53 crore (Appendix III(7)).

The CEO stated that payment for phase-I was made based on the length of the road completed and this method was followed in subsequent phase also. The reply is not acceptable since the part annuity in respect of phase-I was fixed as one-third of the total annuity based on mutually agreed terms and not based on the length of the road completed.

[Audit paragraph 3.2.6.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]

[Notes received from the Government on the above audit paragraph are included as Appendix II]

**Excerpts from Committee's discussion with Departmental officials**

64. When the Committee enquired about the details regarding the audit paragraph on the irregular calculation of a proportionate annuity resulting in an undue gain to the concessionaire on account of interest ₹1.53 crore, the Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that the decision regarding this was taken by the Executive Committee. It was decided to pay one third of the annuity for each phase. But the distance between the phases was not evenly distributed. Based on the completion of 15.739 km of the total 42.069 km road, an amount in proportion to 37.12% of the total annuity amount was sanctioned. Since the annuity fixed for the first phase as one-third of the total annuity was found unscientific, the decision taken was re-examined and the proportionate annuity was determined on the percentage of completed road length and it was approved by the Executive Committee. Audit pointed out that the concessionaire was paid more amount in advance. But the Executive Committee took such a decision only after scientific verification on the basis of completed stretches, he added.

### Conclusions/ Recommendations

**65. No Comments.**

**3.2.6.6 Payment of annuity in advance resulting in undue gain to the Concessionaire ₹2.45crore**

As per Article 8.3(f) of the Concession Agreement, the Board's obligation to pay annuity shall arise subject to and only upon occurrence of Commercial Operations Date (COD). Article 1.1 defines

COD, as the commercial operations date of the project, which shall be the date on which the PE issued the Provisional Certificate (PC) or the Completion Certificate. PC shall have appended a list of outstanding items (punch list) signed jointly by the PE and the Concessionaire, which shall be completed within 90 days of the date of issue of the PC.

The PC with punch list for phase-II was issued in September 2012 based on which the commencement of annuity was due only in March 2013. In the PC it was stated that substantial completion was achieved in February 2012 itself and KRFB fixed half-yearly schedule for payment of annuity commencing from August 2012<sup>17</sup>. This resulted in payment of annuity in advance ranging from three to six months in subsequent instalments. The undue financial gain to the Concessionaire worked out to ₹2.45 crore (Appendix III(8)).

The CEO stated that the delay on the part of KRFB in issuing the PC cannot be treated as a counter claim in denying the right of the Concessionaire to claim annuity from six months of completion of works and opening the road to traffic. However, had the works been completed in February 2012 itself, there would not have been appended a punch list with the PC issued in September 2012. Hence the reply was not tenable.

**[Audit paragraph 3.2.6.6. contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

66. When enquired about the details regarding the above audit paragraph, the Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that it was a technical matter. The second phase of TCRIP was opened to traffic in

17 First instalment was paid in November 2012.

February 2012. But they had not collected the annuity from the date of opening onwards as the road laying was done after that and then the punch list was made by the Independent Engineer. The technical point was that the completion date should be after the completion of the outstanding items in the punch list. Since it was opened to traffic, annuity was paid from 22.02.2012.

67. The Senior Audit Officer added that the objection was raised by the C&AG as it was not included in the punch list. The punch list provided by the Independent Engineer was an important document in the PPP project. The punch list showed that the said work was not completed. However, KRFB stated that the road work had been completed and it was opened for traffic. The Senior Audit Officer added that no work should remain in the punch list once traffic was opened. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that though the point of observation was correct, the fact that the traffic was opened should also be considered.

### Conclusions/ Recommendations

68. No Comments.

#### **3.2.6.7 Undue benefit to Concessionaire on account of extra length of road claimed as constructed**

Total length of the road completed and COD issued in four phases was 42.385 km as against 42.069 km as per DPR, showing an extra length of 0.316 km. While calculating the amount due to the Concessionaire on account of the extra length of road constructed, the total length was reckoned as 42.676 km with a length of 0.291 km which was not covered in the length of road for which CODs were issued. This resulted in undue benefit to the Concessionaire to the tune of ₹1.164 crore at the rate of ₹4 crore per km<sup>18</sup>. CEO stated that the matter would be examined and recovery made.

18 As per the technical audit report cost per km worked out was ₹4 crore.

[Audit paragraph 3.2.6.7 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]

[Notes received from the Government on the above audit paragraph are included as Appendix II]

**Excerpts from the Committee's discussion with Departmental officials**

69. The Committee enquired about the undue benefit given to the concessionaire on account of an extra length of 0.291 km. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied that even though an additional length was added, no extra payment was made for that.

70. The Senior Audit Officer pointed out that an extra length of 0.291 km was added while making the payment, and suggested that it would be better to verify this again. In light of that, the Committee directed the Department to submit a detailed report after re-examining the actual length of the road and the amount paid to the concessionaire. The Joint Secretary, Public Works Department & Chief Executive Officer, Kerala Road Fund Board replied in the affirmative.

### **Conclusions/ Recommendations**

71. The Committee directs the Department to submit an urgent detailed report regarding the audit observation including the actual length of the road constructed and the payment made to the concessionaire.

#### **3.2.6.8 Exorbitant rates for restoration works**

Restoration work is meant for restoring project facilities to their original position consequent on cutting by utility agencies/public. As per Article 3.2(d) of the concession agreement, restoration works shall be carried out by the Concessionaire and the amounts collected from utility agencies/public as restoration charges would be reimbursed. The

rates for restoration charges proposed by TRDCL and approved in the 11<sup>th</sup> meeting of the EC when compared with the rates prevailing in State PWD based on IRC/MoRTH<sup>19</sup> specifications, were as shown in Table 3.2.6:

**Table 3.2.6: Comparison of rates with that of State PWD**

Restoration charges realised by KRFB from 01 April 2008 onwards (₹per m <sup>2</sup> )		Prevailing rates of restoration in PWD (NH) from 2012 onwards (₹per m <sup>2</sup> )	
Completed carriageway	7562.30	BT Surface	3854.00
Uncompleted carriageway	5504.72		
Unpaved footpath	1713.00	Berm	264.00
		Shoulder	946.00

Source: Records of KRFB and government circulars

As per Schedule-G of the Agreement, the pavement was to be designed as per IRC/MoRTH specifications, and only if the codes and standards applicable were silent on any aspect, alternate standards proposed by the Concessionaire could be adopted. Disregarding this, the Concessionaire put forth its own methodology for restoration works by including excessive quantities, costlier materials, unnecessary items etc., which was accepted by KRFB. The rates were boosted up by including unnecessary provisions like plain cement concrete below flexible pavement, trenching in excessive depths, costlier river sand in place of sand for filling, excavation and filling with river sand under paved footpath generally constructed over drains etc. The irrational measure resulted in fixing exorbitant rates for restoration works entailing financial burden to the utility agencies/public and bestowing undue benefit to the Concessionaire.

The justifications given by TRDCL were urgency of works, excessive cost due to lesser quantities and need for safety arrangements. Though the concession agreement stipulates prompt restoration of the project

19 IRC-Indian Roads Congress. MoRTH-Ministry of Road Transport and Highways.

facilities, the inspection reports of the IE and the notices issued by KRFB revealed that TRDCL did not attend to the restoration works in time. Joint site verification conducted (July 2017) by the Audit team also revealed that restoration works in 20 locations along various corridors reported by the IE during the period November 2016 to May 2017 were still lying unattended. The CEO stated (January 2018) that the surface could not be restored to its original condition since proper compaction could not be achieved for small cuttings resulting in settlement of carriageway and so the Concessionaire had to undertake several restoration works at its cost. This indicates that the restoration works carried out by the Concessionaire were sub-standard, which cannot be adduced as a reason for excessive rates for restoration.

### **3.2.7 Conclusion**

- Out of the several sources of fund specified in the Act, only the share from MVT was provided, that too partially.
- KRFB deployed its funds for purposes, which were not included in its objective.
- The execution of the PPP project was without ensuring financial propriety.
- KRFB failed in ensuring timely restoration of project facilities.

**[Audit paragraphs 3.2.6.8 & 3.2.7 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraphs are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

72. When the Committee enquired about the basis for setting exorbitant rates for restoration works, the Joint Secretary, Public Works Department and Chief Executive Officer of the Kerala Road Fund Board responded that the rate had been reduced to 15% following the audit objection.



73. When the Committee asked whether the extra payment had been quantified, the Joint Secretary explained that the estimate had been submitted by the concessionaire, who was also responsible for maintaining the road. As such, the concessionaire had claimed an enhanced rate, which was subsequently reduced based on the audit observation.

74. Regarding the concessionaire of the project, the Joint Secretary confirmed that Thiruvananthapuram Road Development Company Limited (TRDCL), an organization of Infrastructure Leasing and Financial Services (ILFS), held the concession. When asked whether an exorbitant rate had been paid, the Joint Secretary acknowledged that C&AG had detected that an enhanced rate had been paid to the concessionaire and that the rate of work was indeed high. The Committee further questioned whether the reduced amount was also exorbitant. In response, the Joint Secretary stated that a report would be submitted to the Committee after re-examining the matter.

75. The Senior Audit Officer highlighted that the amount was paid as restoration charge. He added that to obtain permission for cutting and other activities on PWD roads, the restoration charge had to be paid in accordance with the PWD estimate. Similarly, permission had to be obtained from TRDCL for cutting on roads under their jurisdiction. However, the rate charged by TRDCL was higher than that of PWD, which was questioned by the Accountant General.

76. The Committee further inquired whether any enhanced amount was collected from anyone in connection with road cutting and whether the same had been given to TRDCL. The Joint Secretary replied in the positive and added that the Department would provide a detailed report on the matter at the next meeting.



### Conclusions/Recommendations

77. The Committee directs the Department to submit a detailed report about the action taken by the Department on the objection raised by Audit regarding the payment of exorbitant rates for restoration works.

#### 4.2 Avoidable extra expenditure on three unwarranted works and payment on fictitious measurements.

**Non-exercise of propriety by Departmental authorities in arranging road work resulted in execution of three unwarranted works costing ₹74.99 lakh. Besides, fictitious measurements and admission of irregular claims by Departmental authorities resulted in payment of ₹15.78 lakh.**

The Kerala Public Works Department Manual, Revised Edition 2012 (Manual) stipulates that a road once renewed with Chipping Carpet is to be taken up for renewal normally after three years. The Government of Kerala (Government) issued (August 2013) orders fixing the defect liability period (DLP) of different types of works in Public Works Department (Department), according to which, DLP of the work of surface renewal with 20 mm chipping carpet is 12 months.

1. The Government accorded (June 2014) Administrative Sanction (AS) to a work<sup>20</sup> for ₹3.50 crore, which included providing 50 mm BM<sup>21</sup> and 30 mm BC<sup>22</sup> in two layers. The Chief Engineer (Roads & Bridges) (CE) issued (October 2014) Technical Sanction (TS) for ₹3.50 crore. Superintending Engineer (Roads & Bridges) Central Circle, Aluva (SE) tendered the work twice (October 2014 & November 2014), but evoked no response from contractors. Subsequently SE invited (December 2014) limited quotations and received two offers. The lowest quotation was 39.80 per cent above estimate rate. Government accepted (June

20 Budget work 2014-15: Improvements to Edappally-Muvattupuzha road from Kuzhivelipady to Pukkattupady chainage 8/000 to 11/020 km.

21 Bituminous Macadam.

22 Bituminous Concrete

2015) the tender at 17.07 per cent above estimate rate (₹3.88 crore<sup>23</sup>). The SE issued (September 2015) selection notice to the contractor<sup>24</sup> and the contract agreement was executed (October 2015). The time of completion was nine months (by 10 June, 2016). The contractor completed the work on 26 May 2016 and the final bill amounting to ₹3.50 crore was paid in October 2017. On scrutiny of the records of the offices of R&B Central Circle, Aluva and Roads Division, Ernakulam and joint site verification conducted on 31 October 2017, it was observed that:

- The length of the reach on which BM and BC work were actually done was 3,030 m. But as per the measurement records 3,100 m was measured for payment. This resulted in excess payment of ₹4.87 lakh<sup>25</sup> on account of the excess measurement of 70 m.
- The measurement of 3,100 m also included 301.60 m long road which was paved with 10 cm thick heavy duty interlocking tiles in place of bituminous surface. However, the Department paid contractor for executing BC over 3,100 m, without excluding tiled portion. This led to excess payment of ₹8.39 lakh.<sup>26</sup>
- Eleven sign boards indicating direction and place were measured and ₹0.58 lakh paid to the contractor. But Audit was unable to find any of the sign boards during a joint physical verification conducted along with Departmental officials.
- The Department permitted the contractor to discount (13 April, 2017) a bill of ₹1.94 lakh relating to purchase of bitumen, stated to be for the work, made four months after completion of the work.

On these being pointed out, the Executive Engineer, Roads Division, Ernakulam (EE) replied (November 2017) that the exact amount of

23 This excludes tender variation on cost of bitumen

24 Shri Subin George.

25 Approximate cost for 70 metre excluding tender excess.

26 Approximate cost for 301.60 metre excluding tender excess.

excess payment made would be calculated after obtaining clarification from the officers concerned.

Recording of fictitious measurements and admission of irregular claims amounting to ₹15.78<sup>27</sup> lakh indicate serious possibilities of fraud and malpractice.

2. While the tender process of the above work was underway, the EE, proposed (April 2015) three estimates of ₹24.99 lakh each under Renewal Programme, for rectification of damages in different chainages<sup>28</sup> of the same reach of road mentioned above, on the plea that there was demand from the public and the local MLA to do the work urgently. The CE accorded (23 June 2015) AS to the works which consisted of Bituminous levelling course with 36 mm metal and open graded premix<sup>29</sup> surfacing of 20 mm thickness subject to the condition that the tendering authority should ensure that no part of the works should be duplicated with any of the works already sanctioned within the reach. EE issued (24 June 2015) TS and invited (24 June 2015) limited tenders for the works. Two tenders each were received (24 June 2015) and the lowest rate quoted (estimate rate) in all three works was by entities promoted by Shri Subin George. The EE awarded (July 2015) all three works at a total cost of ₹74.99 lakh<sup>30</sup>. The SE ratified (09 July 2015) the action of the EE in having arranged the works by waiving tender call although it was beyond his delegated powers. The site for the works were handed over (04 July 2015) to the contractor who completed the works (31 August 2015).

Scrutiny of the records at the offices of R&B Central Circle, Aluva and Roads Division, Ernakulam revealed the following:

- Proposals for the renewal works were submitted by the Division to the CE who accorded (23 June 2015) AS despite the fact that

27 ₹4.87 lakh + ₹8.39 lakh + ₹0.58 lakh + ₹1.94 lakh.

28 Ch.8/000 to 8/950, 9/210 to 10/000 and 10/150 to 11/020.

29 Material used for surfacing of roads which consists of small-sized aggregates pre-mixed with bitumen and laid on a previously prepared surface.

30 ₹24,99,989 + ₹24,99,256 + ₹24,99,990 = ₹74,99,235.

tender process of the Improvement work on the same stretch of road was under way. The proposal for renewal works was, therefore, unwarranted.

- The CE was aware that the tender approval of the improvement work was under consideration with Government. In spite of this, he accorded AS for the renewal works.
- The EE showed undue haste in awarding the three renewal works by not ascertaining the status of the improvement work which was already under tender process, thus contravening the CE's direction in the AS order that works should not be duplicated with any of the works already sanctioned.
- As per Section 2012 of the Manual, CE and SE were competent to waive tender calls of the value up to ₹25 lakh and up to ₹10 lakh respectively. Waiving tenders of more than ₹25 lakh by EE and ratification by SE were beyond their respective delegated financial powers, which were irregular as per the instructions issued by the Government.

Thus, awarding three renewal works on the same stretch of road when it was clearly evident that it would get submerged in the ensuing improvement works lacked financial propriety and caused the Department to incur an avoidable expenditure of ₹74.99 lakh.

The matter was referred to the Government in December 2017. The Government is yet to reply to the audit observations.

**[Audit paragraph 4.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

78. When the Committee enquired about the details regarding the Audit Para on the avoidable extra expenditure on three unwarranted works and payment on fictitious measurements, the Additional Secretary, Public Works Department replied that renewal work was done on the same stretch after the initial work done by BM & BC. The audit queries indicated that the total length of the first work of BM & BC was calculated as 3100 meters, whereas actual work done was 3030 metres. Similarly, the charge for the 300 meter overlay was paid where interlocking tiles were placed, and Audit was unable to find the sign boards during a joint physical verification conducted with the Department officials. Another objection was that a case was filed for renewal work where the tender was being held. He added that the road was severely damaged as no major work had been done on that stretch for four years, and it was done on the basis of the direction from the Hon'ble High Court that urgent work should be done on major roads.

79. The Chief Engineer (Roads), Public Works Department further added that the audit remarks could not be accepted in full. In the Audit Report it was said that the BM & BC work was done at a length of 3030 m. But in the measurement book it was recorded as 3100 m. Later he accepted the Accountant General's contention that the payment was given for conducting BM&BC work for a length of 3100m instead of an actual length of 3030 m. The Principal Accountant General opined that the reply given to the audit para was not relevant.

80. When the Committee asked whether an excess payment of ₹4.87 lakh had been recovered, the Senior Finance Officer (Roads and Bridges), Public Works Department informed the Committee that vigilance had seized the files related to that issue and an investigation was underway and no further details were available from the file.

81. The Committee further pointed out that ₹8.39 lakh had also been paid along with an excess payment of ₹4.87 lakh. The Chief Engineer (Roads), Public Works Department, replied that apart from

giving the payment for laying 301.60 metres of interlocking tiles on the road where the BM and BC work took place, a payment of ₹8.39 lakh for the BC work was also given. When the Committee asked whether the Department agreed with the Accountant General's observation, the Chief Engineer (Roads), Public Works Department responded positively. He further added that another objection of the Accountant General was an unfruitful expenditure of ₹0.58 lakh paid to the contractor in connection with the installation of sign boards on the road. He added that during joint physical verification by Audit, along with the officials of Department, the audit team was unable to find any of the sign boards there. But an amount of ₹0.58 lakh had been expended for the installation of sign boards. The Committee further enquired about the reason for allowing a bill relating to the purchase of bitumen, stated to be for the work, made four months after the completion of the work. The Senior Finance Officer (Roads and Bridges), Public Works Department responded that the matter was being investigated by the Vigilance. The Chief Engineer (Roads), Public Works Department added that an excess payment of ₹15.78 lakh had occurred.

82. The Principal Accountant General pointed out that the work bill was paid only after measurement by the Assistant Engineer followed by check measurement by the Assistant Executive Engineer and a serious lapse had occurred in that issue. He added that Audit conducted physical verification only in certain rare cases. He further added that if they examined the estimate, it would be clear that the expenditures for road safety and road furniture had been increasing at a higher rate.

83. When the Committee enquired whether any Departmental action had been taken against the officials in the said matter, the Senior Finance Officer (Roads and Bridges), Public Works Department replied that the vigilance wing of the PWD was conducting an inquiry regarding the matter. The Committee pointed out that the Department



was purposefully delaying Departmental action against the erring officials and enquired an explanation regarding that.

84. The Principal Accountant General enlightened the Committee that out of the thousands of works being done, the Audit Department conducted inspections only in a few cases and found serious issues like that. He added that if the Committee did not suggest strong measures to address such serious issues, it would be considered as a clear signal for defaulters to repeat such flaws in the future.

85. The Committee noticed that the details regarding the vigilance investigation had not been mentioned in the reply furnished by the Department and enquired about the details regarding the current status of the vigilance investigation. The Additional Secretary, Public Works Department answered that the reply submitted before the Committee was as reported from the Chief Engineer to the Government at that time and the details of vigilance enquiry had not been intimated to the Government.

86. The Committee directed the Department to furnish the details regarding the vigilance enquiry on that matter. The Committee urged the Department to recover the excess payment and also directed the Department to take disciplinary action against the officials responsible for the lapse. The Committee also expressed its strong displeasure towards the irresponsible attitude of the officials in not taking any action against the defaulters.

87. The Chief Engineer (Roads), Public Works Department replied that a letter was forwarded to the agreement authority for recovering the excess payment, but the reply received was that the amount could not be recovered as all the files in that regard had been seized by the vigilance. The Committee pointed out that those matters were not reported to the Committee even in the reply submitted before the Committee in 2022.

88. The Senior Audit Officer also informed the Committee that the objection of Audit was that three minor works were awarded in the same location in which a major work was arranged, incurring an additional expenditure for the Department. The Chief Engineer (Roads), Public Works Department replied that the reason for conducting that work was furnished earlier.

89. When the Committee enquired about the road in which the said work was being done, the Senior Audit Officer replied that it was done on the Edappally-Muvattupuzha road. The Chief Engineer (Roads), Public Works Department informed the Committee that there were interventions on the part of the Hon'ble Court for completion of the road work as early as possible. If no one takes the tender, the work would be delayed. Until then, the road work could not be stopped. Therefore, it would be necessary to examine whether there had been any defect in arranging such road works when the tendering process is underway.

90. The Committee observed that as the authority could only sanction up to an amount of ₹25 lakh, three works had been sanctioned at a cost of ₹24.99 lakh each. The Committee further pointed out that if permission could be granted in such a way, there were many such roads in all the constituencies for maintenance work and commented that it was understandable if it was a patchwork. The Chief Engineer (Roads) of the Public Works Department replied that it was a patchwork.

91. The Committee was surprised to note that such a short stretch of patchwork costs ₹24.99 lakh and it could not be justified. The Chief Engineer (Roads), Public Works Department replied that a vigilance enquiry had been initiated in that regard. The Committee expressed its concern that the details of the enquiry had not been reported to the Committee and the Committee appraised that the reply given by the Department was not satisfactory.



92. The Senior Finance Officer (Roads & Bridges) informed that the three works costing ₹24.99 lakh each were done in Ernakulam Division, and the documents related to those were in Vigilance custody.

93. When the Committee enquired whether the copies of the documents were not taken before handing it over to the Vigilance, the Chief Engineer (Roads), Public Works Department admitted the mistake.

### Conclusions/ Recommendations

94. The Committee directs the Department to submit a detailed report on the vigilance investigation regarding the works under Roads Division, Ernakulam.

95. The Committee views that the extra expenditure was incurred due to recording of excess measurements, admission of irregular claims by Departmental authorities and execution of three unwarranted works. The Committee expresses its strong displeasure over the irresponsible attitude of the Department officials in not taking any action against the defaulters and directs that the extra payment made in this regard should be recovered from the delinquent officials. The Committee also suggests to take disciplinary action against the officials responsible for the loss.

#### 4.3 Extra liability of ₹70 lakh due to post contractual changes

**Post contractual changes made to compensate a contractor for the price of bitumen resulted in extra liability of ₹70 lakh to the Government**

As per Section 2104 of Kerala Public Works Department Manual, Revised Edition, 2012, Departmental material would not be issued to contractors. This meant that the rates quoted by the contractors are to be inclusive of the cost of material including bitumen supplied by the contractor. Subsequently, Government issued direction (January 2014) to reimburse the actual cost of bitumen to the contractors as per

original invoice subject to the condition that the total cost of work should be limited to the technical sanction (TS) amount.

The Superintending Engineer (Roads & Bridges), North Circle, Kozhikode (SE) awarded (December 2013) a work<sup>32</sup> to a contractor<sup>33</sup> for which the Chief Engineer (Roads & Bridges) (CE) issued TS for ₹7.60 crore.

During execution, the CE revised (September 2014) the estimate to ₹9.48 crore by deleting the items containing bitumen from the schedule of works and re-admitted the same in the estimate as extra items at enhanced rate. The rates of re-admitted bituminous items were arrived at reckoning the cost difference of bitumen between Departmental rate and refinery cost. The SE subsequently executed (September 2014) a supplementary agreement with the contractor. The contractor completed (December 2014) the work and a total of ₹8.30 crore was paid to the contractor including final payment of ₹3.49 lakh (March 2017).

Audit observed the following:

- As per Government directions of January 2014, actual cost of bitumen as per original invoice was to be admitted limiting the total cost of work to the TS amount. Instead, the Department paid the contractor ₹8.30 crore which was in excess of the TS amount by ₹70 lakh<sup>34</sup>. As such, execution of supplementary agreement to benefit the contractor was irregular.
- Further, revising the rates of items in the tender estimate after entering into a contract was a violation of the contract condition that rate once agreed shall not be varied on any account.

The action of the CE and SE was a post-contractual change benefitting the contractor, causing extra liability of ₹70 lakh to the Government.

32 Improvements to Mathurumba-Chapparapadavu-Perumbadavu-Kuttoor Road, km 0/000 to 10/285.

33 M/s. Kerala State Construction Corporation Limited, Kochi.

34 ₹8.30 crore less TS amount of ₹7.60 crore.

The matter was referred to the Government in February 2018. The Government is yet to reply to the audit observations.

**[Audit paragraph 4.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

96. The Committee wanted to know the reason for issuing modified permission to a particular work through the letter dated 26<sup>th</sup> June 2014, when there was an instruction to reimburse the actual cost of bitumen to contractors and to limit the cost of work to the TS amount. The Additional Secretary, Public Works Department replied that there was a provision to pay market price for bitumen. The rate quoted here was 10.3% lower and the market rate was given after deducting 10.3% and the modification resulted in a savings of ₹30 lakh.

97. The Committee pointed out that according to the audit observation, there was a loss of ₹70 lakh. The Additional Secretary, Public Works Department replied that the addition occurred when bitumen was added as an extra item with its market price. The payment was made at a discount of 10.3 per cent from the estimated rate. As per Government Order in 2014, the Department was bound to pay the market rate. The difference between the price of bitumen and the market rate was added as an extra item.

98. During the discussion, the Committee noted that the market rate for steel bars were much higher than what was mentioned in the Schedule and enquired whether the contractors were receiving the market rate. The Additional Secretary, Public Works Department replied that there was a standing order to pay market rate only for

bitumen, and steel bars was under consideration of the Government. The allowable different market rate for bitumen has now been discontinued with effect from the date of Government order and the AG had no objection to provide the payment if it was being mentioned in the original agreement.

99. The Senior Audit Officer then explained that the Government allowed the provision of such variations only in cases where it was stated in tender and agreement that the Departmental bitumen would be provided. In the absence of those conditions, revising the estimate to include it as an extra item by revising the estimate was not permissible and hence, the objections were raised by the Accountant General.

100. To a query of the Committee, the Chief Engineer made it clear that there was no loss to Government by purchasing the bitumen since it was included as an extra item by revising the estimate.

101. The Committee pointed out that if the work had not been given to the Construction Corporation at a lower rate, there would have been a loss to the State Exchequer. The Additional Secretary, Public Works Department replied that no financial loss was incurred but the contractor gained an undue benefit.

102. The Committee observed that the contractor gained an unnecessary benefit out of the contract. The Committee also added that the estimate should not have been revised on account of variation in the cost of Bitumen. The Senior Audit Officer responded affirmatively, adding that the issue here was the revision of estimate for including additional costs for bitumen as an extra item.

103. The Additional Secretary, Public Works Department informed the Committee that the Department had to reimburse the amount at refinery rates as mentioned in the agreement. However, instead of reimbursement as per the invoice, the Department allowed market rate. The estimate was revised according to the rate received from the refinery.

104. The Committee inquired about the reason regarding the revision of estimate without any change in the nature of the work. The Chief Engineer (Roads), Public Works Department responded that C&AG raised the objection to the change of post-contract, without change in the nature of work.

105. The Additional Secretary, Public Works Department added that the objection was about the violation of the original agreement condition. The Chief Engineer (Roads) informed that the contractor had procured bitumen from the refinery and the rate given to the refinery was approved as a revised estimate. The Additional Secretary, Public Works Department added that the tender premium was deducted in making such payments, which also reduced the loss. The Chief Engineer (Roads) further informed that if it was supplied by the Government, it should have been done at a higher rate. Even if the contractor was given reimbursement, the refinery rate had to be paid as invoice rate.

106. The Senior Audit Officer responded that there was no provision for bitumen supply as compensation and that was only given for Departmental provision. The Additional Secretary, Public Works Department further added that at present, the rate of bitumen was paid as per Government Order. However, there was no such provision in the original contract condition, and that was the reason for C&AG's objection.

107. The Committee then inquired what could be done if the contractors were unwilling to do the work if the materials were not received at the desired rate. The Additional Secretary, Public Works Department replied that as per government policy, when the rate changes according to market fluctuations, the contractor was compensated accordingly.

108. To the Committee's query regarding the revision of the estimate without changing the nature of the work, the Senior Audit



Officer informed that in respect of PWD, the contractor was the Construction Corporation. She added that the Delhi Schedule of Rates had been in force in Kerala since 2013 and had been revised in 2018. In comparison, the Local Market Rate (LMR) was often lower than the estimated rate. So it could not be assumed that the contractors were not working as mentioned earlier.

109. The Committee then inquired whether there was any difference in steel prices. The Senior Audit Officer replied that the rate was hiked due to the addition of the cost index.

110. The Committee further opined that the contention that the savings was gained through the revision of estimate was not tenable. Procedural irregularities had also occurred. Once the contractor accepted the contract, it could not be revoked later, but in the said case the contractor had been benefited in excess of the provisions. The Additional Secretary, Public Works Department replied that the Minister of Finance and the Minister of Public Works suggested to follow that Government Order in the last meeting.

111. The Committee wanted to know the reason for revising the estimate instead of giving the excess amount of bitumen. The Principal Accountant General then informed the Committee that Audit consistently raised many bitumen-related issues until the supply was stopped. At first, bitumen was supplied for small works but later it was supplied more, and at present Departmental supply had been stopped. He added that all recent audit reports contain paragraphs relating to manipulations regarding bitumen and there should be strong action taken about that.

112. The Committee opined that the revision of the estimate without changing the nature of the work was a procedural irregularity. The Committee expressed grave concern that bitumen price variations were becoming a source of exploitation and urged a pragmatic approach to carry out the works. The Committee was informed by the

Principal Accountant General that a pragmatic approach had been adopted and thereby bitumen supply had been stopped.

### Conclusions/Recommendations

113. No comments.

#### 4.4 Incorrect pledging of pending bill as security deposit and performance security deposit

Executive Engineer enabled a contractor to execute works of more than ₹4.56 crore without remitting security deposit and performance security deposit of ₹72.50 lakh, thus failing to indemnify the Government against future liabilities.

In terms of Section 2009.7 of the Kerala Public Works Department Manual, Revised Edition, 2012, read with Government of Kerala (Government) orders<sup>35</sup>, the selected bidder shall produce a Security Deposit (SD) equal to five per cent of the contract amount for executing contracts, which is to remain valid till the expiry of the Defect Liability Period (DLP) of the work. Earlier (March 2003), the Government permitted contractors through a circular<sup>36</sup> to adjust the amounts due to them on account of completed works as SD of new contracts awarded to them. Additionally, Section 2009.7 also stipulates that if the bid of the successful bidder is unbalanced<sup>37</sup> in relation to an estimate, the difference in cost should be deposited as Performance Security Deposit<sup>38</sup>(PSD) for unbalanced price and kept valid until the completion date of the work.

The Superintending Engineer, Public Works Department (PWD), Roads & Bridges, Central Circle, Aluva (SE) awarded (May 2016) two works<sup>39</sup> costing ₹2.90 crore and ₹1.66 crore to a contractor<sup>40</sup> at 23.50 per cent

35 GO(P) No.104/2014/Fin dated 14/03/2014, GO(P) No.3/15/Fin dated 05/01/2015 and GO(P) No.429/15/Fin dated 28/09/2014.

36 No.4583/H3/2003 dated 07/03/2003.

37 Unbalanced means works quoted below 10 per cent of the estimate rate vide GO(P) No. 429/15/Fin dated 28/09/2015.

38 Alternatively termed as Additional Performance Guarantee for unbalanced price, vide GO(P) No. 429/15/Fin dated 28/09/2015.

39 Budget work 2015-16: Improvements to Thadikkakadavu-Manjali road (Agreement No. 42/SECCA/2016-17 dated 27/05/2016) and Budget work 2015-16: Improvements to Shurakkad- Ayiroor church road (Agreement No. 45/SECCA/2016-17 dated 27/05/2016).

40 Shri Subin George, Edathala House, Neeleswaram PO, Kalady, Ernakulam District.

below estimate rate. While executing the contract, the contractor requested (May 2016) the SE to adjust the deposit amount stipulated in the Selection Notice from the pending bill due to him on account of another work<sup>41</sup>. The Executive Engineer, PWD Roads Division, Ernakulam (EE) reported that (May 2016) the first and part bill of the contractor on the said work amounting to ₹73.35 lakh was pending payment with the Division, as stated in the contractor's request. Accordingly, the SE permitted (May 2016) the contractor to adjust ₹72.50 lakh, from the pending bill of ₹73.35 lakh as SD (₹22.84 lakh) and PSD (₹49.66 lakh)<sup>42</sup> towards the two newly awarded works.

Audit scrutiny (October 2017) of the connected documents maintained at PWD Roads Division, Ernakulam and PWD Roads Sub division, Aluva, revealed the following:

- The Government did not permit pledging of pending bills in lieu of PSD for unbalanced price. Hence, it was irregular on the part of SE to permit the contractor to pledge the pending bill in lieu of PSD which led to the contractor escaping from remitting the PSD of ₹49.66 lakh, which he was supposed to provide before taking up the aforesaid new work.
- The newly awarded works were road improvement works costing ₹4.56 crore having a DLP of two years from the date of completion. The pledged bills were to be released only after completion of the DLP. But the EE allowed the contractor to discount the first and part bill pledged by him and all subsequent pending bills<sup>43</sup> due to him which were pending at the time of pledging (May 2016). Consequently, the contractor discounted those bills in October 2016 itself, although the works were incomplete (March 2018).

Thus, the EE enabled the contractor to execute works of more than

41 B/W 2013-14-Improvements to Edappally Muvattupuzha road from Kuzhivelipady to Pukkattupady ch. 8/000 to 11/020 (Agreement No. 109/SECCA/2015-16 dated 03/10/2015).

42 Both works awarded at the rate of 23.50 per cent below estimate rate, and hence PSD was required.

43 ₹84,72,948 (First & Part Bill) + ₹3,17,982 (Hand Receipt) + ₹53,93,123 (Second and Part Bill) = ₹1,94,89,896.



₹4.56 crore without depositing SD and PSD of ₹72.50 lakh. Further, as the works were incomplete as of March 2018, the Government was not indemnified against future liabilities in the absence of the mandatory deposits in its possession.

The matter was referred to the Government in January 2018. The Government is yet to reply to the audit observations.

**[Audit paragraph 4.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2017 (Economic Sector)]**

**[Notes received from the Government on the above audit paragraph are included as Appendix II]**

**Excerpts from the Committee's discussion with Departmental officials**

114. When the Committee enquired the details regarding the incorrect pledging of pending bills as security deposit and performance security deposit, the Chief Engineer (Roads), Public Works Department replied that a vigilance case was ongoing in that matter and all related records were in the custody of vigilance.

115. The Committee further pointed out that in the reply given before the Committee, it was stated that the exact reasons and circumstances for arranging the performance guarantee and additional performance guarantee could not be ascertained from the copies of the file kept in that office. The Committee pointed out that from the reply it was clear that the copies of the documents were taken before sending the files to the Vigilance enquiry.

116. Then the Committee further enquired as to whether the details of the officials who were responsible for that lapse, or their names had been mentioned by C&AG in its report. The Chief Engineer (Roads) of the Public Works Department replied that the names of the officers responsible for the lapses were not mentioned in the report of the C&AG and were recorded in the report of internal vigilance.

117. The Committee, while noticing in the Superintending Engineer's reply that an explanation would be sought from the officials in charge of the file, concluded that the reply was insufficient. The Committee directed the Department to submit a detailed reply in that regard. The Committee also directed the Department to submit a report about the delinquent officials and to take measures to recover the loss from the responsible persons and urged that the same should be reported to the Committee at the earliest.

118. The Committee further suggested that file proceedings should not be delayed until the said officers retire from service. If so, action should be taken against the persons responsible for the delay. The Chief Engineer (Roads), Public Works Department agreed to do so.

#### Conclusions/Recommendations

119. The Committee directs the Department to submit a detailed report in connection with the audit observation about the incorrect pledging of pending bill as security deposit and performance security deposit.

120. The Committee directs the Department to submit a report about the details regarding the delinquent officials. The Committee also urges to take measures to recover the amount from the officials responsible for the loss incurred and report it to the Committee urgently. The Committee also suggests that action should be taken against the officials who failed to take measures against the delinquents on time.

Thiruvananthapuram,  
12<sup>th</sup>.....March, 2025.

**SUNNY JOSEPH,**  
Chairperson,  
Committee on Public Accounts.

**APPENDIX I****SUMMARY OF MAIN CONCLUSION/ RECOMMENDATION**

<b>Sl. No.</b>	<b>Paragraph No.</b>	<b>Department Concerned</b>	<b>Conclusion/ Recommendation</b>
(1)	(2)	(3)	(4)
1	7	Public Works	The Committee directs the Department to submit all the details regarding the case pending before the court in connection with the audit para including the court in which it is pending, the case number and the present status of the case within two months.
2	8	Public Works	The Committee also urges the Department to provide the details regarding the excess payment already recovered as well as the outstanding balance to be recovered.
3	18	Public Works	The Committee learns that KRFB hardly received any fund in compliance with the provisions except the share of MVT, that too far below the prescribed share as per the Act. Therefore, the Committee directs the Department to take prompt measures to collect the arrears due to KRFB at the earliest.
4	36	Public Works	The Committee notices the fact that KRFB spent an amount of ₹0.90 lakh for the purchase of a painting for furnishing the office of the then PWD Secretary, without obtaining Government approval. The Committee directs that immediate steps should be initiated for conducting auction for its sale as undertaken and the details regarding the measures taken in this regard should be furnished to the Committee at the earliest.

5	40	Public Works	The Committee expresses its strong dissatisfaction with the procedural lapses that have occurred on the part of the officials while discharging financial powers delegated to them. The Committee urges the Department to take corrective measures to avoid recurrence of such instances. The Committee also suggests that the financial power delegated to the CEO be increased to ₹25 lakh.
6	44	Public Works	The Committee directs the Department to furnish a report regarding the action taken to regularise the process of extension of the term of office of the CEO.
7	58	Public Works	The Committee directs the Department to provide a detailed report containing reasons behind the excess expenditure of ₹10.74 crore resulting from the exorbitant rates allowed as differential cost for substituting material for pavement of footpath.
8	63	Public Works	The Committee directs the Department to submit a report regarding the payment of ₹79.50 lakh by the Kerala Road Fund Board (KRFB) for engaging traffic wardens to regulate traffic at various project sites. In addition, the Committee urges the Department to provide details regarding the disbursement of the said amount specifying whether it has been paid to the concessionaire or to the Traffic Police Authority.

9	71	Public Works	The Committee directs the Department to submit an urgent detailed report regarding the audit observation including the actual length of the road constructed and the payment made to the concessionaire.
10	77	Public Works	The Committee directs the Department to submit a detailed report about the action taken by the Department on the objection raised by Audit regarding the payment of exorbitant rates for restoration works.
11	94	Public Works	The Committee directs the Department to submit a detailed report on the vigilance investigation regarding the works under Roads Division, Ernakulam.
12	95	Public Works	The Committee views that the extra expenditure was incurred due to recording of excess measurements, admission of irregular claims by Departmental authorities and execution of three unwarranted works. The Committee expresses its strong displeasure over the irresponsible attitude of the Department officials in not taking any action against the defaulters and directs that the extra payment made in this regard should be recovered from the delinquent officials. The Committee also suggests to take disciplinary action against the officials responsible for the loss.
13	119	Public Works	The Committee directs the Department to submit a detailed report in connection with the audit observation about the incorrect pledging of pending bill as security deposit and

			performance security deposit.
14	120	Public Works	The Committee directs the Department to submit a report about the details regarding the delinquent officials. The Committee also urges to take measures to recover the amount from the officials responsible for the loss incurred and report it to the Committee urgently. The Committee also suggests that action should be taken against the officials who failed to take measures against the delinquents on time.

APPENDIX II  
Notes furnished by Government

**ACTION TAKEN REPORT ON THE REPORT OF THE C & AG FOR THE YEAR ENDED IN MARCH 2016.**

Sl. No.	Para.No.	Recommendation	Action Taken by the Govt.
1	4.4	<p>Excess payment to Contractors due to non-recovery of cost Index on the cost of bitumen reimbursed at market rate.</p> <p><i>Failure to recover cost index added on the cost of bitumen in the estimate of nine works by the Executive Engineers from works bills resulted in excess payment of ₹3.67 crore to contractors.</i></p> <p>Public Works Department (PWD) ordered (February 2004) that the contractors should purchase bitumen themselves for road works costing above ₹15 lakhs and the actual cost would be reimbursed to the contractors. Government ordered (April 2013) adoption of Delhi Schedule of Rates (DSR) in PWD with effect from 01 October 2013.</p> <p>Scrutiny of records relating to 30 works executed during 2014-15 in connection with the 35<sup>th</sup> National Games Conducted (January - February 2015) in Kerala</p>	See Annexure(1)

	<p>revealed that in nine works arranged by two PWD Roads divisions in two districts, the technical sanctioning authorities allowed cost index on the cost of bitumen while preparing estimates. Even though the actual cost of bitumen was reimbursed to the contractors, at the time of passing the contractors' work bills, the Executive Engineers of the Divisions concerned deducted the cost of bitumen only from the bills but did not recover the element of cost index applied thereon. This resulted in excess payment of ₹ 3.67 crore to contractors.</p> <p>The matter was referred (February 2017) to Government. In the exit meeting (February 2017) the Department accepted the audit observations and assured to recover the entire excess payments within a month.</p>	
2	4.5	<p>Extra expenditure of ₹86.26 lakhs in five works entrusted to M/s Kerala State Construction Corporation Limited.</p> <p><i>Inclusion of five per cent OH charges in addition to the ten per cent included in the estimates prepared as per MORTH data resulted in extra expenditure of ₹86.26</i></p> <p>As per G.O(Rt) No. 1665/2012/PWD dated, 01/10/2012, Administrative Sanction for 5 road works connected to Chamravattom project was awarded and were entrusted to KSCC.</p> <p>KSCC had entrusted the work to M/s Sanathan Infrastructures and Developers Private Limited.</p>



<p><u>lakh for five works.</u></p> <p>According to the Standard Data Book of Ministry of Road Transport and Highway (MORTH), the data for items of works includes overhead (OH) charges of 10 per cent so as to cover elements of office furniture, site accommodation, sales/turnover tax, etc. The standard data book of state Public Works Department (PWD) did not contain such provision for OH charges. Considering the liability of contractors towards taxes and duties, Government of Kerala (GoK) approved (May &amp; December 2010) OH charges of five per cent, to be included in the estimate data of works as per PWD specifications.</p>	<p>The following were the 5 works.</p> <ol style="list-style-type: none"> <li>1)Improvements to Nariparumba – Pothannur Peruparambu – Edappal road.</li> <li>2)Widening Carriage way and providing BM &amp; BC to Tirur – Kadalundi Road.</li> <li>3)Providing BM &amp; BC to Tirur – Chamaravattom Road.</li> <li>4)Improvements to various Junction to Chamaravottom Tirur – Kadalundi road.</li> <li>5)Widdening and Providing BM and BC surfacing to Tanalur – Puthenathanni Road.</li> </ol>
<p>According to the guidelines (September 2007) issued by GoK for execution of works through agencies other than PWD, the estimate for the construction should be based on latest PWD Schedule of Rates and Technical Sanction for civil works can be issued by the executing agency, provided the cost of work does not exceed the Administrative Sanction amount by more than 15 per cent. Government subsequently (February 2012) ordered that, data based on</p>	<p>KSCC had accorded technical sanctions to above said works based on MORTH specification, allowing additional OH charges of five percent in the estimate data. In this connection an exit meeting was convened to discuss the above said matter. In this meeting it was stated by KSCC officials that decision of the Chief Engineers' Committee held on 17/01/2013 regarding 5% OH in lieu of taxes need not be allowed on MORTH rates, was not</p>

Indian Roads Congress standards and MORTH specifications along with PWD schedule of rates would be used for preparing estimates of PWD projects.

GoK accorded (October 2012) sanction for five road works at a cost of ₹35.35 crore in order to improve the riding quality of the connected roads to Chamravattam Regulator Cum Bridge, which were under the jurisdiction of PWD Roads Division Manjeri and decided to entrust these works to M/S Kerala State Construction Corporation Limited (KSCC).

Scrunity of the estimate records relating to these road works entrusted with KSCC revealed that, the Managing Director, KSCC accorded technical sanctions (January 2013 to April 2013) to these five works based on MORTH specifications, allowing additional OH charges of five per cent in the estimate data.

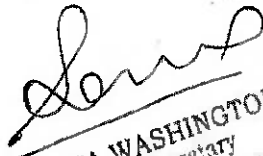
As MORTH data already included OH charges, inclusion of OH charges as per state PWD specifications was unnecessary. It was observed that the data relied upon for the issue of Administrative sanction for these works also included additional OH charges of five

communicated through a Government order/Technical circular to the KSCC and so Corporation was not aware of such a decision. It may please be noted that estimate of these works were prepared during 2012 and technical sanction for these five works were given from January 2013 to April 2013. As the Chief Engineers' committee meeting is held at the same time (that is during January), KSCC had not received the communication by that time.

It is therefore submitted that, KSCC allowed OH charges according to the standing instructions given by the Chief Engineer R&B Administration existing at that time. Hence the allegation that KSCC had allowed 5% OH charges in addition to MORTH rate is not purposefully and in future cases sufficient care and attention will be taken while preparing estimates.

KSCC had taken steps to refund the loss of Government due to the additional 5% OH charges from M/S Sanathan & Infrastructures Developers Private Limited. and ₹83,32,336/- (Rupees Eighty Three Lakhs Thirty

	<p>per cent.</p> <p>The unnecessary inclusion of five per cent OH charges over and above the ten per cent OH in the estimates prepared as per MORTH data resulted in extra financial commitment of ₹1.22 crore in respect of these works. Up-to-date extra expenditure (September 2016) on this account worked out to ₹86.26 lakh resulting in extra benefit to the contractor.</p>	<p>Two Thousand Three Hundred and Thirty Six) has been refunded from the work bill of works Sl. No. 1 to 4. listed above. But the Bill of the work Sl. No. 5 is not yet received. And it is ensured that KSCC should refund the balance amount from that bill.</p> <p>In future sufficient care and attention will be taken while preparing estimates and in the light of the above clarification, audit objection may kindly be dropped.</p> <p>Copy of the minutes of the exit meeting is enclosed as Annexure 2 for favour of necessary action.</p>
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**SONIA WASHINGTON**  
 Joint Secretary  
 Public Works Department  
 Govt. Secretariat, Thiruvananthapuram

**Excess payment to contractors due to non-recovery of cost-index on the cost of bitumen reimbursed at market rate**

Sl. No	Name of work Agreement No. & Contractors	Division	Excess payment after	Amount Recovery	Remarks
1	Improvement to twelve roads leading to games village and Karyavattom Stadium. (108/SE/SC/2014-15) dated 12/01/2015 Sreedhanya Construction Company	Trivandrum	Rs.2,50,74,458/-	<p>i) Recovered by forfeiting of Security Deposit as per chalan. Rs. 95,46,471/-</p> <p>ii) Recovered from the work bill of the same Contractor. Rs.1,25,97,287/-</p> <p><b>Total : Rs. 2,21,43,758/-</b></p>	<p>i) Rs.95,46,471/- adjusted and realised to Government vide chalan No.KL006516303201617/M dtd.18/3/2017 by forfeiting of Security Deposit worth Rs.81,15,300/- (Treasury deposit) of the same work.</p> <p>ii) Rs.1,25,97,287/- recovered from the 1<sup>st</sup> part bill for the work of providing 40mm CC for Powdikoñam - Mukkilkada - Edathara - Anandeswaran road Ch.0/000 to 3/000 of the same contractor (vide Bill seniority No.768/18-19 of Roads Division, Thiruvananthapuram).</p> <p>iii) The Executive Engineer, Roads Division, Thiruvananthapuram vide his letter No.A1/R-173/15-16 dtd.12/2018 has agreeded to recover the balance amount from the 2nd final bill of the above recovery proposed work. Since the work was already completed.</p> <p>Hence the details of balance amount of recovery will be reported soon. Since the 2nd &amp; final bill is under preparations.</p>

Sl. No	Name of work Agreement No. & Contractors	Division	Excess payment after	Amount Recovery	Remarks
2	Improvements to Thiruvallam junction - Pachalloor - Vazhamuttom road Ch.0/000-04/050 and Pachalloor - Poonkulam road from Ch 0/000 to 2/200 Poonkulam junction to Agricultural College Vellayani road from Ch.0/000 to 01/200 and Agricultural College internal road upto Stadium at Vellayani. (88/SESC/2014-15 dtd.26/11/2014) Kerala State Construction Corporation Ltd.	Trivandrum	Rs.78,21,972/-	Rs. 84,86,670/-	Recovered vide sequency No.54 dated 17/08/2016 Sub Treasury Vellayambatam.
3	Maintenance of Fly-over including repairs of hand rail and maintenance of Ring road from CSN Stadium Squash Court. (91/SESC/2014-15 dated 27/11/2014) A.Thajudeen Thoppil Construction.	Trivandrum	Rs.14,58,858/-	Rs. 14,48,863/-	Recovered from pending bill vide proceedings No.E47D1/438/16 dated 2/6/2017 of Executive Engineer, Roads Division. Thiruvananthapuram payment effected through BDS vide Bill ID No.11150/16-17.
4	Improvements to Jawahar Balabhavan junction - Swimming pool and Vellayambalam road from Ch.0/000 to 0/675 and Manaveeyam road from Ch.0/000 to 0/325. 92.SESC/2014-15 dated 27/11/2014 A.Thajudeen Thoppil Construction.	Trivandrum	Rs.3,96,552/-	Rs. 7,70,034/-	Recovered vide Executive Engineer's proceedings No.E4/D1/438/10 dated 2/6/2017 payment effected through BDS vide Bill ID No.11150/16-17

5	Improvements to the approach road to shooting range in the CPT ground Vattiyoorkavu providing BM and BC to the leading road Sasthamangalam - Maruthankuzhy - Vattiyoorkavu CPT road. (86/SESC/2014-15 dated 22/11/2014 Revive Construction Company (India) Private Ltd	Trivandrum	Rs. 7,90,485/-	Rs. 8,41,927/-	Recovered vide Executive Engineer's proceedings No.E1/D2/381/16 dated 25/05/17 payment effected through BDS vide Bill ID No.13826/16-17.
6	Improvements to the approach road to shooting range in the CPT ground Vattiyoorkavu urgent maintenance to the balance portion to the leading road Sasthamangalam - Maruthankuzhy - Vattiyoorkavu from Ch.0/000 to 2/500. (118/SESC/2014-15 dated 26/02/2015) A.R.Nasarudeen Revive Construction Company (India) Private Ltd.	Trivandrum	Rs.6,70,485/0	Rs. 6,70,485/-	Recovered vide Executive Engineer's proceedings No.E1/D2/381/16 dated 25/05/17 payment effected through BDS vide Bill ID No.13826/16-17.
7	Improvements to Koppam - Plakeezhu road to Swimming Pool - Pirappancode. (93/SESC/2014-15 dated 27/11/2014) A.Thajudeen Thoppil Constructions.	Trivandrum	Rs.1,69,471/-	Rs. 1,75,254/-	Recovered vide Executive Engineer's proceedings No.E4/D1/438/16 dated 2/6/17 payment effected through BDS vide Bill ID No.11150/16-17
8	Improvements to Poomthoppu - Vembanad Kayal road (87/SESC/2014-15 dated 26/11/2014) Sri.N.Kalesan	Alappuzha	Rs. 2,23,383/-	Rs. 2,23,383/-	Recovered Rs.3,99,501/- vide chalan No.KL-001318653201718/M dated 04/05/2017 by forfeiting of Security Deposit worth Rs.3,59,500/- as per Superintending Engineer's proceeding No.F1/872/16 dated 31/03/17 and letter No.F1/872/17 dated 31/03/17
9	Improvements to Charamparambu Kshethram road. (90/SESC/2014-15 dated 27/11/2014) Sri.Sebastian.J.Pooney	Alappuzha	Rs. 77,511-	Rs. 77,511/-	

*Done*  
 SONA WASHINGTON  
 Joint Secretary  
 Public Works Department  
 Govt. Secretariat, Thiruvananthapuram

*D.S. V*

Minutes of the Exit Meeting on Draft para on Extra expenditure of Rs.91.02 lakh

Members Present

Audit Side

Shri K.B.Basheer, Regional Manager, KSCC Thrissur.

Shri M.P.Hamsa, Sr Audit Officer

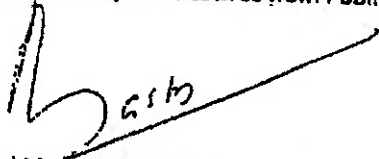
Shri Sajit KP, Assistant Audit Officer

Meeting started at 12 PM.

At the outset, the Senior Audit Officer welcomed officers of the department side and gave a brief explanation on the audit observation.

Regional Manager, KSCC stated that Technical Sanctions of the five works were issued as per the Government Order dated 13.12.2010 and Chief Engineer's Circular dated 25.11.2011 which allows five percent OH charges in lieu of taxes. Audit contended that GO dated 13.12.2010 was meant for works arranged on state schedule of rates only and not meant for works arranged based on MORTH data since MORTH data already included 10 per cent OH covering provisions for taxes also. Audit also stated that Chief Engineers' Committee in its meeting held on 17.01.2013 decided not to allow five per cent over head in the estimate on MORTH rates. RM, KSCC stated that this decision was not communicated through a Government Order or a Technical Circular. Audit stated that Government had communicated the decision of meeting of CEs' committee to audit .RM, KSCC stated that they were not aware of such a decision.

There were no representatives from Public Works and Finance Departments. Meeting concluded at 1pm



Regional Manager, KSCC Ltd



Senior Audit Officer



SONIA WASHINGTON  
Joint Secretary  
Public Works Department  
Govt. Secretariat, Thiruvananthapuram



10

**DEFECT RECTIFICATION STATEMENT ON C&AG REPORT  
FOR THE FINANCIAL YEAR ENDED MARCH 2017**

**Para 3.2.3 - Objectives not substantially Achieved.**

The entire amount dues owe to KRFB as motor vehicle tax share has not been received. The Board has satisfactorily completed implementation of the City Road Development Projects in Thiruvananthapuram & Kozhikode and these PPP projects are now in the O&M stage. In addition, land acquisition for Kannur project has been started and Alappuzha project is being implemented. Steps have been taken to prepare DPR for Kollam, Kottayam, Malappuram and Kalpetta City Road Improvement Projects.

**Para 3.2.4.1 - Lending outside the specified area of operation - ₹53.69 Crores.**

Loan given to M/s. RBDCK has not yet been repaid.

**Para 3.2.4.2 - Benefit received by the Contractors due to payment of mobilisation advance.**

These mobilisation advances were sanctioned as per G.O. No.33/2015/PWD dated 07.01.2015. The mobilisation advances thus paid have been recovered from the respective claim bills and regularized. No such advances have been sanctioned since then, and assurance given by the Chief Executive Officer has fully been complied with.

**Para 3.2.4.3 - Irregular expenses incurred for publishing magazine.**

Further, spending money on "Rajaveedhi" magazine publication has been stopped. No such expenditure has incurred subsequently. The assurance given by the Chief Executive Officer has fully been complied with.

**Para 3.2.4.4 - Cost of purchase of painting - ₹20.90lakhs.**

The expenditure incurred for buying a painting of renowned artist Shri.B.D.Dathan is only Rs.90,000/-. Considering the audit reference,

it has been decided to dispose of this painting kept under KRFB store through public auction and auction advertisement has been published accordingly. But till date no one has turned up for the bid. The Chief Executive officer informed that steps shall be taken to publish the auction notice for the sale of the painting.

**Para 3.2.5.1 - Irregular use of financial power.**

This issue has been taken up for consideration of the Board Meeting held on 05.03.2003. As per the decision of the Board, the Member Secretary shall delegate his powers to the Chief Executive Officer subject to the approval of the Executive Committee. Accordingly, the 13th Executive Committee had decided to ratify the actions of the Member Secretary. The document for this information was not produced during the audit. Hence, this issue need not have to be put before the Board again.

**Para 3.2.5.2 - The Chief Executive Officer continues illegally in office without Government approval.**

The service of the then Chief Executive Officer was terminated from KRFB office and a new Chief Executive Officer has been appointed on deputation basis from the Public Works Department, and still the procedure is being followed.

**Para 3.2.6.1 - Failure to comply with operational & maintenance requirements.**

As BI test results in some of the corridors coming under TCRIP have been exceeded the prescribed Level-2 acceptable limit of 3000mm/km as per Table 1-2 of Schedule-I of the Concession Agreement, during the tests conducted in 2017 September, Notice to Remedy as per Article 5.5 (b) of the Concession Agreement has been issued to the concessionaire on 06.02.2018 directing them to execute the required periodical maintenance activities such as BC overlay with profile corrections and other rectification of defects/deficiencies in other Project Facilities. Since the concessionaire had not complied the directions on the notices issued from the Concessioneing Authority, Article 8.4 (b) ii has been invoked and those stretches have been declared as unavailable and Adjusted Annuity as prescribed under Article 8.4 (e) Calculations, based on the Annuity Certificate issued by

the Independent Engineer has been paid to the concessionaire for the period started from 2018 January onwards. The total amount of Adjusted Annuity abated for the period from 2018 January to 2019 September comes to Rs.29 crores. Further, KRFB has taken steps to arrange the pending overlay works including road marking works at the Risk and Cost of the concessionaire as contemplated under Article 5.5 (b) of the Concession Agreement by inviting tender notifications. But due to the non-response from the contractors these works could not be arranged. The process for arranging the works are still live and efforts are continuing to arrange the pending works at the Risk and Cost of the concessionaire.

**Para 3.2.6.2 - Failure to arrange an independent Project Engineer.**

The tender process for providing the services of an Independent Engineer for Thiruvananthapuram & Kozhikode City Road Improvement Projects has been completed. A competent and reputed Consulting Agency, viz; SAI Consulting Engineers Private Limited (SYSTRA Group) has been selected and has been approved by the Executive Committee on 25.09.2019.

**Para 3.2.6.3 - Additional cost of 10.74 crore incurred due to approving enhanced rates for replacement of material which was supposed to be laid over footpath.**

The concessionaire M/s. TRDCL has been directed to reduce the rate of PCIB (Polymer Coated Interlocking Blocks) in February 2009. Whereas, M/s. TRDCL in reply to the direction has informed on 19.02.2009 vide their letter quoting Rs.130/- per sq.ft. mentioning the following reasons for enhanced rate.

1. Price of Polymer Coat Interlocking Block increased by 45%.
2. The company has claimed that such a bulk quality of PCIB would not be available in Kerala, as the project would require about 1.3 million square feet of PCIB for footpath laying for a distance of 28 Km corridor stretches and hence, more money would be required to import it from outside the state.

The rates quoted by the concessionaire has been approved by the then Chief Engineer and recommended the same to the Executive Committee and duly got approval for the rate.

**Para 3.2.6.4 - Unnecessary expenditure of Rs.79.50Lakhs in deploying Traffic Wardens during construction.**

The service of Traffic Wardens were not utilized in the TCRIP corridors, but their services were necessitated to be utilized to ease traffic congestion in other roads in the vicinity of the project corridors during implementation. Moreover, their appointments were made by the Traffic Police Authorities and not by the concessionaire. As acute traffic congestion arised in the city during construction of flyover and other road works, KRFB itself has to pay the salary as per demand by the Traffic Police Authorities. This has been approved by the 15th Executive Committee held on 19.09.2011. As soon as the traffic congestion relieved, the service of traffic personal have been stopped.

**Para 3.2.6.5 - Undeserved profit of Rs.1.53Crore by way of interest to the concessionaire as a result of miscalculation of proportional annuity.**

The contract is for the construction of 42.069 Km of road. Out of this, on the basis of completion of 15.739 Km length, an amount of Rs.6.59 crore has been sanctioned as Annuity in proportion to 37.12% of the total annuity. Since annuity fixed for the first phase as one-third of the total annuity was found to be unscientific, the decision taken was reexamined in a scientific way and the proportionate annuity was determined based on the percentage of completed road length and the methodology was approved by the Executive Committee. Annuity was paid only on the basis of completed stretches.

**Para 3.2.6.6 - Undeserved profit of Rs. 2.45Crore to concessionaire by disbursed of advance payment of Annuity.**

Phase II of TCRIP was opened to traffic in February, 2012. But there was an administrative delay occurred in getting the punch list from the Project Engineer. Since it was opened to traffic in February itself, it was decided that CoD was issued on 22<sup>rd</sup> February 2012 and Annuity paid as per conditions of the Concession Agreement. The statement that annuity was paid before completion of works is not correct. This may be admitted.

**Para 3.2.6.7 - The undeserved benefit received by the concessionaire on the claim that extra length of road was**

**constructed.**

This issue has been thoroughly examined. The concessionaire was not overpaid for the extra length of road constructed.


**Para 3.2.6.8 - Allowing exorbitant rates for restoration work.**

The restoration works due to the cutting made by different stakeholders are to be attended by the concessionaire immediately after these cuttings are being made in the pavement, footpath or unpaved footpath and the procedure for restoration is clearly prescribed in Article 3.2 (d) (i) of the Concession Agreement which specifies that "the cost of the restoration whether as a lumpsum amount or on unit rate basis or otherwise, the manner of reimbursement to the concessionaire whether as a deposit contribution by the utility agency or payment by the Board or otherwise, stage wise certification of restoration work by Project Engineer and the schedule of payments to the concessionaire shall be finalized before commencement of work by utility agency". As per the methodology suggested by the concessionaire, the rates were approved by the 11<sup>th</sup> Executive Committee meeting of the Board.

The rates approved are far above the rates prevailing in other PWD roads and National Highway roads. The reason for this is due to the emergency requirement of restoration works, execution of lessers amount of works for each cuttings happening frequently, and the works need to be carried out in busy stretch of city roads for which late night working pattern need to be adopted, which all are attributable to the enhanced rates. Moreover, the concessionaire has to maintain the road throughout the concession period which also need maintenance in future. Hence, the enhanced rate is claimed by the concessionaire.

**Para 3.2.7 - Conclusions.**

Thiruvananthapuram City Road Improvement Project was the first PPP pilot project in Kerala. The subsequent projects carried out in the PPP mode of execution have been modified by incorporating the relevant changes in the Concession Agreement.

  
 പ്രിയ. ബി  
 അംഗീകൃത സെക്രട്ടറി  
 പൊതുമരാമത്ത് വകുപ്പ്  
 തിരുവനന്തപുരം

**C&AG Audit Report (Economic Sector) - Year ending 31<sup>st</sup> March, 2017 - Report on PARA 4.3**

Administrative and Technical Sanction for the work RIDF XVIII Methuramba-Chapparapadavu-Perumpadap-Kuttur road km0/000 to 10/850 has been accorded for Rs.760lakhs and tendered. The Kerala State Construction Corporation has awarded the work at 10.30% below Estimate Rate. This work included in the list of works tendered, with bitumen is considered as contractors own material (not Departmental material). As per G.O(Rt)No.1514/2014/PWD dated 30.10.2014, the Government has allowed the cost of bitumen on the basis of the invoice submitted by the contractor.

On the basis of the above Government Order, the estimate of the work has been revised by inclusion of the Refinery rate of the bitumen against the Estimate rate.

1.As per G.O(Rt)No.1514/2014 /PWD dated 30.10.2014, the total expenditure of the work should be limited to Technical Sanction amount, but it was a general condition for all such works. But as per Government letter No.13537/H2/2014/PWD dated 26.06.2014, the Government has permitted to execute this work by inclusion of 10% of the estimate amount. The total expenditure of the work is 8.30Crores and it is not more than 10% of the estimate amount of 7.60Crores. So the findings of the Accountant General is not correct as the expenditure made is in accordance with the Government letter (Copy enclosed).

2.The bituminous items of this work is prepared in original estimate using schedule rate of bitumen. As per the revised estimate, the refinery rate is adopted for preparation of bituminous items as extract items in the revised estimate. If the contractor submit the HR for the bitumen as per G.O(Rt)No.1514/2014/PWD dated 30.10.2014, the contractor may get the full refinery rate for bitumen. But here the tender percentage of 10.3% deducted in cost of bitumen as it is included in the estimate. So an amount of Rs.31,78,197.86 has been saved on this account as detailed below.

- Cost of bitumen in refinery rate: 30856289.92
- Tender rebate 10.3% below: 3178197.86

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• Actual amount received by the contractor as cost of bitumen : 2767892.06

As the tender deficit is applied to the bitumen rate in the bill, there is a savings of Rs. 31,78,197.86. So, there is no loss sustained to Government and hence the objection may be omitted.

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82/2014 4096/2014 19/11/14



GOVERNMENT OF KERALA

Abstract

Public Works Department - Treating bitumen as departmental material and its supply - Clarification - Orders issued.

PUBLIC WORKS (H) DEPARTMENT

Dated, Thiruvananthapuram 30.10.2014.

G.O.(R) No.1514/2014/PWD

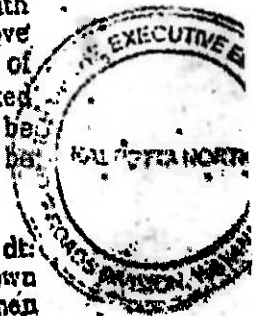
- Read: 1. G.O.(P) No.13/2012/PWD dt: 01.02.2012
- 2. Representation dated 04.11.2013 from the Contractors under Kozhikode (R&B), North Circle of All Kerala Govt. Contractors Association
- 3. Letter No.643/H3/14/PWD dt: 24.01.2014
- 4. Petition dated 06.08.2014 from Shri K.M Akbar, State Organizing Secretary, All Kerala Govt. Contractors Association, North Circle Area Committee, Kozhikode.

ORDER

The Superintending Engineer (R&B), North Circle tendered some works considering bitumen as contractor's own material. While tendering the works, the amount of departmental material were shown as Nil in the tender schedule applying the relevant clause of the departmental materials in the new FWD Manual. It was stated in page 28, Special Condition 12 of the Notice Inviting Tender (NIT) that "As per G.O.(P) No. 13/2012/PWD dated 01.02.2012 the bidder will purchase bitumen and complete the work". Accordingly, the rate (tender excess/below percentage) quoted by the contractors is inclusive of the cost of bitumen and applicable to bitumen also. But at the same time, the other two divisions of PWD tendered works considering bitumen as departmental material and compensating contractor with the difference of cost. Subsequently, the SE (R&B), North Circle also adopted the same procedure followed by the other two divisions.

2) Meanwhile, the contractors who carried out the works have represented Government as per the paper read as 2<sup>nd</sup> above that they incurred huge loss due to the difference in the cost of bitumen i.e. Rs.12,000/-per tonne and requested that the anomaly may be rectified by paying the difference as departmental material. This issue was discussed in detail by Government with CE's and SE's and issued a direction as per the letter read as 3<sup>rd</sup> paper above to the Chief Engineer (R&B), Northern Circle, Kozhikode with estimated cost of bitumen, the actual cost of bitumen as per the original invoice will be admitted subject to the condition that the total cost of such works will be limited to the Technical Sanction amount.

3) As per the Government Order G.O.(P) No.50/2003/PWD dt: 06.09.2003 and prevailing practice, the contractors are to procure own bitumen and the cost difference of estimate rate and actual cost of bitumen during execution is reimbursed to Contractor. Contractor's profit is not



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included in the rate analysis while preparing the estimate.

4) As per the petition read as 4<sup>th</sup> paper above, All Kerala Government Contractors Association, North Circle Area Committee has represented that some Executive Engineers are not making payment and insisting for Government Order in the matter. It is also reported that the change in the tender was made in time with the new PWD Manual. But the new PWD Manual is not fully operational as the anomalies in the new Manual are under review. A hearing of the contractors and the Departmental officers was held on 04.09.2014 by Secretary, PWD.

5) The Deputy Chief Engineer (R&B) has reported that as per the contract condition (page 28 of NIT), the cost of departmental materials is ZERO and the contractors have to procure the bitumen on their own. But with the same condition of NIT in other contracts, the difference of cost is reimbursed. The only difference in these works is that the last row of the price schedule is ZERO which the contractor failed to note since this was also happened earlier due to some software issues.

6) The revised PWD Manual was applied in part without prior intimation to contractors (ie without pre-bid meetings) about the important changes of high financial implications. Moreover the new Manual is still under revision and finalization, which makes practically impossible to implement the Manual.

7) All the works under PWD are now applying the system of reimbursement of cost difference of bitumen for all high value works in accordance with the G.O.(P) 50/2003/PWD dt: 06.09.2003. Similar works in the same Circle before and after this period was also following the system of reimbursement of cost difference as in the other 2 Circles of PWD.

8) In the above circumstances, Government are pleased to issue orders for the reimbursement of the difference of cost of bitumen for the work tendered in the O/o the Superintending Engineer (R&B), North Circle, Kozhikode as per the conditions in the Government Order 50/13/PWD dt: 06.09.2013 subject to the condition that the total expenditure of such works will be limited for the Technical Sanction amount.

By Order of the Governor,  
SUNNY JOHN  
Additional Secretary to Govt.

To

- The Chief Engineer (R&B), PWD, Thiruvananthapuram
- The Deputy Chief Engineer (R&B), PWD, Thiruvananthapuram
- The Senior Finance Officer (R&B), PWD, Thiruvananthapuram
- Sri.K.M.Akbar, State Organizing Secretary, All Kerala Govt. Contractors Association, North Circle Area Committee, Kozhikode.
- The Principal Accountant General (Audit), Kerala, Thrissur
- The Accountant General (A&E), Kerala, Thiruvananthapuram
- SE/OC

Executive Engineer P.W.D.  
Roads Division, Wyanad  
Kalepatta

Forwarded

The Senior Finance Officer, State Organizing Secretary, All Kerala Govt. Contractors Association, North Circle Area Committee, Kozhikode.



GOVERNMENT OF KERALA

No 13537/H2/2014/PWD

Public Works (H) Department  
Date: Thiruvananthapuram 26.06.2014

From: The Secretary to Government

To: The Chief Engineer (R & B)  
PWD, Thiruvananthapuram

Sub: PWD - Revised Estimate - Improvements to Methurumba-Kuttur Road in  
Kannur District - NABARD - RIDF XVIII - Reg

Ref: Your letter No. CBR&BN/187/21/12 dated 12.05.2014

Your attention is invited to the reference cited. You are directed to execute the work including the additional work as suggested by you for improvement of ~~Perumbada~~ <sup>Methurumba</sup> - Chapparappadavu- Perumbacavu-Kuttur road with condition that the additional expenditure will not exceed 10% of the Administrative Sanction amount

Yours faithfully  
T O SOORAJ  
Secretary

Approved for issue  
*Submitted*  
Section Officer.

①

<p>4.2</p>	<p><b>Avoidable extra expenditure on three unwarranted works and payment on fictitious measurements.</b></p> <p>Non-exercise of propriety by departmental authorities in arranging road work resulted in execution of three unwarranted works costing ₹.74.99 lakh. Besides, fictitious measurements and admission of irregular claims by departmental authorities resulted in payment of ₹.15.78 lakh.</p> <p>The Kerala Public Works Department Manual, Revised Edition 2012 (Manual) stipulates that a road once renewed with Chipping Carpet is to be taken up for renewal normally after three years. The Government of Kerala (Government) issued (August 2013) orders fixing the defect liability period (DLP) of different types of works in Public Works Department (Department), according to which, DLP of the work of surface renewal with 20 mm chipping carpet is 12 months.</p>	<p>1.The query is for the contrary statement that no major works were arranged in this chainage of road for previous four years which had severely damaged the road at many locations. In the statement submitted by Assistant Engineer in charge during the period, the same is admitted. However it is explained that instruction of Hon'ble High Court of Kerala to repair the important road on war footing basis was the basis for arrangement of works on urgent basis. No reply is however submitted for the contrary statement.</p> <p>2. The initial level proposal is accepted with more than 40% undulation. Assistant Engineer's statement is not giving any clarification about the same. However at time of acceptance of final level it was Stated that undulation was severe.</p> <p>3. The bitumen for the work was issued departmentally in spite of being works above 1 crore. The issue was based on the communication in writing by Assistant Engineer addressed to the Executive Engineer that</p>
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1. The Government accorded (June 2014) Administrative Sanction (AS) to a work for ₹. 3.50 crore, which included providing 50 mm BM6 and 30 mm BC 7 in two layers. The Chief Engineer (Roads & Bridges) (CE) issued (October 2014) Technical Sanction (TS) for ₹.3.50 crore. Superintending Engineer (Roads & Bridges) Central Circle, Aluva (SE) tendered the work twice (October 2014 & November 2014), but evoked no response from contractors. Subsequently SE invited (December 2014) limited quotations and received two offers. The lowest quotation was 39.80 per cent above estimate rate. Government accepted (June 2015) the tender at 17.07 per cent above estimate rate (₹.3.88 crore). The SE issued (September 2015) selection notice to the contractor and the contract agreement was executed (October 2015). The time of completion was nine months (by 10 June 2016). The contractor completed the work on 26 May 2

contractor had financial problems and his bills are pending. 10 loads of bitumen are issued namely,

- a) 9510kg UG 30 on 14.03.2016
- b) 9690kg UG 30 on 23.03.2016
- c) 9560kg UG 30 on 02.04.2016
- d) 9610kg UG 30 on 11.04.2016
- e) 9600kg UG 30 on 10.02.2016
- f) 9530kg UG 30 on 11.02.2016
- g) 9750kg UG 30 on 11.02.2016
- h) 9360kg UG 30 on 11.02.2016
- i) 9360kg UG 30 on 11.02.2016
- j) 9650kg UG 30 on 11.02.2016

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016 and the final bill amounting to ₹.3.50 crore was paid in October 2017. On scrutiny of the records of the offices of R&B Central Circle, Aluva and Roads Division Ernakulam and joint site verification conducted on 31 October 2017, it was observed that:

- The length of the reach on which BM and BC work were actually done was 3,030m. But as per the measurement records 3,100 m was measured for payment. This resulted in excess payment of ₹.4.87 lakh<sup>10</sup> on account of the excess measurement of 70 m.
- The measurement of 3,100 m also included 301.60 m long road which was paved with 10 cm thick heavy duty interlocking tiles in place of bituminous surface. However, the Department paid contractor for executing BC over 3,100 m, without excluding tiled portion. This led to excess payment of ₹8.39 lakh.<sup>11</sup>
- Eleven sign boards indicating direction and place were measured and ₹0.58 lakh paid to the contractor. But Audit was unable to find any of the sign boards during a joint physical

cal verification conducted along with departmental officials

The Department permitted the contractor to discount (13 April 2017) a bill of ₹. 1.94 lakh relating to purchase of bitumen, stated to be for the work, made four months after completion of the work.

On these being pointed out, the Executive Engineer, Roads Division, Ernakulam (EE) replied (November 2017) that the exact amount of excess payment made would be calculated after obtaining clarification from the officers concerned.

Recording of fictitious measurements and admission of irregular claims amounting to ₹.15.7812 lakh indicate serious possibilities of fraud and malpractice.

2. While the tender process of the above work was underway, the EE, proposed (April 2015) three estimates of ₹.24.99 lakh each under Renewal Programme, for rectification of damages in different chainages of the same reach of road mentioned above, on the plea that there was demand from the public and the local MLA to do the work urgently. The CE accorded (23 June 2



015) AS to the works which consisted of Bituminous levelling course with 36 mm metal and open graded premix surfacing of 20 mm thickness subject to the condition that the tendering authority should ensure that no part of the works should be duplicated with any of the works already sanctioned within the reach. EE issued (24 June 2015) TS and invited (24 June 2015) limited tenders for the works. Two tenders each were received (24 June 2015) and the lowest rate quoted (estimate rate) in all three works was by entities promoted by Shri. Subin George. The EE awarded (July 2015) all three works at a total cost of ₹74.99 lakh. The SE ratified (09 July 2015) the action of the EE in having arranged the works by waiving tender call although it was beyond his delegated powers. The site for the works were handed over (04 July 2015) to the contractor who completed the works (31 August 2015).

Scrutiny of the records at the offices of R&B Central Circle, Aluva and Roads Division, Ernakulam revealed the following:

- Proposals for the renewal works were submitted by the Division to the CE who accorded (23 June 2015) AS despite the fact that tender process of the Improvement work on th

e same stretch of road was under way. The proposal for renewal works was, therefore, unwarranted.

- The CE was aware that the tender approval of the improvement work was under consideration with Government. In spite of this, he accorded AS for the renewal works.

- The EE showed undue haste in awarding the three renewal works by not ascertaining the status of the improvement work which was already under tender process, thus contravening the CE's direction in the AS order that works should not be duplicated with any of the works already sanctioned.

As per Section 2012 of the Manual, CE and SE were competent to waive tender calls of the value up to ₹.25 lakh and up to ₹.10 lakh respectively. Waiving tenders of more than ₹.25 lakh by EE and ratification by SE were beyond their respective delegated financial powers, which were irregular as per the instructions issued by the Government. Thus, awarding three renewal works on the same stretch of road when it was clearly evident that it would get submerged in the ensuing improvement works lacked financial propriety and caused the department to incur an avoidable expenditure of ₹.74.99 lakh.

The matter was referred to the Government in December 2017. The Government is yet to reply to the audit observations.

4.4

**Incorrect pledging of pending bill as security deposit and performance security deposit.**

Executive Engineer enabled a contractor to execute works of more than ₹4.56 crore without remitting security deposit and performance security deposit of ₹. 72.50 lakh, thus failing to indemnify the Government against future liabilities.

In terms of Section 2009.7 of the Kerala Public Works Department Manual, Revised Edition, 2012, read with Government of Kerala (Government) orders, the selected bidder shall produce a Security Deposit (SD) equal to five per cent of the contract amount for executing contracts, which is to remain valid till the expiry of the Defect Liability Period (DLP) of the work. Earlier (March 2003), the Government permitted contractors through a circular to adjust the amounts due to them on account of completed works as SD of new contracts awarded to them. Additionally, Section 2009.7 also stipulates that if the bid of the successful bidder is unbalance

Based on the report of the CE, the original file dealing with the subject was seized by the Vigilance. From the copies of the file kept in that office, the exact reasons and circumstances for adjusting the Performance Guarantee and Additional Performance Guarantee from the pending bills is not revealed. Superintending Engineer informed that an explanation will be obtained from the officers in charge of the file at that time and be submitted.

  
**AJITH K JOSEPH**  
Additional Secretary  
Public Works Department  
Government Secretariat  
Thiruvananthapuram

## Appendices from AG's Report

## Appendix - III (C)

## Excess payment to contractors due to non-recovery of cost-index on the cost of bitumen reimbursed at market rate

(Reference : Paragraph 4.4 – Page : 78)

Sl. No	Name of Work, Agreement No. & Contractor	Division	Tender variation	Technical Sanction Authority	Type of bitumen	Rate of bitumen (including cost index) provided in the Estimate (for 1MT) (₹)	Rate of bitumen recovered from the work bills (for 1MT) (₹)	Balance to be recovered (₹)	Quantity of bitumen used (in MT)	Excess payment (₹)	Total (₹)	Excess payment after reckoning tender variation (₹)
1	2	3	4	5	6	7	8	9=(7-8)	10	11=(9 x10)	12	13={12 ± (12x4)}
1	Improvement to twelve roads leading to Games village and Karyavattom Stadium (108/SESC/2014-15 dt.12.01. 2015 Sreedhanya Construction Company	Thiruvananthapuram	10% above	Chief Engineer (R&B)	VG 10	72,282	50,600	21,682	493.315	1,06,96,056		
					VG 30	75,349	52,747	22,602	475.19	1,07,40,244		
					Emulsion	55,769	39,040	16,729	81.216	13,58,662		
					<b>Total</b>						2,27,94,962	2,50,74,458
2	Improvements to Thiruvallam Junction-Pachalloor-Vazhamuttom road ch 0/000-04/050 and Pachalloor-Poonkulam road from ch 0/000 to 2/200- Poonkulam Junction to Agricultural college Vellayani road from ch 0/000 to 01/200 and Agricultural college internal road upto Stadium at Vellayani (88/SESC/2014-15 dt.26.11.2014), Kerala State Construction Corporation Ltd	-do-	0.05 % below	-do-	VG 10	71,852	50,600	21,252	144.104	30,62,498		
					VG 30	71,852	52,747	19,105	230.73	44,08,097		
					Emulsion	55,437	39,040	16,397	21.668	3,55,290		
					<b>Total</b>						78,25,885	78,21,972

*Audit Report (Economic Sector) for the year ended 31 March 2016*

Sl. No	Name of Work, Agreement No. & Contractor	Division	Tender variation	Technical Sanction Authority	Type of bitumen	Rate of bitumen (including cost index) provided in the Estimate (for 1MT) (₹)	Rate of bitumen recovered from the work bills (for 1MT) (₹)	Balance to be recovered (₹)	Quantity of bitumen used (in MT)	Excess payment (₹)	Total (₹)	Excess payment after reckoning tender variation (₹)
1	2	3	4	5	6	7	8	9=(7-8)	10	11=(9 x10)	12	13={12 ± (12x4)}
3	Maintenance of Fly-over including repairs of hand rail and Maintenance of Ring road from CSN Stadium Squash Court (91/SESC/2014-15 dated 27.11.2014), A.Thajudeen, Thoppil Constructions	-do-	7 % below	-do-	VG 10	72,282	50,600	21,682	36.19	7,84,672		
					VG 30	75,349	52,747	22,602	31.727	7,17,094		
					Emulsion	55,769	39,040	16,729	3.999	66,899		
					<b>Total</b>							
4	Improvements to Jawahar Balabhavan Junction- Swimming Pool and Vellayambalam road from ch 0/000 to 0/675 and Manaveeyam road from 0/000 to 0/325 (92/SESC/2014-15dated 27.11.2014), A Thajudeen, Thoppil Constructions	-do-	3.3% below	-do-	VG 10	57,132	50,600	6,532	40.802	2,66,519		
					VG 30	56,580	52,747	3,833	33.628	1,28,896		
					Emulsion	41,400	39,040	2,360	6.216	14,670		
					<b>Total</b>							
5	Improvements to the approach road to Shooting range in the CPT ground Vattiyoorkavu providing BM and BC to the leading road Sasthamangalam, Maruthankuzhy Vattiyoorkavu CPT road (86/SESC/2014-15 dated 22.11.2014), Revive Construction Company (India) Private Ltd	-do-	6.11% below	Superintending Engineer R&B South Circle	VG 10	62,100	50,600	11,500	44.697	5,14,016		
					VG 30	60,000	52,747	7,253	41.363	3,00,006		
					Emulsion	45,000	39,040	5,960	4.682	27,905		
					<b>Total</b>							



Sl. No	Name of Work, Agreement No. & Contractor	Division	Tender variation	Technical Sanction Authority	Type of bitumen	Rate of bitumen (including cost index) provided in the Estimate (for 1MT) (₹)	Rate of bitumen recovered from the work bills (for 1MT) (₹)	Balance to be recovered (₹)	Quantity of bitumen used (in MT)	Excess payment (₹)	Total (₹)	Excess payment after reckoning tender variation (₹)
1	2	3	4	5	6	7	8	9=(7-8)	10	11=(9 x10)	12	13={12 ± (12x4)}
6	Improvements to the approach road to Shooting range in the CPT ground Vattiyoorkavu urgent maintenance to the balance portion to the leading road Sasthamangalam Maruthankuzhy Vattiyoorkavu CPT ch 0/000 to 2/500. (118/SESC/2014-15 dated 26.02.2015), AR Nasarudeen, Revive Construction Company (India) Private Ltd	-do-	Estimate rate	-do-	VG 10	62,100	50,600	11,500	22.28	2,56,220		
					VG 30	61,500	50,600	10,900	38.006	4,14,265		
					Emulsion	45,000	45,000	0	3.271	0		
					<b>Total</b>							6,70,485
7	Improvements to Koppam-Plakeezhu road to swimming pool – Pirappancode. (93/SESC/2014-15 dated 27.11.2014), A Thajudeen, Thoppil Constructions	-do-	3.3% below	-do-	VG 30	60,000	50,600	9,400	18.644	1,75,254		
					<b>Total</b>							1,75,254
8	Improvements to Poomthoppu Vembanad Kayal road (87/SESC/2014-15 dated 26.11.2014) N Kalesan	Alappuzha	2.33% below	-do-	VG 30	55,200	40,000	15,200	8.603	1,30,766		
					Emulsion	41,400	0	41,400	2.36584	97,946		
					<b>Total</b>							2,28,712
9	Improvements to Charamparambu Kshethram Kayaltheeram road (90/SESC/2014-15 dated 27.11.2014), Sebastian J Pooney	-do-	0.77 % below	-do-	VG 30	55,200	48,400	6,800	9.501	64,607		
					Emulsion	41,400	36,300	5,100	2.648	13,505		
					<b>Total</b>							78,112
<b>Total</b>											<b>3,45,94,087</b>	<b>3,66,83,175</b>

Appendix - III (a)

**Details of extra expenditure due to allowing of additional five per cent Overhead charges in estimate data**

(Reference : Paragraph 4.5 – Page : 80)

Sl No	Name of Work and details of Technical Sanction	Agreed Probable Amount of Contract (₹ in lakh)	Extra commitment due to inclusion of additional five per cent OH charges (₹ in lakh)	Upto date expenditure (₹ in lakh)	Extra expenditure due to inclusion of additional five per cent OH charges (₹ in lakh)
1	Widening Carriage way and providing BM & BC to Tirur-Kadalundy Road Km 18/000 to 27/000 (TS No.CC/GM(E)/CLT-501/013/7885(A) dated 15.02.2013 for ₹ 7,57,45,000)	713.01	33.95	373.91	17.60
2	Widening Carriage way and Providing BM & BC surfacing to Tanalur-Puthenathanni Road Km 0/000 to 13/000 (TS No.CC/GM(E)/CLT-501/013/7883(A) dated 15.02.2013 for ₹ 10,22,56,000)	965.55	45.98	606.10	28.34
3	Improvements of various junction to Chamravattom-Tirur-Kadalundy Road-Improvements of Parappanangady-ROB Junction in Tirur-Kadalundy Road Part I (TS No.CC/GM(E)/TCR-516/013/95(A) dated 22.04.2013 for ₹ 40,20,000)	38.62	1.84	38.62	1.81
4	Widening and providing BM & BC surfacing to Tirur-Chamravattom Road Km 3/200 to 11/500 (TS No.CC/GM/W-474/012/7762(A) dated 07.01.2013 for ₹ 6,05,96,000)	605.18	23.36	605.18	23.40
5	Improvements to Nariparambu-Pothannur-Perumparambu-Edappal Road by providing BM & BC from km 0/000 to km 6/950 (TS No.CC/GM/W-474/012/7760(A) dated 07.01.2013 for ₹ 4,12,21,000)	411.68	16.67	402.62	15.11
	<b>Total</b>		<b>121.80</b>		<b>86.26</b>



Appendix – III, (3)

**Details of loans and accrued interest pending recovery from RBDCK Ltd.**

**(Reference: Paragraph 3.2.4.1– Page: 58, 59)**

Date of receipt by RBDCKL	Amount of loan released (₹)	Due date for completion of repayment	Rate of interest as per MoU	Interest accrued upto 31/08/2017 (₹)
09/08/2007	3,30,00,000	09/08/2010	11.50 per cent (in the case of default)	3,82,66,250
09/08/2007	3,75,00,000	09/08/2013	11.50 per cent (in the case of default)	4,34,84,375
31/12/2007	8,14,44,000	31/12/2012	6 per cent p.a	4,72,37,520
09/09/2008	38,50,00,000	09/09/2013	6 per cent p.a	20,79,00,000
<b>Total</b>	<b>53,69,44,000</b>			<b>33,68,88,145</b>

Source: Accounts of KRFB

**Total amount due from RBDCKL: ₹53,69,44,000 + ₹33,68,88,145 = ₹87,38,32,145**

Appendix - III (A)

**Photographs taken during joint physical verification  
(Reference: Paragraph 3.2.6.1-Page: 62)**

Works not completed at Thakaraparambu



C-05&06 - CH: 2+070 to 2+170, (RHS)  
(25/07/2017)



C-05&06-, Ch: 2+070 to 2+170 (30/08/2017)

Damaged carriageway pending restoration



C-08-CH: 0+120 (RHS) (26-07-2017)



C-05&06- CH: 2+560 (25/07/2017)

**Appendix 3.2.2 (Cont'd.....)**

**Dismantled pavement over foot path pending rectification**



**C-03 -CH: 1+230 (LHS) (25/07/2017)**



**C-10-CH: 1+480 (LHS) (24/07/2017)**

## Appendix III (5)

**Details of payments made to the Concessionaire as differential cost for laying  
footpath with PCIB**

**(Reference: Paragraph 3.2.6.3 - Page: 64)**

Voucher No. & date	Bill No.	Quantity executed (square feet)	Differential cost paid (₹)
570/ 14/01/2010	1	34,239.10	44,51,083
171/ 08/07/2010	2	53,638.95	69,73,063
880/ 26/03/2011	3 & 4	1,30,322.22	1,69,41,889
732/ 28/12/2011	5 & 6	1,55,751.25	2,02,47,663
460/ 28/07/2012		36,333.80	47,23,394
1183/ 06/03/2013	7 & 8	2,04,355.42	2,65,66,205
819/ 26/11/2013	9	1,71,754.87	2,23,28,133
----/ 02/03/2015	10	1,02,865.60	1,33,72,528
418/ 11/08/2015	11	1,02,599.50	1,33,37,935
141/ 13/05/2016	12	64,112.71	83,34,652
		<b>10,55,973.42</b> *(98,138.79 m <sup>2</sup> )	<b>13,72,76,545</b>

\* 1 m<sup>2</sup> = 10.76 sqft.

Source: Payment vouchers of KRFB



Appendix - 11 (6)

Irregular payments for engaging traffic wardens

(Reference: Paragraph 3.2.6.4 - Page: 64)

SI No	Date of payment/ month for which due	Amount (₹)
1	03/12/2009/11-2009	87,532
2	05/01/2010/12-2009	84,484
3	02/02/2010/1-2010	82,888
4	03/03/2010/2-2010	85,981
5	31/03/2010/3-2010	1,06,840
6	03/05/2010/4-2010	1,40,800
7	02/06/2010/5-2010	1,36,062
8	11/06/2010/8 wardens (26/10/2009 to 30/10/2009)	6,968
9	01/07/2010/6-10 plus 6 days for 1 warden (26/10/2009 to 31/10/2009)	1,39,271
10	04/08/2010/7-2010	1,31,400
11	04/09/2010/8-2010	1,46,000
12	04/10/2010/9-2010	1,51,200
13	03/11/2010/10-2010	1,59,400
14	03/12/2010//11-2010	1,41,800
15	03/01/2011/12-2010	1,54,400
16	03/02/2011/1-2011	1,53,000
17	04/03/2011/2-2011	1,47,400
18	04/04/2011/3-2011	1,57,800
19	07/06/2011/5-2011	41,200
20	05/07/ 2011/6-2011	80,400
21	04/08/ 2011/7-2011	78,200
22	03/09/2011/8-2011	37,600
23	13/12/2011/11-2011	83,800
24	05/01/2012/12-2011	1,44,000
25	06/02/2012/1-2012	1,72,800
26	06/03/2012/2-2012	1,52,400
27	07/04/2012/3-2012	1,73,200
28	04/05/ 2012/4-2012	2,87,700
29	17/05/2012/ arrear for 1/2012 to 3/2012	3,73,800
30	05/06/2012/5-2012	3,07,300
31	05/07/ 2012/6-2012	2,06,500
32	07/09/2012/8-2012	95,200
33	05/10/2012/9-2012	94,500
34	05/11/2012/10-2012	1,00,800
35	10/12/2012/11-2012	93,100

SI No	Date of payment/ month for which due	Amount (₹)
36	03/01/2013/12-2012	96,250
37	06/02/ 2013/1-2013	91,350
38	07/03/ 2013/2-2013	78,750
39	04/04/ 2013/3-2013	89,600
40	09/05/ 2013/4-2013	88,900
41	06/06/ 2013/5-2013	88,200
42	05/07/ 2013/6-2013	91,350
43	05/08/ 2013/7-2013	96,950
44	04/09/ 2013/8-2013	94,500
45	05/10/ 2013/9-2013	84,350
46	06/11/ 2013/10-2013	91,000
47	04/12/ 2013/11-2013	87,150
48	06/01/ 2014/12-2013	93,450
49	05/02/ 2014/1-2014	90,300
50	06/03/ 2014/2-2014	91,000
51	08/04/ 2014/3-2014	99,050
52	08/05/ 2014/4-2014	97,650
53	04/06/ 2014/5-2014	1,00,100
54	05/07/ 2014/6-2014	98,000
55	04/08/2014/7-2014	87,850
56	03/09/2014/8-2014	91,350
57	07/10/2014/9-2014	84,000
58	06/11/2014/10-2014	98,000
59	04/12/ 2014/11-2014	92,050
60	07/01/2015/12-2014	97,650
61	06/02/2015/1-2015	90,300
62	09/03/ 2015/2-2015 (8 wardens)	75,250
63	11/03/2015/2-2015 (2 wardens)	14,350
64	06/04/2015/3-2015	99,050
65	06/05/2015/4-2015	95,550
66	05/06/2015/5-2015	1,01,500
67	04/07/2015/6-2015	96,600
68	05/08/2015/7-2015	1,01,500
69	08/09/2015/8-2015	91,350
70	08/10/2015/9-2015	98,000
71	08/12/2015/11-2015	52,500
<b>Total</b>		<b>79,50,476</b>

Source: Records of KRFB

Appendix - ~~Part~~ III (7)

## Undue gain to Concessionaire on account of interest

(Reference: Paragraph 3.2.6.5-Page: 65)

Annuity paid in advance in respect of Phase II: ₹0.572 crore Interest per month @ 11.50 per cent for ₹0.572 crore = ₹54,816/-			
Sl No.	Month and Year of annuity payment	No. of months for which the amount paid in advance (upto date of completion as per completion certificate)	Interest (₹)
1	November 2012	54	29,60,064
2	March 2013	50	27,40,800
3	December 2013	41	22,47,456
4	May 2014	36	19,73,376
5	September 2014	32	17,54,112
6	April 2015	25	13,70,400
7	September 2015	20	10,96,320
8	March 2016	14	7,67,424
9	December 2016	5	2,74,080
10	March 2017	2	1,09,632
<b>Total</b>			<b>1,52,93,664</b>

Source: Records of KRFB

Appendix 3.2.6 (ii) (8)

**Undue gain to Concessionaire on account of interest**

(Reference: Paragraph 3.2.6.6 - Page: 66)

Annuity amount in respect of Phase II- (Provisional Certificate issued on 07/09/2012–COD 22/02/2012)			
Less: Amount paid in advance due to calculation of proportionate annuity on the basis of length instead of cost of works (para 3.2.6.5)		₹6.590 crore	
		<u>₹0.572 crore</u>	
		₹6.018 crore	
Month of annuity due	Month of annuity payment	No. of months Annuity paid in advance	Interest @ 11.50 per cent (₹5,76,725) <sup>1</sup>
March 2013	November 2012	4	23,06,900
September 2013	March 2013	6	34,60,350
March 2014	December 2013	3	17,30,175
September 2014	May 2014	4	23,06,900
March 2015	September 2014	6	34,60,350
September 2015	April 2015	5	28,83,625
March 2016	September 2015	6	34,60,350
September 2016	March 2016	6	34,60,350
March 2017	December 2016 ₹5,60,15,000 & March 2017 ₹98,85,000	3 months for ₹5.03 crore	14,45,979 <sup>2</sup>
<b>Total</b>			<b>₹2,45,14,979</b>

Source: Records of KRFB

<sup>1</sup>₹6.018 crore x 11.50 per cent /12 months = ₹5,76,725

<sup>2</sup>Out of the annuity due for March 2017, ₹5.60 crore was paid in December 2016 and the balance ₹0.99 crore paid in March 2017 itself. Therefore interest reckoned only for the amount paid in December 2016 (₹5,60,15,000 - ₹57,20,000 = ₹5,02,95,000 x 11.50 per cent/12 months = ₹4,81,993 x 3 = ₹14,45,979/-