

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

FORTY NINTH REPORT
(Presented on 28th January, 2014)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014**

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FORTY NINTH REPORT

on

**Action Taken by Government on the Recommendations contained
in the 43rd Report of the Committee on
Public Accounts (2006-2008)**

367/2014.

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf, present the Forty Ninth Report on Action Taken by Government on the recommendations contained in the 43rd Report of the Committee on Public Accounts (2006-2008).

The Report was considered and finalised by the Committee at the meeting held on 22nd January, 2014.

Thiruvananthapuram,
28th January, 2014.

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

REPORT

This Report deals with the Action Taken by Government on the recommendations contained in the 43rd Report of the Committee on Public Accounts (2006-2008).

The 43rd Report of the Committee on Public Accounts (2006-2008) was presented to the House on 17th September, 2007. The Report contained seven recommendations relating to Public Works Department of which one para (Sl. No. 2, Para No. 7) is related to Finance Department also. Government was addressed on 15th October, 2007 to furnish the statement of Action Taken on the recommendations contained in the Report and the final copies were received on 25th May, 2010.

The Committee considered the action taken statements at its meeting held on 11-11-2009 and 18-8-2010. The Committee was not satisfied with the Action Taken by Government on the recommendations in Serial Nos. 4 and 7 (Para Nos. 10 and 17) and decided to pursue them further. Such recommendations, replies furnished thereon and further recommendations of the Committee are included in Chapter I of the Report.

The Committee decided not to pursue further action on the remaining recommendations Sl. Nos. 1, 2, 3, 5 and 6 (Para Nos. 6, 7, 9, 12 and 15) in the light of the replies furnished by Government. The recommendations of the Committee and the Action Taken by Government are included in Chapter II of this Report.

CHAPTER I

RECOMMENDATIONS IN RESPECT OF WHICH ACTION TAKEN BY GOVERNMENT ARE NOT SATISFACTORY AND WHICH REQUIRE REITERATION

PUBLIC WORKS DEPARTMENT

Recommendation

(Sl. No. 4, Para No. 10)

1.1 The departmental version of the complexity of the procedure that had led to the delay in the work is not acceptable to the Committee as the procedure for tendering and for revising the estimate are the same for all departmental works. The Committee remarks that the department seems not much serious about it and considers such delays as routine and displays a lackadaisical attitude towards solving the issue. If the department genuinely considers the procedure can be simplified. The Committee points out that though the department had assured to examine the reasons for the delay it has failed to furnish any report in this regard. The Committee considers this lapse seriously and directs the department to furnish the report without further delay.

Action Taken

1.2 A proposal for enhancing the powers of departmental officers to approve tender excess and sanction revised estimate is also under consideration. This will help to reduce and avoid delay in tender procedure.

Further Recommendation

1.3 The Committee remarked that clear reply indicating the reasons for the delay occurred in the work was not submitted by Government and that such an act was intentional and ambiguous. The Committee requires the department to furnish the reply indicating the reasons for the delay in execution of the work.

Recommendation

(Sl. No. 7, Para No. 17)

1.4 The Committee learns that when the work for the construction of the hospital building was awarded there was no budget provisions and that no fund was available from 1996 onwards. In accepting the explanation that the work was delayed due to lack of funds, the Committee expresses its desire to know about the department's effort to make available necessary funds for the work. The Committee enquires whether the department had projected the expenditure for the work in the budget estimate for 1996-97 and onwards. The Committee also enquires whether any correspondence was there with the Finance Department regarding the issue. The Committee also requires the department to furnish information regarding the total amount spent for the work of the construction of the hospital building.

ACTION TAKEN

CONSTRUCTION OF BUILDING FOR WOMEN AND CHILDREN HOSPITAL—PALAKKAD

1.5 The original work of "Construction of Women and Children Hospital, Palakkad" was terminated and the contractor was absolved from doing the balance work due to the inadequate provision in the budget. In order to complete the work, a detailed estimate for the balance works including electrification work amounting to ₹ 90 lakh was submitted to Government. But the sanction in the matter was not considered due to paucity of funds. Under the above circumstances, the balance work was arranged under the MPLAD scheme and completed. The building was handed over to the Health Department on 23-5-2002.

The expenditure including electrification (balance work) was to ₹ 61,89,712 against the deposit amount of ₹ 75,00,000. Hence the total expenditure on the work was ₹ 89.36 + 61.90 = 151.26 lakh.

Further Recommendation

1.6 The Committee observed that the Public Works Department had not furnished reply to its query regarding the correspondence made with the Finance Department for providing adequate budget estimate for the construction of the hospital building and remarked it as a highly irresponsible act. The Committee further made it clear that the department could not make correspondence with the Finance Department in this matter as they showed grave negligence in the matter.

CHAPTER II

RECOMMENDATION IN RESPECT OF WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE ACTION IN THE LIGHT OF THE REPLIES FURNISHED BY GOVERNMENT

PUBLIC WORKS DEPARTMENT

Recommendation

(Sl. No. 1, Para No. 6)

2.1 The Committee observes that the decision to reject the first tender and the subsequent delay in retendering the work after revising the estimate on the basis of 1996 Schedule of Rates (SOR) has resulted in an extra expenditure of ₹ 34.45 lakh. It is significant that the retendering was done after the revision of SOR. The Committee requires clarification on the following points :

1. Whether the contractor who got the contract in the retender was the same person whose bid was accepted earlier.
2. Whether the department has conducted any enquiry into the reasons that had led to the delay in retendering.
3. Whether responsibility has been fixed for the additional expenditure incurred.

Action Taken

2.2 No. 6(1). The Contractor who got the contract in the retender and the person whose bid accepted earlier were not one person. The contractor whose bid was accepted and who refused to execute, the agreement was Shri I. Basher, Puthiyedath Engineering Construction, Aluva-688 106 and the contractor who got the contract on retender was Shri K. K. Rajan, PWD Contractor, Kolandhara House, Peravoor.

2.3 No. 6(2). The work was initially tendered on 1-11-1995 and accordingly the firm period was due for expiry on 29-2-1996. The tender was accepted on 13-2-1996, selection notice was issued on 16-2-1996 and the same received by the contractor before 26-2-1996. However, owing to the fact that the tender was approved at 80% above estimate rate against the quoted rate of 89%

above estimate rate, the contractor declined to accept the decision of the Government and refused to execute the agreement. Hence, the work had to be re-arranged. As per the directions of Chief Engineer (B&LW) the work was put on retender during 4/96 with last date for receipt of tenders as 10-7-1996 which could not be proceeded with as revision of SOR was ordered from 1-7-1996, consequent to which the estimate needed to be recast. After obtaining revised technical sanction, the work was tendered on 4-12-1996 and selection notice was issued on 11-2-1996. As the delay occurred in arranging the work was not deliberate but for observing the usual procedural formalities at various levels of the department, no specific steps for conducting an enquiry in the matter was taken. Therefore no specific enquiry was conducted in this regard.

2.4 No. 6(3). In view of the explanations furnished as above, Chief Engineer has not furnished the name of officers responsible for the incurring of additional expenditure.

Recommendation

(Sl. No. 2, Para No. 7)

2.5 The Committee notices that revision of SOR does not take place promptly as laid down in the PWD Code. Pointing out the need for annual revision of SOR, the Committee directs both the Public Works and Finance Departments to take necessary steps for the purpose so as to avoid issues like revision of estimates and delay in tendering. The Committee also requires the Public Works Department to explore the feasibility of preparing two types of data and SOR one based on manual labour and the other on mechanized work as contractors are using both machinery and manual labour. The Committee also recommends provision for making prompt payment of bills once the work is completed.

ACTION TAKEN

PUBLIC WORKS DEPARTMENT

2.6 Government have taken a policy decision to revise the SOR annually and this is being done from 2007 onwards. For the execution of work both manually and mechanically as suggested in the Committee's report, the Standard Data Book will be revised for incorporating necessary provisions for the same. Modifications up to 1980 were included in the present Standard Data Book. Since then, new construction materials and mechanization of construction techniques came into existence widely. Updating the construction techniques and standardization of new items are required. So, Government have constituted a Committee for the revision of Standard Data Book to cop up with the changes in the field, vide G.O. (Rt.) No. 277/09/PWD dated 17-2-2009. The revision work by the Committee is in progress.

ACTION TAKEN

FINANCE DEPARTMENT

2.7 Finance Department is issuing directions to PWD in each financial year for revising the SOR. This had been assured in the Budget Speech for 2007-08 presented by Finance Minister. Accordingly the SOR was revised in 2007 and in 2008. The SOR 2009 has also been issued vide G.O. (Rt.) 519/2009/PWD dated 18-4-2009.

Pending bills for the period up to 30-4-2009 are being cleared now. There is generally thus no pendency of payment on work bills.

Recommendation

(Sl. No. 3, Para No. 9)

2.8 The Committee notes that there was delay at various stages in the construction of the building even though there was budget provision for the work. Delay on the part of Superintending Engineer in preparing revised estimate and in seeking administrative sanction from the Government for the work and the delay on the part of Government in according sanction have all adversely affected the timely completion of the building, resulting in an additional expenditure of ₹ 27.60 lakh from the public exchequer.

Action Taken

2.9 Proposal for 'e' tendering is under consideration of Government. The tendering procedure is being simplified in e-tendering system where it is suggested to settle the contract work within two/three months from the date of opening of tenders. By adopting e-tendering, speedy settlement of contracts can be achieved.

Recommendation

(Sl. No. 5, Para No. 12)

2.10 The Committee understands that the supplemental agreement for substituting cement concrete with mosaic and marble flooring with the Contractor made without proper sanction from the authorities or without any specific request from the user department, is against the provisions in Kerala Financial Code and hence ultra vires. If marble flooring was absolutely necessary it should have been anticipated while preparing the estimate itself. It is clear that the procedure laid down in the PWD Manual was ostensibly disregarded while executing the work. The Committee is not satisfied with the reply that all the officers responsible for the issue had already retired from service. The Committee expresses its displeasure at the failure on the part of the department in furnishing the report on the issue, even after its instructions to do so. The Committee therefore directs the department to furnish the report containing the required details within a month.

Action Taken

2.11 It is reported that the above work was awarded to the contractor at an agreed contract amount of ₹ 1.35 crore (including tender excess). In the original estimate flooring was proposed with marble in lobby and cement plastering for remaining portion. In the agreement schedule for flooring with cement plastering was only 2.18 lakh as per the request of the administrative department and after joint inspection with Senior Engineers it was decided to propose marble flooring instead of cement plastering. This decision was taken purely for the proper completion of the work and durability of the flooring work. This proposal was approved by the Chief Engineer (B & LW) and supplementary agreement was executed on 25-11-1999.

2.12 There was no procedural lapse for execution of the above work. The extra amount spent for the flooring was reasonable considering the proper finish and durability. Presently in most of the Government buildings floorings either with marble, granite or vitrified tiles are being used for the proper durability and finish.

2.13 The name of officers who were in charge were, Shri Chandrasekharan Nair, Executive Engineer, Shri K. C. Lukose, Executive Engineer, Shri A. Chandrasekhara Achary, Assistant Executive Engineer, Shri A. Mohammed Farrok, Assistant Executive Engineer, Shri K. Abdul Samad, Assistant Executive Engineer, Shri M. Mohanakumar, Assistant Engineer and Shri M. Rajan, Assistant Engineer, Considering the facts stated above and since there was no procedural lapse on the part of officers the objection raised may be dropped.

Recommendation

(Sl. No. 6, Para No. 15)

2.14 The Committee observes that the department had agreed to the conditions set forth by the contractor and accepted his tender bid at 42% above estimate flouting the stipulations in the PWD Manual that bids with conditions should not be accepted. The contractor failed to complete the work in time even though his demands were accepted. The revision of rates brought about during this period led to an additional expenditure of ₹ 2 crore from the public exchequer. The Committee cannot understand why the department agreed to provide the revised rates to the contractor when there was no justification for delay in the work. The Committee requires the department to conduct a detailed enquiry into the issue and to submit the enquiry report to the Committee within 3 months.

ACTION TAKEN

GOVERNMENT AYURVEDA COLLEGE, THRIPUNITHURA

2.15 The PQ tenders for the work of construction of 350 bedded ward for the Government Ayurveda Hospital at Thripunithura was invited by the Superintending Engineer, Central Circle, Thrissur. Accordingly, 9 tenders were received. The lowest rate was quoted by Shri P. K. Ramachandran at 32% above estimate rate with additional conditions such as:—

- (1) The Department to supply the materials i.e., steel and cement in time to ensure that the smooth progress of the work is not suffered.
- (2) Part bills should be paid in every months within 15 days of submission of the bills.

If the department was unable to accept the above conditions as above the quoted rate would have been 10% more i.e., 42% above estimate rate.

2.16 The tender documents with the additional conditions were submitted to Government to be placed in the Government Tender Committee for final decision whether to accept the lowest tender or to negotiate with other tenders.

2.17 The Government tender Committee held on 18-3-1997 recommended to accept the tender of Shri P. K. Ramachandran at 42% above estimate rate less departmental materials.

In this connection it may kindly be noted that if the special conditions was not accepted and rejected on flimsy reason that department would have been compelled to award the work to the 2nd lowest tenderer at 47.6% above estimate rate quoted by the RDS Projects Ltd., Raigan Complex, M.G. Road, Cochin. If the 10% additional rate demanded by the contractor as per the condition also added Shri P. K. Ramachandran whose quoted rate at 42% above estimate rate remains the lowest.

2.18 The alternative possible was to retender the work, even by which there was no guarantee that a better offer would have been received, hence the department opted for acceptance of the lower offer. The sanction of the revised estimate was due to the cost escalation on account of revision of SOR, payment for extra items and additional quantities of work done etc. The Health Department was also pressing for the urgent and early completion of the work. Hence the objection raised may be dropped.

DR. T. M. THOMAS ISAAC,

Thiruvananthapuram,
28th January, 2014.

Chairman,
Committee on Public Accounts.

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/Recommendation</i>
1	1.3	Public Works	The Committee remarked that clear reply indicating the reasons for the delay occurred in the work was not submitted by Government and that such an act was intentional and ambiguous. The Committee requires the department to furnish the reply indicating the reasons for the delay in execution of the work.
2	1.6	„	The Committee observed that the Public Works Department had not furnished reply to its query regarding the correspondence made with the Finance Department for providing adequate budget estimate for the construction of the hospital building and remarked it as a highly irresponsible act. The Committee further made it clear that the department could not make correspondence with the Finance Department in this matter as they showed grave negligence in the matter.
