

**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

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

**SEVENTY THIRD REPORT**

(Presented on 9th July, 2014)



SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2014

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**On**

**Action Taken by Government on the Recommendations contained in the  
87th Report of the Committee on Public Accounts (2008-2011)**

1061/2014.

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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 Seventy Third Report on Action Taken by Government on the Recommendations contained in the 87th Report of the Committee on Public Accounts (2008-2011).

The Committee considered and finalised this Report at the meeting held on 30th June, 2014.

Thiruvananthapuram,  
9th July, 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 87th Report of the Committee on Public Accounts (2008-2011).

The eighty seventh report of the Committee on Public Accounts (2008-2011) was presented to the House on 29th June, 2009. The Report contained 10 recommendations relating to Public Works Department in which one is related to Power Department also (Sl. No. 1, Para No. 2). Government were addressed on 3rd July, 2009 to furnish the Statement of Action Taken on the recommendations contained in the Report and the final replies were received on 12-11-2012.

The Committee considered the Action Taken statements at its meetings held on 8-9-2010 and 6-3-2013. The Committee approved the Statement of Action Taken in the light of replies furnished by Government. The recommendations of the Committee and the Action Taken by Government are included in this Report.

### **Recommendation**

*(Sl. No. 1, Para No. 2)*

The Committee observes that the construction work of the bridge between Aroor and Arookuty in Alappuzha District proved to be a classic example of the inefficiency and lethargic attitude of the Public Works Department, as the works started in October 1992 was completed only by February 2002 after an inexcusable lapse of 9 years. The Committee also views with great concern the fact that the estimate as per 1992 SoR(Schedule of Rates) soared up from ` 5.02 crore to ` 12.61 crore as per October 2002 SoR. The Committee is not at all satisfied with the department's explanation that they were forced to allow 33.9% hike in the estimate since the required land for the implementation of the project was not handed over to the contractor at the proper time. The Committee also views with suspicion about the department official's reply that the delay in shifting the electric post in the site hindered the commencement of the work. But the Committee notes with dismay that even though the work order was issued on April 1993, the application for shifting the electric post was submitted only in the year 1996. It is opined that besides the Public Works Department, the KSEB also showed unforgivable indifference in this matter since the Board completed the shifting of the electric post only by the year 2002 though the application for the same was submitted in the year 1996. The Committee does not understand the Government reply that the increase in estimate cost was allowed by the Arbitration Committee, as there was a Government Order (1986), which clearly states that Arbitration clause should not be included in any Public Works Department works. The Committee in this connection is dissatisfied with the

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action of the Department is not complying with direction of the Committee to submit the details regarding the position of Arbitration clause in current Public Works Department works and its implementation in the above specific work. The Committee deplore the silly excuses tendered by the Department that the delay in beginning the construction work was due to reasons like delay in the shifting of ferry landing jetty in the alignment of the site, protest of fishermen against the construction of earthen bunds instead of island bunds etc. In reality, it resulted in the lapse of a period of almost 7 years and loss of ₹ 2.90 crore. The Committee regrets to note that officials who represented the Department for the witness examination did not have even common knowledge about the details of the above work and reminds that such ignorance will not be tolerated in future.

#### **Action Taken**

##### **PUBLIC WORKS DEPARTMENT**

It is admitted that there was inordinate delay in completing the construction of this bridge. Alteration of design in the foundation, shifting of ferry landing jetty and utilities, agitation launched by outside agencies, paucity of funds for supply of departmental materials and delay in timely payment of part bills and huge quantity of extra items necessitated for the proper completion of the bridge etc. tampered the construction work which lead to blame on department and resulted in huge delay.

After awarding the work, it was found that the 'cast-in-situ' pile foundation proposed for the work was not feasible and bored piles in pier were suggested. The design was finalized after detailed soil investigation by the LBS and after verification in the soil investigation result. The Chief Engineer, DRIQ Board finalized the design and the same was accepted by the Chief Engineer, National Highways. For all these processes a short spell was quite insufficient. After finalizing the design, the detailed estimate was prepared in the Section Office and the same was submitted to the Chief Engineer along with the data of each item after verification in the Office of the Superintending Engineer, Central Circle, Kochi. The Chief Engineer had approved the estimate and started the work. 144 piles and two abutments were to be constructed and pile was to be driven to an average depth of 65 metres. All these works were time consuming.

Moreover huge quantities of extra items were necessitated for the satisfactory completion of the work. For example, the quantity of reinforcement cement concrete for the construction of pile cap in the agreement was for a total quantity of 750000 dm<sup>3</sup> whereas the same exceeded to 1322730 dm<sup>3</sup>. As quantities increased, the time required for the completion of the work also increased correspondingly.

Another major impediment that delayed the work was shifting of ferry landing jetty, which was operated by the Aroor Grama Panchayath. The Grama Panchayath authorities after 3 months from the date of request from the Public Works Department informed that they were not capable of depositing the amount required for shifting the ferry service. Later this was also arranged by the Public Works Department. It also took some time to process the papers and to approve the estimate.

In addition, the inland fishermen's agitation also obstructed the construction of piling work. They demanded the demolition of the earthen bund which adversely affected their livelihood. A case was also filed before the Hon'ble High Court on the issue. The District Collector convened a meeting with the representatives of the agitating fishermen and the departmental authorities and the fishermen accepted to withdraw the strike conditionally.

Another matter that obstructed the progress of the work was the shifting of a transformer and the electrical line in the alignment of approach road of the bridge. At the time of piling work i.e., during 1996, the KSEB authorities were requested to remove the utilities, but the same was shifted only after completion of construction of the bridge proper.

Besides, the department had failed to supply sufficient quantities of departmental materials in time at the beginning stage due to paucity of funds. Paucity of funds also delayed the payments of part bills of the contractor which retarded the progress of the work.

There was an O.P. filed in the Hon'ble High Court of Kerala by Vyapari Vyavasai Ekopanasamithy during 8/2000. The Hon'ble High Court has disposed off this O.P. with direction to complete the work on or before 30-6-2001. Since there was a direction from the Hon'ble High Court of Kerala to complete the work on or before 30-6-2001 the Government of Kerala has constituted an Arbitration Committee to study the case and recommend the action to be taken. This Committee is not an Arbitration Tribunal as envisaged in Arbitration clause in Kerala State PWD works. The Arbitration Committee met on 5-5-2001 recommended to enhance the rate. Finally Government order in this regard has also been issued.

In Short, all the above factors cumulatively caused long delay. There was no intentional delay on the part of the Department.

#### POWER DEPARTMENT

It is reported that there was no delay on the part of Kerala State Electricity Board in shifting the posts. Since the finalization of approach road to the bridge



by the PWD authorities was pending, KSEB was unable to shift 3 No. of 11 KV poles and a four pole structure housing a 160 KVA transformer. As soon as the intimation regarding the finalization of approach road was received, the said posts and structure were shifted to the boundary of the proposed road. The work was completed in December, 2001.

In view of the facts stated above the committee may kindly drop the recommendations, by accepting the reply.

#### PUBLIC WORKS DEPARTMENT

##### **Recommendation**

*(Sl. No. 2, Para No. 6)*

The Committee observes that a village road in Malappuram District sanctioned at an estimated cost of ₹ 1.95 crore was completed at a cost of ₹ 3.48 crore which is an unjustifiable hike and is equivalent to the cost of construction of a Major District Road. This happened mainly due to lack of foresightedness on the part of the officials and inexcusable lapse shown in the investigation work of the project. The Committee ridicules the Department officials petty explanations like additional filling done in the curved alignment raising the road level above the Chaliyar river by extra earth filling etc. and opines that such basic factors should have been taken into consideration well before the commencement of the project. The Committee thinks that it is not eventual but purposeful. Since the Committee is fully aware of the fact that the investigation wing of the Public Works Department is a haven of manipulators, it is suggested that in future, investigation works of any project undertaken by Public Works Department should be entrusted with quality based institutions like Lal Bahadur Shastri Institute or Government Engineering Colleges. The Committee views with serious concern the lackadaisical attitude of the PWD officials which resulted in undue extra expenditure of crores of rupees from the public exchequer.

##### **Action Taken**

In the work of Mundengara-Pullippadam-Odayikkal road Km 0/000 to 15/350 in Malappuram District, major variation in some of the items of works were quite imminent as it was a hilly terrain and subject to other site condition. Incorporating all such deviation, revised estimate was submitted and generally

approved by limiting overall expenditure within sanctioned amount of ₹ 280 lakh + 30% above estimate rate. Major variation in the execution of work were as follows:

**1. Increase in filling with contractor's own earth from 28665 m<sup>3</sup> to 100528.70 m<sup>3</sup>.**

The road alignment is passing through hilly areas having very steep up and down gradients. Most of the stretch along the alignment was passing through valleys, intercepting the conventional hill tracks used by the inhabitants. In order to keep a smooth and trafficable gradient for both the intersecting hill roads and the new formation, additional filling quantity required to be executed. Also the roads are aligned almost parallel to Chaliyar river and most of the stretches are likely to be submerged during heavy flood season when the river over flows. Considering this aspect it was very essential to raise the road level and hence extra quantity was necessitated.

**2. Masonry works for side protection**

Due to the reasons stated above, excess filling quantity and raising of road was necessitated and consequently side protection works to protect the filled up earth inembankment portions was highly essential. Since more land width was not available, the raised portion was supported by providing necessary side slope for self supporting.

**3. R.R. Abutment of Culverts**

The formation level was raised in many reaches as explained above. Accordingly, the culverts proposed in side areas have more height than anticipated. Also during foundation excavation, the soil found to be very loose, as the culvert location was in natural streams and river valley portion, where clayey deposits were exposed. Hence cement concrete foundation and abutments were proposed in such most essential cases i.e., for 10 Nos. 2 M span culverts. The remaining 13 Nos. were constructed with RR masonry abutment.

Even though such major variation were necessitated, the overall expenditure was limited within the sanctioned limit, i.e. ₹ 280 lakh +30% above (364 lakh) and the final bill was paid only for ₹ 348 lakh.

Considering the observation of the committee, the department has decided not to take up any work without detailed design. The investigation estimates are being sanctioned for those works requiring detailed design charged to the original cost. The technical sanction is issued only after completion of detailed investigation and designing of those works. Government have issued orders to

outsource investigation works vide G.O. (Rt.) No. 1146/09/PWD dated 7-8-2009 and G.O. (Rt.) No. 1511/2009/PWD dated 9-10-2009 sanctioning to outsource difficult/complex and urgent works of architectural drawings, soil investigation, surveying, preparation of site plan and structural designing of buildings and bridges through the consultancy firms approved by Government including all Government Engineering Colleges and LBS institutions at the rates fixed by the Government. This will ensure to avoid such lapses in future.

### **Recommendation**

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

The Committee severely criticise the inefficient approach of the Public Works Department towards projects which are designed for public utility. The construction of the bridge across river Pampa in Ozhuvampara Vadasserikkara road in Pathanamthitta District which caused extra liability of ~ 39.68 lakh to Government and a lapse of over an year is also not an exception. The Committee lament the childish reason attributed by the department officials that the change in design approved by DRIQ (Design Research Investigation and Quality Control Board) was not incorporated due to oversight. The Committee regrets to note that though they directed to furnish certain details on the change in the design of the project such as the date of change in the design from well foundation to open foundation whether Design Research Investigation and Quality Control Board conducted investigation before changing the design and if so, the reason for the change, the date of tendering the work etc., the desired details are yet to be submitted to the Committee. The Committee views such kind of irreverence very seriously and suggests to furnish the above details without any delay.

### **Action Taken**

There was a change in the design from well foundation to open foundation for abutments A2 at Ranni side on 28-11-1995. The soil investigation has not been conducted by the DRIQ Board. The change in design was done based on the soil investigation conducted by the Assistant Executive Engineer, I&P(Roads), Sub Division, Kollam on 8-8-1995. The foundation changes of piers P3, P4 and P5 was inevitable due to a subsequent development in the flow parameters of the river due to the power production in the power house in the upstream and due to the intermittent tail race flow. The adoption of a new design was quite justifiable due to the condition prevailed in the river flow and in the river bed. The construction of the bridge ought to fit to the natural condition of the site. Certain natural condition can be ascertained only during the execution of the work and they can be admitted only through examination. In this case the change was adopted to accommodate the actual natural condition.

The work was tendered on 28-9-1995, M/s Cheeran Structural quoted 96% above estimate rate and Tender Committee approved 75% above. Contractor was not willing to reduce the rate. Hence the tender postponed to another date that is 15-2-1996. Again the Cheeran Structural quoted 118% above the estimate rate and then reduced to 116% above. The Tender Committee accepted 35% above estimate rate. Again the Tender postponed to 21-3-1997. Contractor Sri Salvi Abraham quoted 67.5% and Tender Committee accepted 55%. Again postponed to 14-1-1999. At last the tender confirmed in favour of Mohammed Basheer, who quoted 44.5% above, vide tender No. 83/SESC/98-99. Thus there occurred much delay in finalising the tender and in awarding the work to the successful tenders.

#### **Recommendation**

*(Sl. No. 4, Para No. 26)*

The Committee observes that the 'Kerala State Transport Project' launched by the Government of Kerala in June 2002 with the financial aid of the World Bank (76% of the project cost) for the comprehensive development of State Highways and water ways resulted in the extra liability of about ` 17 crore to the Government due to factors like un-necessary extension of contractual period by disregarding the guidelines awarding the contract to the firms without proper evaluation of the technical and financial viability, premature conclusion of the contract for upgradation due to non-synchronization of finalization and consultancy services, exorbitant rates applied for filling pot-holes and for patch works undue advantage given to contractors due to postponement of recovery of advance and non-recovery of liquidated damages etc. The Committee observes that in most places where KSTP works have been undertaken, annual maintenance is not being done even though the project got delayed for many years. As a result, many of those roads are not in usable condition. Hence, it is recommended that annual maintenance works should strictly be undertaken by Public Works Department in all places where the Kerala Transport Project work got delayed. The annual maintenance of roads must be completed before the onset of rainy season so as to avoid extra expenditure. The Committee also recommends that necessary fixed amount should be allocated in the budget of every year for undertaking annual maintenance of roads irrespective of whether they come under KSTP or not.

#### **Action Taken**

As per the loan agreement and Project agreement signed with World Bank, Government of Kerala agreed that, except on the reason that the Bank shall agree otherwise, procurement of goods, works and consultant services required for the project and to be financed out of the proceeds of the loan, shall be governed by provision of schedule I to this agreement.

As per schedule I, goods, works and consultants shall be procured in accordance with the provision of section 1 of the guidelines for procurement under IBRD guidelines published by the bank in January 1995 and further revisions in August 1996, September 1997, January 1999.

Therefore all procurement of works, goods and consultants were done based on the above guidelines. All roads taken up under KSTP will be maintained by KSTP using projects funds, KSTP have spent ~ 15 lakh for maintaining MC road, Thrissur-Kuttippuram road and Palakkad-Shornur road for the last in two years. Provision for Pot Hole fillings and other repair works have been included in the scope of the contractor who is carrying out the works.

#### **Recommendation**

*(Sl. No. 5, Para No. 27)*

The committee further understands that one of the most prominent reasons, which caused delay in KSTP works is the execution of works before handing over the required land. This is an inexcusable lapse on the part of the department and totally against the directions of the Government in this regard. Not only that to add to the severity, the department has to pay interest for the aid received from World Bank besides incurring extra expenditure due to indefinite delay in the completion of the work. Hence, the Committee suggests to avoid such bottlenecks and recommends that road works assigned to KSTP must commence within three months from the date of assignment of such works and that the works shall be entrusted to KSTP only after acquiring the required land for the work.

#### **Action Taken**

The KSTP project was initiated during early 2000. The project approval was done by World bank on 14th February, 2002. The Project authorities had not taken initiative for land acquisition as per the Government Order. In the order, the Government directed that the procedure for land acquisition could be initiated after approval of the loan. The World Bank loan was sanctioned and agreement was signed in June 2002.

As per the approval condition, the Government of Kerala had to make arrangements for awarding the work for civil work and consultancy immediately after approval of the loan. Therefore KSTP had made all commitment required for sanction of land. The land acquisition procedure started only after signing the agreement with World Bank. This had delayed the land acquisition. Phase II road works was deleted from the scope of KSTP due to delay in land acquisition. The land acquisition for Phase II is nearing completion. The Phase II road upgradation works will be arranged after the land acquisition is completed.

**Recommendation**

*(Sl. No. 6, Para No. 28)*

The committee views as very improper the action of the department in including price adjustment clause in the agreement for works under KSTP having duration up to eighteen months. Though the department has informed that they are not resorting to such practices now a days in the light of audit objections, they cannot be acquitted from the guilt that had been done earlier.

**Action Taken**

The observation of the Committee was on the price adjustment clause included in the 1st and 2nd year Road Maintenance component of the KSTP. As per the general rate price adjustment is not required for contract having contract period less than 18 months. The price increase was for labour, materials, plant & machineries, steel, cement etc. In road maintenance, the major component is construction of bituminous works. Considering the huge fluctuation of bitumen and oil prices in the market, the World Bank provided the price adjustment clause only for bitumen and fuel and this clause was included in the model bid document and that model document was used by KSTP, which contain a price adjustment clause for bitumen and POL irrespective of the period of completion. In the absence of such clause, the contractor had to be paid exorbitant rates in his bid price, if the price of the above materials is not increased during the currency of the contract. No price adjustment is payable.

However KSTP removed the above condition based on audit observation but the result was that the contractor quoted high rates than other previous contracts which contained the clause of price adjustment. There were instances under KSTP where due to the price adjustment clause, there was savings in money due to decrease in the bitumen prices. When some contracts were awarded the bitumen prices was about ` 42,000/tonne during 2008, but during execution of the work the price came down to ` 34,000/tonne. Hence savings for KSTP. The contractor paid the difference in cost of bitumen to the Department. However provision of this clause will be decided during bid preparation stage based on Committee's recommendation in future.

**Recommendation**

*(Sl. No. 7, Para No. 29)*

The Committee opines that awarding of consultancy contract for ` 2.32 crore before tendering the work was a serious mistake because there is no agreement with the consultancy firm regarding project preparation, review of project documentation and design, assistance in preparation of bid documents etc. The Department's argument that there was an MoU with the firm is not at all acceptable to the Committee.

**Action Taken**

The consultancy contract with firm M/s BCEOM was awarded during 2003 to supervise the Phase II upgradation roads. Even though the contract was signed, the consultant had to be identified due to the delay in awarding civil contracts. The payment for consultancy will be based on their mobilization at site and only on the actual present at site.

As the land acquisition process for Phase II was started during 2004, the demarcation of the road with widening was required to assess the exact extend of land from each Project affected parties. Further more, a major problem faced by KSTP was the underground utilities from the previous exposure, KSTP decided to entrust these works to the consultant who is familiar with the design of road. Accordingly a skeleton staff was mobilized to carry out the above activities. The World Bank also agreed to reimburse this extra expenditure. Accordingly an MoU was signed for ~ 2.32 crore with the above consultancy by keeping the original allotted consultancy charge without disbursement. The consultants had identified the various underground utilities and prepared a utility relocation plan. If the utility was not identified, the civil contractor may get chances to claim prolongation cost due to the utility problem.

Since the Phase II land acquisition process was delayed, KSTP was not able to award the civil contract. In the meantime, the consultant mobilized for pre construction activities had been demobilized. The Phase II work will be taken up by KSTP separately. The action for updation of reports prepared earlier is in progress and a funding agency will be identified without delay.

**Recommendation**

*(Sl. No. 8, Para No. 30)*

The Committee recommends that all the works under KSTP which are hindered by various obstacles should be completed within a minimum stipulated time so as to avoid further financial burden to the Public exchequer.

**Action Taken**

As per the original proposal, upgradation of 578 km. of road and 1000 km. of road under Heavy Maintenance was envisaged under KSTP. Due to the cost over run and time over run the Phase II roads measuring about 324 km. was deleted from the scope and another 200 km. of new 8 road sections were included. The entire road work will be completed before December 2010. The quality of completed road stretches was very good. About 600 km. of road completed during 2005 is in very good condition even after 5 years of completion.

**Recommendation**

*(Sl. No. 9, Para No. 31)*

The Committee regrets to note that even though the Committee had directed the Government officials to furnish the details of the progress of works in different places under the project, viz., kms. of roads fully completed, roads nearing completion, balance Kilometres to be completed etc., within a week's time, the concerned department has not obliged to the direction till now. The Committee views this as a serious contempt and treats this as an atrocious lapse of the officials in carrying out the basic responsibilities.

**Action Taken**

A detailed status a road completed and ongoing is attached separately as Appendix I.

**Recommendation**

*(Sl. No. 10, Para No. 32)*

Besides this, the details of rates quoted by firms other than Patibel after the retendering of the work, the position of the work relating to Nilambur-Perinthalmanna-Perumpilavu Road, the amount paid to the consultants in addition to consultancy contract, the details of MoU and agreement made with the consultancy firm etc., which were desired by the Committee were also not received till date. Hence, the Committee suggests the Government department to furnish all the required details with utmost urgency.

**Action Taken**

The details of rates quoted by various agencies after retendering is given as Appendix II.

Thiruvananthapuram,  
9th July, 2014.

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