

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

THIRTEENTH REPORT

(Presented on 26th June, 2012)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2012

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On

**Paragraphs relating to Public Works Department contained in the
Report of the Comptroller and Auditor General of India for the
year ended 31st March 2008 (Civil)**

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* Resigned on 29th March 2012.

INTRODUCTION

I, the Chairman, Committee on Public Accounts having been authorised by the Committee to present this Report on their behalf present the Thirteenth Report on paragraphs relating to Public Works Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2008 (Civil).

The Report of the Comptroller and Auditor General of India for the year ended 31st March 2008 (Civil) was laid on the Table of the House on 23rd June 2009.

The Committee considered and finalised this Report at the meeting held on 28th March 2012.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
26th June, 2012.

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

REPORT

PUBLIC WORKS DEPARTMENT

AUDIT PARAGRAPH

Reimbursement of cost of bitumen based on fake invoices

Failure of the Executive Engineers to follow the prescribed system for purchase of bitumen by the contractors resulted in payment of ₹ 2.32 crore on production of 160 fake invoices. Further claim of ₹ 3.83 crore based on 188 fake invoices had also been admitted but had not been paid.

Government ordered (September 2003) that the departmental supply of bitumen would be dispensed with for works costing above ₹ 6 lakh (increased to ₹ 15 lakh with effect from February 2004) and the contractors would be reimbursed the cost of bitumen procured by them after completion of the work. The contractors were required to purchase bitumen only from Bharat Petroleum Corporation Limited (BPCL), Kochin Refineries Limited and Indian Oil Corporation (IOC), Kochi to ensure the quality of material used. The Chief Engineer (Administration and National Highway), Public Works Department instructed (October 2003) that the requisition for purchase should be placed through the concerned Executive Engineer (EE).

Scrutiny (January 2008 to April 2008) of the invoices for reimbursement of the cost of bitumen submitted by the contractors for the period 2004-05 to 2006-07 in 15 (out of 16) Road Divisions and 3 (out of 8) National Highway Divisions revealed that:

- No supply was made by BPCL to the contractors against some of the invoices when these were verified with the list of invoices furnished by BPCL for the period July 2003 to February 2008.
- In the case of IOC's invoices, the company replied that some of the invoices were not IOC's invoices whereas some others were those raised on various other parties for various other products and in other units mostly outside Kerala.

But, the materials based on these invoices were recorded as received in measurement books by the Assistant Engineer concerned in charge of the work. Therefore, it appears that fake invoices were submitted by the contractors and the Assistant Engineers did not check the genuineness of these invoices and ensure the receipt of materials before finalising the claims of the said contractors.

Audit scrutiny disclosed that 348 such fake invoices amounting to ₹ 6.15 crore in 16 Divisions were produced by 93 contractors for claiming reimbursement. Out of this, 160 invoices (₹ 2.32 crore) had already been paid.

Though claims amounting to ₹ 3.83 crore based on 188 invoices were admitted, the amount was not paid. The details are indicated in the Appendix III.

As Executive Engineers of these respective Divisions did not enforce a system prescribed by the CE for purchase of bitumen by the contractors, 93 contractors produced fake invoices for ₹ 6.15 crore for claiming reimbursement of which ₹ 2.32 crore had already been paid. In reply to audit the Chief Engineer stated (June 2008) that necessary instructions had been issued to all EEs to safeguard Government interest in the matter.

The matter was referred to Government in August 2008; the reply has not been received (October 2008).

[Paragraph 4.1.1 contained in the Report of the Comptroller & Auditor General of India for the year ended 31st March 2008 (Civil).]

Government notes on the above paragraph is given as Appendix II of this Report.

The Committee understood from the audit observation that the Department purchased bitumen from agencies other than BPCL and IOC against the prescribed system followed and by producing fake invoices in 160 cases for ₹ 2.32 crore. The Committee also noticed that another 188 fake invoices for ₹ 3.83 crore were given which was not paid. Expressing concern over the failure of the Department in properly detecting the genuineness of the invoices, the Committee enquired whether the Department took any efforts to recover the amount (₹ 2.32 crore) from the contractors.

2. The Additional Secretary, Public Works Department apprised the Committee that there had been no loss to the Department with respect to this case because the work was executed for the amount given to the contractor. He also said that there was no system in existence to detect the fake invoices at that time. However, the Committee told that if the money was given, it would obviously stay as loss. The Additional Secretary, Public Works Department explained that bitumen was purchased from Public Sector Undertakings like Cochin Refineries, hence the Department did not expect any fake invoice. Moreover, there was no mechanism to detect the same at that time. Currently there were no issues of that sort because the Executive Engineer was keeping a register exclusively for this purpose.

3. The Committee enquired about the performance of a squad formed on the basis of the order of the Chief Engineer to monitor the works and to check the genuineness of the bills under the supervision of the Executive Engineer. The Chief Engineer (CE), Public Works Department replied that the monitoring has

been done properly. The Committee then enquired about the position of cases which were live. The Additional Secretary, Public Works Department replied that 88 cases were in court and 83 cases were registered in Crime Branch Courts. Different cases were in different stages and no verdict had come out in any of the cases.

4. The Committee told that the demand for bitumen is made only through Executive Engineer because an Act existed exclusively for this. The Committee enquired whether any such notice was sent. This time, the Additional Secretary, Public Works Department said that it was not done during that period, but done later. However, the Committee retorted that it should not have happened like that because the rule existed even before this incident and it was the responsibility of the Executive Engineer to send the demand notice and the Assistant Engineer ought to have recorded it as well. The Additional Secretary, Public Works Department also admitted the views of the Committee.

5. The Committee continued that the Chief Engineer (Administration & National Highway) had issued an instruction dated 22-10-2003 such that requisition for purchase should be placed through the concerned Executive Engineer. A contractor alone could not carry out the task of submitting fake invoices without the knowledge of Chief/Executive Engineers and hence the contention of the officials that detection of fake invoices was difficult, could not be accepted. The Committee also felt that such a response showed the vested interests of the officials and contractors. The Committee cross checked with IOC & BPCL to confirm the veracity of the information and the fact was that without the connivance of the engineers such an illegal act could not be carried out. Since this case was in the Court, the direction of the Court clearly stated to verify the records of the agencies involved. The Committee enquired whether any such investigation was done, if so the Department could find out any culprits and had punished them. Apart from this, the Committee asked whether any such delinquent contractors were booked for departmental action.

6. The Additional Secretary, Public Works Department apprised that since the case being subjudice, the Department did not go further. But the Committee insisted to know what objection the Department faced in going ahead with the action. The Additional Secretary, Public Works Department told that the Court did not mention anything against the contractors. The Committee opined that though the case was pending, the Department could very well go ahead with actions against the guilty since the Accountant General had pointed out the issue.

7. The Committee explained that this particular case invited much attention during its time and the death of a person who was involved in the fake invoice scam itself showed how serious this issue was. The statement of this particular person named Rajesh made in the Court was later modified and certain names were also changed. Though two cases were pending before the Court and a few

got completed by the Crime Branch, the Committee found that nothing should deter them from taking any actions against the contractors and asked the Department why they were hesitating to take necessary actions.

8. The Additional Secretary, Public Works Department informed the Committee that 83 persons were detected and the Department was waiting for a specific verdict of the Court. The Committee lamented that the Department could not take any stringent action against the culprits. The Committee understood from the Departments' contention that there was no monetary loss to the Government since the requested bitumen was bought by paying money. The Completion Certificate was also issued after verifying the measurements and other checkings. But the question was that from where the Department got the materials. It was clearly instructed that bitumen should be bought only from BPCL & IOC to ensure the quality and standard. The bitumen which was being used were all of poor quality and roads constructed before the rainy season were all damaged after a week's rain. Big forgery and corruption had taken place in such works. Not only that the public exchequer is getting drained out but also the reputation of our State was going for a toss when compared with the standards of roads in other States of India.

9. The Committee wanted to take strict action against the officials of the Department who made wilful malpractice in the works undertaken and also against the contractors who were involved in the scam.

Conclusion/Recommendation

10. **The Committee understands that the failure of Executive Engineers to follow the system prescribed by the Chief Engineer for the purchase of bitumen by the contractors resulted in payment of ₹ 2.32 crore on production of 160 fake invoices. Expressing serious concern over such a scandalous act which drained the States' resources, the Committee blames the officials for their callousness in properly detecting the genuineness of the invoices and receipts. The Committee simultaneously chides the juvenile remarks of the officials that detection of fake invoices was difficult because there was no mechanism present at that time for this task. The Committee strongly suspects an unholy nexus between contractors and Chief/Executive Engineers as the contractor alone could not carry out the task of submitting such fake invoices of huge sums.**

11. **The Committee expresses dismay at the vacillating stand taken by the officials who hesitated to take actions against the culprits involved in this glaring act pointed out by Accountant General. The Committee recommends to take departmental action against the officials who made wilful malpractice in the works undertaken and steps to blacklist the contractors who were involved in the scandal. By all this, the Committee cannot but harbour the anxiety about the pathetic and substandard condition of our roads which not**

only drains our exchequer, but also tarnish the reputation of our State among others in the country.

AUDIT PARAGRAPH

Unauthorised payment to a contractor

Execution of agreements by Superintending Engineer in violation of Government directions resulted in excess payment of ₹ 5.50 crore to a contractor firm in two road works taken up under 'Central Road Fund Scheme'.

Ministry of Roads Transport and Highways (MORTH) sanctioned (June 2005) 11 works under Central Road Fund (CRF) scheme. These included two road works—Varkala-Paripally Road and Kilimanoor-Alamcode-Kadakavoor-Varkala Road estimated to cost ₹ 8.84 crore and ₹ 6.42 crore respectively. These were to be executed by the National Highways (NH) Division, Thiruvananthapuram. The Superintending Engineer (SE), NH South Circle, Thiruvananthapuram invited (September 2005) pre-qualification bids for the above works under 'Item Rate Contract'. M/s Sreedhanya Constructions quoted the lowest amount of ₹ 12.14 crore and ₹ 12.05 crore for the former and the latter work respectively. Government accepted (February 2006) the lowest tenders of the above firm at 35 per cent above estimate rates. The SE, however, awarded the works (March 2006) to the contractor firm at their quoted rates itself disregarding Government's directions. The two works were completed in February 2007 and final payment made in July 2007 (₹ 12.14 crore) for the former and in March 2007 (₹ 12.01 crore) for the latter.

The following points were noticed in audit:

- Though the intention of Government was clearly to award the work at 35 per cent above estimate, the SE awarded the works at the quoted rates on the plea that Government had accepted the lowest quoted amount. This was not correct as it was clearly stated in the Government Order that the lowest tender at the rate of 35 per cent above estimate had been accepted.
- When this discrepancy in accepted tender amount was pointed out by Audit (October 2006) in respect of one of the above two works SE, NH Circle, Thiruvananthapuram reported (November 2006) that pending clarification from Government, the EE was instructed not to make payment beyond ₹ 8.67 crore (35 per cent above estimate of ₹ 6.42 crore). It was, however, observed that the EE had not brought this discrepancy to the notice of the Finance Department which resulted in issuing Letter of Credit by it for the entire amount. The EE made final payment in March 2007 for ₹ 12.01 crore in respect of this work. Similarly, the EE made final payment of ₹ 12.14 crore in July 2007 in respect of the other work also.

Thus the execution of agreements by SE accepting the lowest quoted amount instead of at 35 per cent above estimate rate as ordered by Government resulted in excess payment of ₹ 5.50 crore* on two road works.

The matter was referred to Government in May 2008; reply has not been received (October 2008).

Infructuous expenditure on a road work

Injudicious decision to construct a road through forest land without obtaining clearance from the competent authorities resulted in abandoning the work rendering the expenditure of ₹ 4.25 crore infructuous.

Government sanctioned (October 2000) the work 'formation of Sethuparvathipuram-Kanthalloor Road' having a length of 16 kilometres. The Chief Engineer (CE) issued (January 2001) technical sanction for the work for ₹ 2.79 crore. The proposed road passed through Tata Tea Estate (Ch: 0/00 to 6/865), Reserve Forest (Ch: 6/865 to 13/360), private land (Ch: 13/360 to 15/485) and was intended to connect two State Highways by widening the existing road to eight metre. The site was handed over to the contractor in February 2002 and the scheduled date of completion was 15th August 2003. The contract amount of the works was ₹ 3.22 crore. In April 2002 the Divisional Forest Officer (DFO), Munnar objected to the work stating that new road passes through Reserve Forest Area and Public Works Department (PWD) had no claim over the forest land. As the widening of the road requires diversion of forest land, Government directed (October 2002) CE to obtain permission from GOI under Forest Conservation Act, 1980 for widening the road and also from the Kerala State Pollution Control Board for tarring the road in the forest area. The Executive Engineer, however, proceeded with the work without getting the mandatory clearance from GOI and the Kerala State Pollution Control Board. Based on a complaint filed by WWF-I†, a Non-Governmental Organisation (NGO) the Central Empowered Committee (CEC) constituted by the Supreme Court ordered (September 2003) Government to stop all works in the forest area. PWD, however, proceeded with the work knowing fully well that connectivity could not be achieved without constructing the road in the forest area. The work was only partially completed after incurring an expenditure of ₹ 4.25 crore against the contract amount of ₹ 3.22 crore including ₹ 58.72 lakh spent towards providing drain and culvert in the reserve forest area where there was no road and closure agreement executed with the contractor in May 2007 as no further work could be carried out in the forest land.

* Varkala-Parippally road : ₹ 2.03 crore and Kilimanoor-Varkala road ₹ 3.47 crore.

† World Wide Fund for Nature India.

PWD rules stipulate that possession of land should be taken before tendering any work. The PWD in this case took possession of the land without obtaining clearance from the Forest Department before starting the work. The Forest Department had moreover objected to the construction work in the forest area even at the time of commencement of the work.

The action of the PWD in proceeding with a road work, which included forest land, without obtaining necessary clearance from competent authorities resulted in abandonment of the road work in May 2007 and rendered the expenditure of ₹ 4.25 crore infructuous. The intention of connecting the two State Highways has also not been fulfilled.

The matter was referred to Government in May 2008; reply has not been received (October 2008).

Infructuous expenditure on advertisement

The expenditure of ₹ 50.70 lakh incurred on advertisement of the bids in *the newspapers became infructuous as the World Bank refused to fund works under Phase II of Kerala State Transport Project due to non-availability of encumbrance free land.*

State Government launched (June 2002) the Kerala State Transport Project (KSTP) for the comprehensive development of State Highways and Waterways. One of the main components of the project was to upgrade selected roads to International Standards. The objective of this component was to increase the capacity of existing roads by widening, improving the geometric standards and to provide designed pavement. This component was to be implemented in two phases namely Phase I (257 Km) and Phase II (327 Km). The World Bank in the Aide-Memoire of the Mission held during May-June 2004 opined that KSTP should show substantial progress in acquisition of land before taking up Phase II. Without taking initiative to complete the land acquisition for Phase II, the KSTP invited bids in June 2004 incurring an expenditure of ₹ 24 lakh on advertisement of tender notices in newspapers. The World Bank did not give consent for awarding the work, as encumbrance free land was not available for the project. The Steering Committee in its meeting held in October 2005 decided to cancel the bids and re-tender the Phase II work after splitting it into small size contracts to attract more bidders. As it was planned to complete all Phase II works on or before the loan closure date of December 2007, fresh bids were invited in December 2005 incurring ₹ 26.70 lakh towards advertisement for publishing the notice in national and local newspapers. The bids were not accepted by the World Bank due to delay in land acquisition. Thus, on both the occasions the KSTP invited tenders for the work without ensuring the availability of land and this

resulted in non-awarding of the works. In the Aide-Memoire of Implementation Support Mission (December 13-21, 2007) the World Bank stated that two previous attempts to award the Phase II works on contract had to be aborted following non-availability of encumbrance free stretches of land and much higher than expected bid prices and opined that there was no possibility of taking up these works within the project considering the fund and time constraints. Thus, ₹ 50.70 lakh already spent on advertisement for inviting bids had become infructuous.

Government stated (September 2008) that KSTP decided to cancel the bids in view of high bid price and lack of competition and therefore the advertisement charges incurred for inviting bids could not be considered infructuous. However, the fact remains that World Bank had denied permission to award the work on both the occasions (June 2004 and December 2005) due to non-availability of encumbrance free land.

Infructuous expenditure on the partial construction of a helipad

Construction of a helipad in an 'ecologically fragile land' led to stoppage of work midway and rendered ₹ 75.42 lakh spent on it infructuous.

Government accorded (August 2007) administrative sanction for the construction of a helipad and other works like approach road, rectification work of roads, providing barricades, direction boards, flags, etc., at a cost of ₹ 1.94 crore in connection with the visit of Prime Minister of India for laying the foundation stone of Indian Institute of Space Science and Technology (IIST) at Ponmudi, Thiruvananthapuram. Government also ordered that 50 per cent of the cost would be met by Vikram Sarabhai Space Centre (VSSC) under whom IIST is coming up.

The Chief Engineer, Roads and Bridges issued technical sanction for ₹ 1.53 crore for the work of construction of helipad and approach road. The Executive Engineer, Roads Division, Thiruvananthapuram awarded the work waiving tender procedures at 14.9 per cent above estimate rate. The site was handed over on 14th August 2007. The work was to be completed on or before 7th September 2007. When the contractor completed fifty per cent of the work mainly earth work excavation for levelling the land, the Divisional Forest Officer (DFO), Thiruvananthapuram directed (September 2007) the contractor to stop all the construction activities since the area where the work was being executed was notified as 'ecologically fragile land' as per provisions contained in Kerala Forest (Vesting and Management of Ecologically Fragile Land) Act, 2003. Thus the work was stopped in September 2007. The claim of the contractor for ₹ 75.42 lakh has been pending with the Division for want of letter of credit.

According to the provisions of Kerala Public Works Department Manual and instructions issued by Government, hindrance free land was to be handed over and amount to be deposited by the agency before arranging the works. However these

provisions were not insisted upon by the Public Works Department. Thus the action of the Department to execute the work in an 'ecologically fragile land' resulted in abandonment of the work midway and ₹ 75.42 lakh incurred on it had become infructuous. Further, Public Works Department should have realised ₹ 37.71 lakh from VSSC being fifty per cent of expenditure incurred which was not done so far (October 2008).

The matter was referred to Government (June 2008); reply has not been received (October 2008).

[Paragraph 4.2.1 to 4.2.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2008 (Civil).]

Government notes on the above audit paragraphs are given as Appendix II of this Report.

12. Based on the audit paragraph about unauthorised payment to a contractor, the Committee sought the reason for paying ₹ 12.4 crore and ₹ 12.05 crore for two road works (Varkala-Parippally and Kilimanoor-Alamcode-Kadakkavoor-Varkala) under Central Road Fund (CRF) Scheme which was estimated to cost only ₹ 8.84 crore and ₹ 6.42 crore respectively. The Additional Secretary, Public Works Department explained that the Government of India would lay down certain criteria like Tourism, Pilgrimage Centre etc. while awarding works under Central Road Fund. The mentioned two roads came under the specification and during tendering M/s Sreedhanya Constructions came up with lowest tenders for both roads at ₹ 12,14,38,596 and ₹ 12,05,10,075.

13. In this connection, the Committee stated that the 35% hike was on the Estimated Rate and not on the Quoted Rate. Reading the relevant portion in the concerned Government Order, the Committee clarified that the hike could be given for only the Estimated Rate and the Quoted Rate was never mentioned in the Government Order. The Committee also enquired whether such a provision was mentioned anywhere in PWD Manual. The Committee even read out the statement in the Administrative Sanction such that "The Government have examined the matter in detail and are pleased to accept the lowest quoted tender from M/s Sreedhanya Construction Company at 35% above estimate rate as a special case". The Committee wanted to know on what grounds the Department gave money on the quoted rates since the provision clearly said only estimated rates.

14. The Chief Engineer, National Highways answered that as per guidelines of the Ministry of Road Transport, any work coming under CRF which was above ₹ 5 crore should be executed and paid item wise. The tender was called

item wise and it was an item rate contract. The lumpsum amount quoted like wise would be taken in the end. 35% hike for this amount was taken and sent to the Government. The Committee also remarked that the Department possessed no rights to give an excess of 35% on any rates mentioned. The Chief Engineer, National Highways replied that the hike was given treating this as a special case.

15. The Committee was unhappy about the dealings and explanation given and opined that even if 35% hike was given for the Estimated Rate, the amount would not come to ₹ 12.14 crore and ₹ 12.01 crore. This act of the Department was wrong because the relevant Government Order clearly stipulated not to pay any amount higher than 35% of Estimated Rate. Neither any special permission was sought from the Government, nor any fresh Government Order was issued in this regard. The Committee also asked whether there was any special order from the Government of India to execute the work as done by the Department.

16. The Chief Engineer, National Highways told the Committee that there was a general circular regarding this. The Committee then remarked that if there was any such circular from Government of India, the existing Government Order should have been amended and a new one should have been issued. The Committee enquired whether Department got any request from Chief Engineer to modify the Government Order to sanction amount in excess of 35% above the Estimated Rate. If not, the Department had no rights to make the payment. The Department should have atleast informed the Finance Department about the transaction. At this juncture the Secretary, Finance Expenditure Department submitted that no such notices were received from PWD regarding the matter.

17. The Committee opined that this was indeed an illegal act and a wrong decision of the PWD which resulted in a loss of ₹ 5.5 crore to exchequer. The Committee urged the Department to take steps to realize the amount. Apart from this, the Committee wanted to know what 'undertaking' was obtained by the Department from the Contractor to avoid arbitration and to release the payment. The Additional Secretary, PWD replied that the request for Administrative Sanction, it was for the lowest quoted amount but the Government Order was issued for 35% above the estimated amount and the reasons for the same was not followed by the Department.

18. The Committee at this point concluded that the mistake happened right at the beginning where the department fixed ₹ 12.14 crore and ₹ 12.01 crore as estimated rate and the Department Secretary only took the decision based on the proposal. The issue happened mainly because the Engineers sent the wrong figure. The Committee asked whether the detailed examination of the case was over. The Additional Secretary, PWD replied that they wanted two months' time for this

since the issue came to light only after Accountant General's audit. However the Committee gave three weeks' time for the task and to check whether this was quoted rate or estimated rate and also to see whether any Government Order was issued regarding this. The Committee also opined that a new Government Order must be issued if the present one was against the guidelines of the Ministry of Road Transport and Highways and CRF Schemes.

19. Based on the audit paragraph which mentioned about the wastage of money owing to the failure in the construction of Sethuparvathipuram-Kanthalloor Road as it crossed through forest area, the Committee opined that the road was constructed in the area which was under the control of PWD for 100 years. This land was under the ownership of PWD even before the enactment of Forest (Vesting and Assignment) Act of 1971 and Forest Conservation Act of 1980. The Committee deplored the act of Forest Department which stayed the road construction work by approaching the Supreme Court. The Committee enquired the present position of the work and added that the Secretaries of both the departments shall consult and find out a solution.

20. The Additional Secretary, PWD apprised the Committee that the work of road widening was completed leaving the disputed area. Application was also given to vacate the stay, but it was not considered till now. Hence all the area except the one having objection was widened.

21. Regarding the audit observation about infructuous expenditure of ₹ 50.70 lakh incurred on advertisements of bids in news papers as the World Bank refused to fund works under Phase II of KSTP, the Committee enquired the latest position. The Additional Secretary, Public Works Department informed that all works under KSTP would get completed by the month of December and settlement would be done in March. The cases where an objection was raised would be included in Phase-II of the work and 90% of land had already been acquired. The proposal (₹ 1376 crore) had been submitted to Government of India.

22. The Committee enquired whether there was any laxity on the part of the officials from Kerala in making any efforts for getting funds from foreign agencies based on recommendations of Department of Economic Affairs (DEA). The Additional Secretary, Public Works Department told that there was nothing of that sort and the Department had provided all necessary documents. The funds/loans were pending for two years because there were a few labyrinthine processes where the proposal should first go to Ministry of Road Transport, secondly it should go to Department of Economic Affairs with the approval of Ministry of Road Transport and later to Planning Department. The delay was currently at the Department of Economic Affairs. The State Minister had sent letters and

conducted meetings along with Chief Minister to sort things out. The Secretary, Public Works Department had also attended the KSTP performance review meeting held at Bhubaneswar.

23. The Committee examined some other facts such as the Department had invited tenders without making available the required land which was in violation of the provisions of the PWD Manual. The Department then altered the agreement by reducing the dimensions of the construction plan and later the width of the roads were reduced to 10 metres. Re-tendering was done and finally this was cancelled. The Additional Secretary, Public Works Department told that there were 3 contracts in the plan, first being Thalasseri-Valavoorpara, second being Pulithara-Pappinisseri and Thalipparamba-Iritti and the third Kasargod-Kanhangad respectively. The works would be completed in December 2010.

24. The Committee said that there were many works which were lying incomplete and drainage works in a few were yet to be completed. The Chief Engineer and Additional Secretary, Public Works Department informed that the non-completed works would be included in Phase II of KSTP. Ninety five per cent of land acquisition was over and the acquisition was pending in Chengannor-Muvattupuzha sector, which was mainly due to missing links and a few survey numbers were missed during survey.

25. The Committee lamented that the major issue faced by PWD was in conducting a proper investigation and planning. Experts from Engineering Colleges or institutes like Lal Bahadur Shastri Centre for Science & Technology should be recommended to conduct investigation. Moreover, the Department should stop posting the suspended officers in investigation wing who will do the works by sitting in the office, without any investigation.

26. Regarding the audit observation about the construction of helipad on VSSC land in connection with the visit of the Prime Minister, the Committee opined that the Public Works Department cannot be blamed for the infructuous expenditure of ₹ 75 lakh because after the work got sanctioned, the ISRO property was not obtained. By that time ₹ 74 lakh was spent out of ₹ 1.42 crore. However as per the agreement of 50:50 share between ISRO and PWD, the former was liable to pay ₹ 37 lakh for the work done. The Committee enquired whether the amount was obtained from ISRO and the current position of the case.

27. The Additional Secretary, Public Works Department apprised the Committee that a co-ordination meeting of the concerned departments would be held when the Prime Minister or any VVIP used to visit the State. Based on the minutes of the meeting the works would be undertaken without waiting for the issuance of a special Government Order for starting the related works. As per the

minutes, the proposed helipad should be completed within 25 days and VSSC had agreed to pay 50% of the cost. However, the VSSC officials later informed that no such agreement existed and they refused to pay the proportionate amount. The Public Works Department had sent communications in this regard but they did not respond favourably. The Department then decided to take up the matter with Central Government.

28. The Committee remarked that the stand taken by VSSC in this regard was not fair. Had the Prime Minister arrived as scheduled, and work was not completed, the consequences should have been borne by the Public Works Department which would have tarnished the image of State Government. VSSC is not a private agency and hence the Finance Department should take up the matter with Government of India and recover the loss of ₹ 37 lakh.

Conclusion/Recommendation

29. **The Committee understands that for two road works (Varkala-Paripally & Kilimanoor-Alamcode-Kadakkavoor-Varkala) under Central Road Fund Scheme (CRF), the Department sanctioned the work for ₹ 12.14 crore and ₹ 12.01 crore which were more than 35% of the Estimate Rate as fixed by the Government. The Committee remarks that the Department had no rights whatsoever to give an excess amount because the relevant Government Order stipulated not to sanction any amount higher than 35% of the Estimated rate. The Committee opines that such a wrong decision taken by the Public Works Department violating the provisions of the Public Works Department Manual resulted in loss of ₹ 5.5 crore to the exchequer. The Committee recommends the Department to realise this amount at the earliest.**

30. **The Committee concludes that the issue happened mainly because of the mistake committed by the Engineer who sent wrong figures to the Government right at the beginning of work. Eventhough the Committee had given three weeks' time to the officials of Public Works Department to look into the matter, it was not complied with. Casting aspersions on the laxity of the officials in complying with the demands, the Committee recommends to take action against the delinquents. The Committee finally urges the Department to issue a new Government Order regarding the execution of CRF Schemes if the present one was against the guidelines of the Ministry of Road Transport and Highway.**

31. **The Committee understands that the proposed Sethuparvathipuram- Kanthalloor Road intended to connect two State Highways was abandoned after spending ₹ 4.25 crore as the Forest Department stayed the work. The Committee opines that the act of Forest Department was not justifiable and urges that the Secretaries of both departments shall consult to find out a solution at the earliest.**

32. Based on the infructuous expenditure of ₹ 50.70 lakh incurred on the World Bank aided works under phase II of KSTP, the Committee laments that the PWD ventured into most of the works without conducting proper investigation or planning and by violating the provisions of the PWD manual. The Committee recommends that experts from Engineering Colleges or Lal Bahadur Shastri Centre should be entrusted with investigation and planning of PWD works. Moreover, the Department should stop posting the suspended officers in the Investigation Wing who perform the work by sitting in the office without any investigation.

AUDIT PARAGRAPH

Avoidable expenditure on construction of two additional piers for a Rail Over Bridge

Failure of Public Works Department to comply with the specification of the Railways resulted in construction of two additional piers at a cost of ₹ 32.26 lakh.

As per the existing norms for the construction of Rail Over Bridge (ROB), the rail portion is to be constructed by the Railways whereas the road portion and the approaches by the Ministry of Road Transport and Highways (MORTH). In a meeting between the Secretary, MORTH and Member (Engineering), Railway Board on 2nd May 2003, it was decided that the Railways should bear the cost of construction of the bridge portion and MORTH, the cost of the approaches irrespective of land boundaries. MORTH sanctioned (December 2004) the work 'construction of immediate approaches to Edappally ROB at Km 437/375 of NH 17 including 280.80 metre long viaducts* on either side' at a cost of ₹ 14.25 crore. The work included a 21.6 metre viaduct of 13 spans with 12 piers on either side. The bridge over the rail portion had already been arranged by the Railways on the basis of a design approved by the Public Works Department (PWD) (November 2001) which provided for a span length of 14.2 metre.

The road portion of the work which consisted of the approaches and viaduct was awarded to a contractor for ₹ 15.49 crore on 25 August 2005 to be completed in 24 months. During execution, it was found that the piers constructed by Railways would not be able to take the load of the 21.6 metre long span. The Railways expressed inability (November 2004) to revise the design of the pier as it had reached the trestle beam† level and any deviation would lead to contractual obligations. Therefore, the design of the pier was revised by the PWD by providing two additional piers at an estimated cost of ₹ 32.26 lakh.

* A long bridge like structure carrying a road or railway line.

† A frame work consisting of a horizontal beam supported by two piers of sloping legs used in piers to support a flat surface.

While designing the span of the viaduct in July 2004, the PWD should have taken into consideration the specification of the span and pier of the bridge portion already approved by them in November 2001. Failure to do so resulted in extra estimated liability of ₹ 32.26 lakh on construction of two additional piers.

The matter was referred to Government in May 2008; reply has not been received (October 2008).

AUDIT PARAGRAPH

Extra expenditure due to change in design of foundation

Against the terms and conditions of the contract the department permitted the contractor to revise the design of the foundation from well to pile foundation resulting in extra expenditure of ₹ 32.09 lakh.

Superintending Engineer, Roads and Bridges, Central Circle, Aluva concluded (February 2005) a contract with a contractor firm selected on the basis of open tender for the work of 'Construction of a bridge at Nechoorkadavu across Muvattupuzha river' in Ernakulam district. The contract value was ₹ 4.24 crore including a tender premium of 18.70 per cent over the estimated amount. The foundation proposed was Reinforced Cement Concrete (RCC) wells as per design prepared by the Design, Research, Investigation and Quality Control (DRIQ) Board. While casting, the well curb at pier point P3 tilted about 1.20 metre on 9th March 2006 due to failure of the island formed by the contractor. Therefore, the design of the well foundation of two pier points P3 and P4 were changed (December 2006) to pile foundation at the instance of the contractor. No approval of DRIQ Board was obtained for the changes. The period of contract was also extended from 17th February 2007 to 31st March 2008. The contractor firm completed the foundation and started the work of superstructure by January 2008. Part payment amounting to ₹ 2.24 crore was made to the contractor. The changes resulted in extra expenditure of ₹ 32.09* lakh being the difference in cost of construction of well and piles foundation (₹ 20.65 lakh) and cost of construction and removal of abandoned wells (₹ 11.44 lakh).

Records (April 2007) revealed that the island formed by the contractor was not strong enough to withstand the flow regime condition and vertical load of the well curb and hence the curb tilted. As per the contract conditions, forming island and its maintenance without damage till the completion of well formation was the duty of the contractor. Hence the contractor's rate included cost for taking the precaution required to keep the island intact. For this the contractor has to form the island sufficiently strong to complete the operation. But the Department permitted the contractor to revise the design of the foundation thus entailing an extra expenditure to the tune of ₹ 32.09 lakh and thereby benefiting the contractor against the terms and conditions of contract.

* Figures furnished by the Government.

The SE stated that the island formation was not an incidental item of work and the failure of the island was due to the rise of water level in the Muvattupuzha river on account of sudden release of water from Moolamattom Power House. The reply cannot be accepted because the water released from power house was being stored at Malankara dam for the irrigation purpose by Muvattupuzha Valley Irrigation Project and as per contract conditions the contractor was responsible for construction and maintenance of the island till completion.

Thus by admitting the contractor's request for revised design for pile foundation of two piers, Government had to incur avoidable expenditure of ₹ 32.09 lakh.

The matter was referred to Government in February 2008; reply has not been received (October 2008).

Extra liability due to arrangement of work based on incorrect sub soil data and estimate

Execution of supplementary agreement disregarding contract conditions resulted in undue benefit to the contractor to the tune of ₹ 1.42 crore.

The Superintending Engineer (SE), Roads and Bridges North Circle, Kozhikode awarded (October 2004) the work 'construction of a causeway (submersible bridge) across Thoothappuzha at Ettakkadavu in Palakkad District' at 17.99 per cent below estimate cost of ₹ 3.50 crore at 1999 Schedule of Rates (SOR). The proposal was for open foundation for a depth of 3.6 metre below the river bed as the availability of hard rock was anticipated at 3 metre below bed level. During execution it was found that open foundation was not possible since hard rock was not available up to 8 metre depth. So the contractor requested (January 2005) to revise the type of foundation to well foundation and revision of rate was as per 2004 SOR. The SE revised the estimate to ₹ 5.95 crore at 2004 SOR with well foundation which was accepted by Government in April 2005. The proposal of causeway was changed to high level bridge in the revised estimate. A supplemental agreement was also concluded (November 2005) for extra item with the contractor as the Government ordered to execute the work by the same contractor. The Chief Engineer revised (September 2006) again the estimate to ₹ 8.03 crore in order to include an unrelated road work along with this work. The contractor had completed 80 per cent of the work and had been paid ₹ 1.70 crore as of March 2008. Though the road work included in this work stood completed yet the land acquisition for the approach road of the bridge was not completed.

According to the conditions of contract, the rates for extra item shall be arrived at based on the current departmental data rate at the time of ordering the extra item after applying tender deduction. However, as the tender percentage of 17.99 below the estimate had not been incorporated in the supplemental agreement, the contractor would get an undue benefit of ₹ 1.42 crore of which ₹ 30.63 lakh had already been passed on to the contractor.

The matter was referred to Government in July 2008; reply has not been received (October 2008).

[Audit Paragraph 4.3.3 to 4.3.5 contained in the Report of Comptroller and Auditor General of India for the year ended 31st March 2008 (Civil)]

Government notes on the above audit paragraphs are given as Appendix II of this Report.

33. Regarding the audit paragraph about the constructions of Rail Over Bridge at Edappally, the Committee asked the Department what action they took to complete the construction process which was lying idle for many years. The Additional Secretary, Public Works Department replied that the work had been resumed by Kaikkara Constructions and later it was terminated. The Committee asked whether it was the issue over the piers of Railway and road that caused the prolongation of work and whether it was sorted out. The Additional Secretary replied that the dispute was over and the money (₹ 35 lakh) was refunded. The Additional Secretary added that the Department gave the General Alignment Drawing (GAD) in the year 2001 which included 13 spans each having length of 21.6m. The Railways did approve the GAD and agreed to construct the portion coming on their rail side. Based on that the PWD entrusted the work with a consultant. However, when the Railways started the work, it was not done based on the department's plan and the earlier proposed 21.6m was split into 3, with 30m at the centre and 7.85 m in the sides. But the work could only be completed if the span length of PWD side coincides with the Railway's span.

34. To a query from the Committee about the latest position, the Additional Secretary, Public Works Department replied that the issue was sorted out currently and work was started. It would get completed within one year. The payment of ₹ 35 lakh was made and got regularized. The Committee wanted the Department to speed up the construction work and to finish the same as early as possible.

35. Based on the paragraph relating to extra expenditure incurred on Nechoorkadavu Bridge across Muvattupuzha river due to revised design of the foundation from well to pile, the Committee understood that an island formation

happened because of heavy water flow from Moolamattam Power House which the contractors did not foresee. The expenditure incurred for works related to island formation was to be borne by contractor as per agreement. However, the Department's argument that the Contractor should have noticed the nature of the work-spot in advance, would not be taken care of because such technicalities should have been thoroughly studied by the investigation wing of the Public Works Department. If the contractor approached the Court, the PWD's agreement would not be considered and case would result against the Government.

36. When enquired about the present position of the case, the Additional Secretary, Public Works Department replied that the works had been completed by finishing the last slab.

37. Based on the audit observation about extra liability incurred due to arrangement of work based on incorrect subsoil data and estimate, the Committee summarized that the mentioned bridge across Thoothapuzha was connecting Malappuram and Palakkad. When the requirement of a 'causeway' arose, Water Authority had conducted an investigation for their work. A bridge was planned 30 m away from the place planned by Water Authority and this was not done after proper investigation. Expecting hard rock in 3m depth, the work was started with open foundation as target but since hard rock could not be found even at 9-10 m depth, open foundation was changed to well-foundation. Based on 1990 Schedule of Rates, the causeway was tendered at ₹ 3 crore. The Contractor undertook the work at 17.99% below estimated cost of ₹ 3.50 crore. Later it was changed and new plan was formulated by converting it into a bridge. The Work was started with 2004 Schedule of Rates and at the end of work there was local protest for not constructing an approach road. Finally the execution of supplementary agreement disregarding contract conditions resulted in undue benefit to the contractor to the tune of ₹ 1.42 crore. The Committee blamed the lack of proper investigation in the beginning for this unfruitful expenditure and urges the Department to undertake investigation procedure more effectively and properly.

Conclusion/Recommendation

38. **The Committee blames the lack of planning and proper investigation in the beginning of many of PWD works due to which many project funds become infructuous as had happened in the cases of the construction of Nechoorkadavu Bridge across Muvattupuzha river and the bridge across Thoothapuzha connecting by Malappuram and Palakkad. In**

either cases, the sub soil nature and data was not properly gauged due to which well foundation was changed to pile foundation after the commencement of work. What amuses the Committee is not the situation but the so called Investigation Wing of the Department which continues to commit the same errors without learning from their previous mistakes. The Committee recommends to reorganise the Investigation Wing of the Public Works Department so as to enable proper and effective investigation before execution of such works.

Thiruvananthapuram,
26th June 2012.

DR. T. M. THOMAS ISAAC,
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)	(2)	(3)	(4)
1	10	PWD	The Committee understands that the failure of Executive Engineers to follow the system prescribed by the Chief Engineer for the purchase of bitumen by the contractors resulted in payment of ₹ 2.32 crore on production of 160 fake invoices. Expressing serious concern over such a scandalous act which drained the State's resources, the Committee blames the officials for their callousness in properly detecting the genuineness of the invoices and receipts. The Committee simultaneously chides the juvenile remarks of the officials that detection of fake invoices was difficult because there was no mechanism present at that time for this task. The Committee strongly suspects an unholy nexus between contractors and Chief/Executive Engineers as the contractor alone could not carry out the task of submitting such fake invoices of huge sums.
2	11	”	The Committee expresses dismay at the vacillating stand taken by the officials who hesitated to take actions against the culprits involved in this glaring act pointed out by Accountant General. The Committee recommends to take departmental action against the officials who made wilful malpractice in the works undertaken and steps to blacklist the contractors who were involved in the scandal. By all this, the Committee cannot but harbour the anxiety about the pathetic and substandard condition of our roads which not only drains our exchequer, but also tarnish the reputation of our State among others in the country.

(1)	(2)	(3)	(4)
3	29	PWD	<p>The Committee understands that for two road works (Varkala-Paripally & Kilimanoor-Alamcode-Kadakkavoor-Varkala) under Central Road Fund Scheme (CRF), the Department sanctioned the work for ₹ 12.14 crore and ₹ 12.01 crore which were more than 35% of the Estimate Rate as fixed by the Government. The Committee remarks that the Department had no rights whatsoever to give an excess amount because the relevant Government Order stipulated not to sanction any amount higher than 35% of the Estimated rate. The Committee opines that such a wrong decision taken by the Public Works Department violating the provisions of the Public Works Department Manual resulted in loss of ₹ 5.5 crore to the exchequer. The Committee recommends the Department to realise this amount at the earliest.</p>
4	30	”	<p>The Committee concludes that the issue happened mainly because of the mistake committed by the Engineer who sent wrong figures to the Government right at the beginning of work. Even though the Committee had given three weeks’ time to the officials of Public Works Department to look into the matter, it was not complied with. Casting aspersions on the laxity of the officials in complying with the demands, the Committee recommends to take action against the delinquents. The Committee finally urges the Department to issue a new Government Order regarding the execution of CRF Schemes if the present one was against the guidelines of the Ministry of Road Transport and Highway.</p>
5	31	PWD & Forest Department	<p>The Committee understands that the proposed Sethuparvathipuram-Kanthalloor Road intended to connect two State Highways was abandoned after spending ₹ 4.25 crore as the</p>

(1)	(2)	(3)	(4)
			Forest Department stayed the work. The Committee opines that the act of Forest Department was not justifiable and urges that the Secretaries of both departments shall consult to find out a solution at the earliest.
6	32	PWD	Based on the infructuous expenditure of ₹ 50.70 lakh incurred on the World Bank aided works under phase II of KSTP, the Committee laments that the PWD ventured into most of the works without conducting proper investigation or planning and by violating the provisions of the PWD manual. The Committee recommends that experts from Engineering Colleges or Lal Bahadur Shastri Centre should be entrusted with investigation and planning of PWD works. Moreover, the Department should stop posting the suspended officers in the Investigation Wing who perform the work by sitting in the office without any investigation.
7	38	„	The Committee blames the lack of planning and proper investigation in the beginning of many of PWD works due to which many project funds become infructuous as had happened in the cases of the construction of Nechoorkadavu Bridge across Muvattupuzha river and the bridge across Thoothapuzha connecting Malappuram and Palakkad. In either cases, the sub soil nature and data was not properly gauged due to which well foundation was changed to pile foundation after the commencement of work. What amuses the Committee is not the situation but the so called Investigation Wing of the Department which continues to commit the same errors without learning from their previous mistakes. The Committee recommends to reorganise the Investigation Wing of the Public Works Department so as to enable proper and effective investigation before execution of such works.