

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2006-2008)**

THIRTIETH REPORT

(Presented on 25th July, 2007)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2007**

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**COMMITTEE
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On

**Paragraphs relating to Water Resources Department, contained in the
Reports of the Comptroller and Auditor General of India for the
years ended 31st March 1995 No. 3 (Civil), 31st March
1996 No. 3 (Civil), 31st March 1998 No. 3 (Civil)
31st March 1999 No. 3 (Civil), 31st March
2000 (Civil) and 31st March 2002 (Civil)**

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COMMITTEE ON PUBLIC ACCOUNTS (2006-2008)

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Shri K. Gireesa Kumar, Joint Secretary
Shri K. Ravikumar, Deputy Secretary
Smt. A. Achamma, Under Secretary

INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the Thirtieth Report on Paragraph relating to Water Resources Department contained in the Report of the Comptroller and Auditor General of India for the years ended 31st March 1995 No.3 (Civil), 31st March 1996 No.3 (Civil), 31st March 1998 No. 3 (Civil) 31st March 1999 No. 3 (Civil) 31st March 2000 (Civil) and 31st March 2002 (Civil).

The Report of the Comptroller and Auditor General of India for the years ended 31st March 1995 No.3 (Civil), 31st March 1996 No.3 (Civil), 31st March 1998 No. 3 (Civil), 31st March 1999 No. 3 (Civil), 31st March 2000 (Civil) and 31st March 2002 (Civil) were laid on the table of the House on March 19, 1996 March 11, 1997, April 13, 1999 March 31, 2000 July 2, 2001 and July 8, 2003 respectively.

The Committee considered and finalised this report at the meeting held on July 18, 2007.

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

ARYADAN MUHAMMED,

Thiruvananthapuram,
25th July, 2007.

Chairman,
Committee on Public Accounts.

REPORT

WATER RESOURCES DEPARTMENT

AUDIT PARAGRAPH

Stores and stock of Kanhirapuzha Irrigation Project

For the implementation of Kanhirapuzha Irrigation Project (KPIP), 3 divisions were formed at Kanhirapuzha (June 1967), Ottappalam (April 1975) and Cherplaserry (November 1977). The division at Cherplaserry was abolished in January 1992. For the procurement of stores like cement, bitumen, steel etc., there were 4 projects stores, one at Kanhirapuzha under the control of Executive Engineer, KPIP Division No. I, Kanhirapuzha and 3 at Kalladikode, Ottappalam and Cherplaserry under the control of Executive Engineer, KPIP Division No. II, Ottappalam.

During 1992-93 to 1994-95, stores for Rs.126.70 lakhs were procured. Scrutiny of the records of these two divisions revealed the following:

Stock accounts

KPWA Code stipulates that payments made in advance for stores ordered shall be debited to the sub-head 'Advance payment' under the suspense head 'Stock'. On receipt of materials, the value shall be debited to the concerned sub-head of stock by minus debit to 'Purchase'. On getting final bill, the transactions shall be settled by debit to 'Purchase' and by minus debit to 'Advance payment'.

As at the end of January 1995, Rs. 27.37 lakhs and (–) Rs. 55.31 lakhs were outstanding under 'Advance payment' and 'Purchase' respectively in the two divisions in charge of project stores, indicating that accounts adjustments were not carried out properly.

Non-inclusion of accounts transferred

On abolishing the Siruvani Drinking Water Supply Project, Muthikulam with effect from 1 April 1986, its accounts with the following balances were transferred to KPIP Division No.I, Kanhirapuzha.

Advance payments	Rs. 5.78 lakhs
Other sub heads	Rs. 6.24 lakhs
Purchase	(–) Rs. 20.72 lakhs

The KPIP Division No.I maintained the stock account of the defunct division separately upto March 1992 after which the same was neither maintained nor incorporated in the stock account of KPIP Division No. I. It could not be ascertained whether accounts adjustments in respect of the above claims had been carried out or not.

Reserve Stock limit

The reserve stock limits fixed for Divisions No. 1 and II were Rs. 25 lakhs and Rs. 10 lakhs respectively. But the stock actually held by the divisions during 1994-95 had exceeded the limit on many occasions, as illustrated below:

<i>Month</i>	<i>Division I</i>	<i>Division II</i>
	<i>(Rupees in lakhs)</i>	
April 1994	25.73	17.29
August 1994	25.01	15.30
November 1994	26.63	15.21
December 1994	26.64	15.00
January 1995	27.51	14.90

Cash Settlement Suspense Account

KPWA Code provides for settlement of transactions on account of supplies made to other division normally through 'Cash Settlement Suspense Account'. The claims preferred in respect of supplies made should be settled by the indenting officers within 30 days and the officer in charge of stores shall have no powers to issue materials in cases where a claim older than 30 days was pending. However, it was noticed that the balance of Rs. 17.54 lakhs which included Rs. 12.68 lakhs on issues made during 1981-82 to 1993-94 was outstanding under 'Cash Settlement Suspense Account' in the two divisions as of March 1995. It was also noticed that issues were made to Divisions from which claims older than 30 days were pending.

Idle Stores

Financial Rules prescribe that stores shall not be held in stock in excess of the quantity which is likely to be required for a reasonable period. The rules also stipulate that surplus stores shall be disposed of either by transfer to other offices, which require them, or by sale in public auction.

It was seen that earth moving heavy machinery, got transferred from other divisions and procured during May 1968 to January 1972 (valued at Rs.13.58 lakhs) had been lying idle since completion of the earth dam work in 1981. Similarly, 12729.5 kg of MS rods (value: Rs. 1.99 lakhs) and 19 tyres (value: Rs. 0.50 lakh), procured in August 1982 and June 1984 respectively, were also lying unutilised. There was also a stock of about 1640 items of spare parts (valued at Rs. 6 lakhs), most of which were unsuitable for the machinery in use.

The matter was referred to Government in June 1995; reply has not been received (September 1995).

[Paragraph 5.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995 No. 3 (Civil)].

Note submitted by Government is included in Appendix II.

The Committee desired to know the present status of the Kanjirapuzha Irrigation Project. The witness informed the Committee that the project had been completed but no declaration with regard to the commissioning had been made so far. The Committee made no comments on 5.2(i), (ii) & (iii).

2. The Committee observed that KPWA code provided for settlement of transactions on account of supplies made to other divisions normally through 'Cash Settlement Suspense Account'. Committee wanted to know the details of the outstanding balance of Rs.1.58 lakh in Cash Settlement Suspense Account. The witness informed that an amount of Rs. 7,12,028 was the arrear to be collected from other divisions and an amount of Rs. 78,325 was payable to other divisions. Cash Settlement Suspense Account had been done away with effect from 1-4-1998. Outstanding balance of Cash Settlement Suspense Account was settled through book adjustment. The witness assured that the matter would be taken up with Government. The Committee urged the Department to furnish the remedial measures taken in this regard at the earliest.

3. Regarding idle stores, the Committee was informed that all the unserviceable machineries and idle stores mentioned in the audit para were auctioned off.

Conclusions/Recommendations

4. The Committee observes that the KPWA code stipulates all transactions between divisions in the Water Resources Department would be settled with the maintenance of a cash settlement suspense Account. But under the Kanjirapuzha Irrigation Project an outstanding balance of Rs. 1.58 lakhs in the cash settlement suspense account had not been settled so far even though the procedure of the maintenance of cash settlement suspense Account

had been done away with effect from 1-4-1998 in the Water Resources Department. The Committee wants to know the reasons for the non-settlement of the outstanding balance in the account till date and learns that the matter is pending with the Government for its final decision. The Committee urges the Government to furnish the details of the remedial measure taken in this regard at the earliest.

AUDIT PARAGRAPH

Stores and stock of Pazhassi Irrigation Project

A test check of the records of the Pazhassi Irrigation Project Division and its two sub-divisions at Kannur and Kudali during February-March 1996 revealed as under:

Stock Accounts

According to Kerala Public Works Account Code, advance payment made for materials are debited under the sub-head 'Advance Payment' under the suspense head 'Stock'. When payments are made on receipt of materials, the cost of materials is debited to the final head by credit to the head 'Advance payment'. As at the end of January 1996, an amount of Rs. 1.39 crores was outstanding under the head 'Advance payment' indicating that either the materials for which the advance was paid had not been received or the necessary accounting adjustments had not been carried out when materials were received. The Division had not taken proper action for analysing the balance and for their clearance. When materials are received for stock its value is initially credited to the sub head 'Purchase' under the suspense head 'Stock'. These credits are cleared by an equivalent debit when payment is made. As of January 1996 a credit balance of Rs. 2.54 crores was outstanding under this sub head. The Division had not analysed the reasons for this pendency for taking remedial action.

Reserve limit of stock

According to Kerala Public Department Code, materials should be purchased only for works in progress and no reserve of stock should be kept. But, in case owing to remoteness from markets or for any other reasons, it was considered necessary to maintain a reserve, sanction of Government was necessary for maintenance of the reserve stock upto a maximum value prescribed. The Executive Engineer is required to regulate the purchase to an extent sufficient to keep the stock upto that limit. The fixed maximum should be kept at the lowest point compatible with efficiency. The maximum limit of stock for the Division was Rs. 8 lakhs fixed by Government long ago in March 1981.

The value of stock held in the Division during the year 1995 was Rs. 73 lakhs to Rs. 1.30 crores, showing an increase of 813 per cent to 1525 per cent over the limit fixed. No action was taken either to get the maximum limit revised reasonably, taking into account the increase in the cost of materials or to obtain sanction from the competent authority for exceeding the stock limit.

Retention of stores for long periods

Many items purchased between May 1968 and March 1990 were still held in stock. A few such cases are mentioned below:

<i>Name of item</i>	<i>Month of purchase</i>	<i>Quantity purchased</i>	<i>Present balance in stock (February 1996)</i>	<i>Value of balance quantity (in rupees)</i>
400 mm LP pipe	6/1979& 7/1979	87 Nos.	74 Nos.	99,234
450 mm pipe	1/1982 to 8/1982	146 Nos.	141 Nos.	77,268
28 mm tor steel	7/1981	29.98 MT	16.762MT	2,17,906
Bitumen	5/1978	Not known	174 barrel (27.144 MT)	28,553
150 mm sluice valve	1/1984 to 5/1984	150 Nos.	80 Nos.	3,34,075
28 mm MS rod	3/1987	57.31 MT	23.81 MT	3,09,530
MS channel 100 x 50 mm	4/1987	10.78 MT	10.78 MT	77,907

No action by the Division was taken either to transfer these items to other Divisions or to dispose these of otherwise. A survey report prepared by the Superintending Engineer in February 1995 for disposal of items worth Rs. 0.84 lakh had not been acted upon as of August 1996.

The points mentioned above were reported to Government in September 1996; reply had not been received (October 1996).

[Audit paragraph 5.1—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996 No. 3 (Civil)].

Note submitted by Government is included in Appendix II.

5. To the query about keeping an amount of Rs.1.39 crore, in contrary to KPWD code as outstanding balance under the head 'Advance Payment' without carrying out the necessary accounting adjustment even after the receipt of the materials, the Chief Engineer, Project I, Kozhikode admitted that in all the cases the materials were received but the accounts could not be settled because of the absence of timely book adjustment. He assured that steps would be taken to trace out the invoices and settle the cases. The Committee was surprised to note that even after a decade the department had not taken any steps to settle the account. The Committee urged the department to take the remedial measures to settle the account and to furnish the details of action taken in this regard.

6. The Committee was informed that all the unserviceable stock except sluice valve had been disposed off. The Committee recommended to take immediate action to dispose the sluice valve remaining in the stock.

7. The Committee also urged the department to furnish the details regarding the Pazhassi Irrigation Project, which had earlier been called for at its meeting i.e. the total expenditure incurred on Pazhassi Irrigation Project, the present status of the Project, whether the Project fully commissioned or not etc.

Conclusions/Recommendations

8. The Committee understands that there was an amount of Rs. 1.39 crore kept outstanding during February-March 1996 in violation of the KPWD Code under Head of Account Advance Payment relating to the Pazhassi Irrigation Project Division and its Sub-divisions at Kannur and Kudali, without carrying out necessary accounting adjustment even after the receipt of the materials. The Committee is surprised at the fact that even after a decade the department had not taken any steps to settle the account. The Committee recommends that the government take immediate steps to settle the account and to furnish the details of action taken in this regard. The Committee urges the department to take immediate action to dispose the sluice valve remaining in the stock and also to furnish the details of the present status of Pazhassi Irrigation Project.

AUDIT PARAGRAPH

Irregular arrangement of execution of earth work for formation of main canal

Chief Engineer (CE), Project I, Kozhikode proposed (April 1995) execution of canal works from chainage 6100 metre to 6735 metre (635 metres) of Moolathara Right Bank Canal (MRBC) estimated to cost Rs. 44 lakh departmentally at 35 per cent above estimate rates based on 1992 Scheduled of

Rates (SOR) on piece-work agreement. Technical sanction for the work was issued by CE in June 1995 and on the basis of sealed tenders, the work was awarded.

CE approved (14 March 1996) the lowest quotation at 60 per cent above estimate rates. Government orders approving departmental execution of works at 60 per cent above estimate rates (SOR 1992) were issued on 27 March 1996. Though execution of work departmentally on piece-work agreements was proposed (7 April 1995) in order to complete the work by March 1996, the work had not been completed even as of November 1996. Expenditure incurred on canal excavation upto June 1996 on the work was Rs. 1.56 crore.

Audit scrutiny of the records of Project Division, Kozhinjampara in July 1996 disclosed the following points:

(i) According to Kerala Public Works Department manual and Public Works Department code, waiver of the procedure for awarding works through tenders should be done only by the competent authority when it is felt absolutely necessary for satisfactory reasons. Therefore, award of canal work (635 metres) estimated to cost Rs. 44 lakh to contractor in July 1995 by EE at 60 per cent above estimate rates based on 1992 SOR in anticipation of Government approval was violative of the codal provisions.

(ii) The CE had proposed (April 1995) execution of work departmentally at 35 per cent above estimate rates of 1992 SOR. The rate however adopted was at 60 per cent above estimate rates even without exploring the possibility for reducing the rates. The additional expenditure due to adoption of higher premium was Rs. 24.46 lakh.

(iii) The estimate for earth work excavation was inclusive of conveyance of cut earth to the contractor's own dump yard after providing 5 km lorry lead for conveyance. Since the beneficiaries had already promised as early as in June 1993 free surrender of land for depositing the cut earth there was no need to convey the cut earth to the contractor's own dump yard. The total expenditure of Rs. 56.55 lakh incurred on this account was avoidable.

In December 1996, the Vigilance Department directed the division to stop forthwith all payments relating to the project. On the basis of preliminary enquiry, Government ordered (February 1997) suspension of five officers (including one CE) from service. Further developments were awaited (June 1998).

The matter was referred to Government in June 1998; reply had not been received (October 1998).

[Paragraph 4.4 contained in the report of Comptroller and Auditor General of India for the year ended 31 March 1998 No. 3 (Civil)].

Note submitted by Government is included in Appendix II.

9. From the examination of the paragraph relating to the irregular arrangement of execution of earthwork for the formation of Moolathara Right Bank Canal, the Committee came across three objections pointed out by Audit.

(1) The work was awarded without observing procedures prescribed in the KPWD (Kerala Public Works Department) Manual and PWD Code. Hence the award of work though in anticipation of Government approval was *ultra vires* to the provisions in the PWD Code.

(2) The work was awarded at the rate of 60% above the estimated rate as against the earlier proposal of 35% and hence there was an additional expenditure of Rs. 24.46 lakh which could have been avoided.

(3) The expenditure of Rs. 56.55 lakh incurred for conveyance and dumping of the excavated earth was avoidable because the beneficiaries had offered free surrender of land for dumping the earth and hence the contractor need not have been permitted to convey the cut earth to his dump yard.

10. The witness, Chief Engineer, Irrigation Department stated that the works of Moolathara Right Bank Canal had been executed on piecework agreement by the department without resorting to open tender because of the recommendation of the Subject Committee III to provide water facility to drought prone area of Kozhinjampara urgently. Since there was sufficient fund for KKIP during 1995-96 and as it was the only way to provide water to drought affected Kozhinjampara region, the work of a branch canal from Moolathara Right Bank Canal upto Korayar had been started for which the required land was freely surrendered by the beneficiaries in the locality. The Committee desired to know the reason for awarding the work at 60% above the estimated cost and the details of the land surrendered. The witness deposed that the reason attributed in awarding the work at enhanced rate of 60% above estimated rate was due to the revised schedule of rate in July, 1996 and one year time lag which resulted in the escalation of labour cost and material cost. He added that 8 acres of land having 4 k.m. length and 12 k.m. width was surrendered by the public. Only the minimum land required for digging the canal was taken from the public and hence there was no embankment area or Government land within the area of 5 k.m. distance from site for dumping the cut earth. So a transportation lead upto the contractor's yard had been provided which necessitated an additional expenditure of Rs. 56.55 lakh. He added that the canal work had been done in

good faith and the people were utilizing the water from the canal for irrigation purpose. To another question the witness answered that if the department had tried to acquire land for the project the commitment would have been much higher.

11. The Committee was informed that based on a petition, Government had ordered a vigilance enquiry into the matter. The officer was placed under suspension pending vigilance enquiry. But he had been re-instated consequent on the orders of Hon'ble Court. The Committee desired that details of cases where officers were suspended and later re-instated on the orders of Court be furnished to it. The Committee wanted to be furnished with the details of the instant cases and also the judgement of the Court in this particular case also.

Conclusions/Recommendations

12. **The Committee understands that the work of formation of Moolathara Right bank canal under Kozhinjampara Project Division was awarded without observing procedures prescribed in KPWD manual and PWD Code and hence it was ultra vires. Besides, the work was awarded at the rate of 60% above the estimated rate as against the earlier proposal of 35%, causing an additional expenditure of Rs. 24.46 lakhs that could have been avoided. The expenditure of Rs. 56.55 lakhs, being incurred as transportation lead for conveyance and dumping of the excavated earth, was an unnecessary payment to the contractor which could also have been avoided, in the view of the Committee.**

13. **The Committee finds that a vigilance enquiry was initiated on the basis of a petition on the matter and the officials who were suspended in connection with the case had been re-instated on court orders.**

14. **The Committee urges the department to furnish the details of cases where officers were suspended and later re-instated due to court order and copy of the final judgment of the Court along with the present position of the cases.**

AUDIT PARAGRAPH

Nugatory expenditure on idle staff

Consequent on segregation of Irrigation Department from the composite Public Works Department from 1 April 1990, Chief Engineer (Irrigation and Administration) (CE) proposed (November 1993) construction of a multi-storeyed building to house its various offices in Thiruvananthapuram under one roof. Accordingly, Government sanctioned (November 1995) construction of a ten storeyed building-Irrigation Complex-at an estimated cost of Rs. 3.70 crore. Expenditure on the work was to be met from the funds for the National Hydrology Projects (Rs. 2.74 crore) and Vamanapuram Irrigation Project (Rs. 0.96 crore).

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Meanwhile, based on the directions issued (February 1995) by the Minister for Irrigation, CE ordered (March 1995) formation of an Irrigation Complex Sub-Division for supervision of the work and the sub division started functioning from May 1995. Construction of the building has not been started even as of March 1999 as Finance Department did not agree with the proposal for diverting Plan funds for construction of office complex. However, the sub division was continued though they had no work to attend. Establishment expenditure incurred amounting to Rs. 12.62 lakh during May 1995 to March 1999 thus proved to be infructuous.

Government stated (October 1999) that staff of the sub division were redeployed in July 1999. Thus, the staff were paid idle wages for more than four years.

[Paragraph 4.10—Contained in the report of Comptroller and Auditor General of India for the year ended 31 March 1999 No. 3 (Civil)]

Note submitted by Government is included in Appendix II.

15. The Chief Engineer, Irrigation Department informed the Committee that in 1995 decision was taken to build an irrigation complex at Thiruvananthapuram with a view to bring the various offices of Irrigation Department in Thiruvananthapuram under one roof. The funds for the complex was identified from the Vamanapuram Irrigation Project and the National Hydrology Project. Accordingly for the execution of the construction of the complex a sub-division from Kundara was deployed to Thiruvananthapuram. At that time the Irrigation Department and the Culture Department were functioning under one Minister and hence an understanding was made with the Culture Department that the Irrigation Department would build the complex utilising their funds in the land under the possession of the Institute of Languages, Culture Department and would allot one storey of the building to the Institute of Languages for their exclusive use. But, later the Institute of Languages withdrew from their earlier proposal and the Irrigation Department became unable to proceed with the construction of the complex as envisaged. Hence the sub division deployed for the purpose had to idle. Later Irrigation and Ground Water Departments had jointly built a complex at Ambalamukku utilising the funds available in the Building component in the Hydrology Project. The sub division which was deployed for the execution of the construction of the complex was redeployed as hydrology sub division. The witness informed the Committee that it was the unforeseen withdrawal of the State Institute of Languages from the earlier understanding of providing the land that caused the idling of staff.

Conclusions/Recommendations

16. The Committee observes that an amount of Rs. 12.62 lakh had been incurred as infructuous expenditure for maintaining a sub-division office without having any work to attend in connection with the construction of a ten storeyed building for Irrigation Complex. The sub division office started in May 1995, even before the commencement of work, was maintained upto July 1999. The reason adduced by the department is that at the beginning, the proposal was made jointly with an understanding with the Culture Department to allot one storey of the building for the exclusive use of the State Institute of Languages in the Culture Department. But later the State Institute of Languages had withdrawn from their earlier commitment of providing land to the complex which caused idling of staff in the sub-division. The Committee expresses its dissatisfaction over the plight of idling of staff for 4 years and the officer in charge had not taken any interest in giving assignment to the staff during these years.

AUDIT PARAGRAPH

Fictitious purchase of cement and steel

Karapuzha Irrigation Project Division in Waynad District is implementing Karapuzha Irrigation Project partly financed by National Bank for Agriculture and Rural Development (NABARD). A total quantity of 14437.25 tonnes of cement costing Rs. 4.32 crore (1458 bills) was purchased locally by the Divisional Officer directly and through two contractors during 1994-96. The payment for the entire quantity of 14437.25 tonnes of cement was made by the Divisional Officer between June 1995 and March 1996 and debited to project account. Out of the total purchase of 14437.25 tonnes of cement purchased locally 12477.25 tonnes were purchased through two contractors. Of these, 11002.25 tonnes were supplied by Contractor 'A'. It was observed that disregarding Government Orders against local purchase of materials through contractors and the annual limit of 2000 tonnes fixed by Government for local purchase, the Divisional Officer purchased 13107.25 tonnes of cement during 1995-96 from the contractors (12477.25 tonnes) and dealers (630 tonnes). Besides, 501.75 tonnes of steel valued at Rs.77.42 lakh (in 53 bills) were also purchased.

A scrutiny of the bills for supply of cement and steel revealed that:

(i) Out of a total expenditure of Rs. 4.32 crore on purchase of cement and Rs .0.77 crore on purchase of steel, the expenditure during February-March 1996 alone was 87 per cent in the case of cement and 80 per cent in respect of steel. This indicated that there was heavy rush of expenditure during the fag end of the financial year.

(ii) While cash bills from dealers for purchase of cement furnished by the contractors for reimbursement showed varying rates from Rs.32000 to Rs.34875 per 10 tonnes of cement, the Divisional Officer made reimbursement to contractors against these bills at the uniform rate of Rs. 30000 per 10 tonnes. Thus the contractors would have suffered a loss of Rs. 28.61 lakh computed on the basis of the lowest rate paid by them and the rate of reimbursement. No contractor could be expected to incur such a loss and therefore the supply of cement was doubtful.

(iii) The bills for supply of cement by different dealers at different dates contained similar mistakes (like wrong spelling as 'Executive Engineer', omission to indicate unit rate, brand name, grade of cement, customer's signature etc.) and also appeared to have been written in similar hand raising doubts about their genuineness.

(iv) In one bill for Rs. 0.30 lakh furnished by contractor 'A', neither the quantity of cement supplied nor the cost thereof was indicated; but the bill was paid by the Executive Engineer on the basis of stock certificate recorded by the Assistant Engineer and countersigned by the Assistant Executive Engineer leading to serious doubts regarding genuineness of the bill and supply of material.

Due to such doubts, Audit decided to conduct a cross verification of the following bills submitted by the contractors with the records of Sales Tax Department.

<i>Name of Contractor</i>	<i>Item</i>	<i>Name of firm</i>	<i>Num-ber of bills</i>	<i>Quan-tity (in tonnes)</i>	<i>Amount paid (Rs. in lakh)</i>	<i>Period</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
T. B. Kunhi-mahin Haji	Cement	M. A. Traders, Thamarassery	77	770	23.10	February/ March 1996
N. P. Paily	„	P. K. Hardwares, Sulthan Bathery	6	60	1.80	March 1996
„	Steel	„	10	90	13.87	March 1996
T. B. Kunhi-mahin Haji	Cement	Home Rows, Kozhikode	10	100	3.00	March 1996

* Quantity and cost not given in the invoice

(1)	(2)	(3)	(4)	(5)	(6)	(7)
T. B. Kunhi-mahin Haji	Cement	JAS Agencies, Sulthan Bathery	83	814	24.42	February/ March 1996
„	Steel	Chanthiam Hardwares, Sulthan Bathery	8	75.055	11.59	February/ March 1996
„	Cement	ABCO Agency, Panamaram	451	4451.95	132.00	1995-96
			30	300	7.29	1994-95
	Steel		25	225.65	34.81	1995-96
„	Cement	S. K. Cements and Steel, Kalpetta	1	..	0.30	March 1996
		Total	701	..	252.18	

* Quantity and cost not given in the invoice

The scrutiny revealed following serious discrepancies in the assessment records leading to doubts about the dealers and the supplies of material by them. The details are as under:

(a) Sales Tax Department confirmed that two dealers, whose bills (93 numbers) for Rs.24.90 lakh for the supply of 830 tonnes of cement and bills for 90 tonnes of steel costing Rs. 13.87 lakh were produced by the contractors in support of supplies of cement and steel and paid by Executive Engineer during February-March 1996 were non-existent.

(b) Three dealers who reportedly supplied 914 tonnes of cement costing Rs.27.42 lakh (93 bills) and 75.055 tonnes of steel costing Rs.11.59 lakh (8 bills) did not include the value of sales purported to have been made to the division in their turnover for 1995-96, while filing their Sales Tax Returns. In response to Sales Tax Department's order imposing penalty, the dealers denied any sales to the contractors. Thus, the Divisional Officer released payments of Rs.39.01 lakh to contractor A on the basis of bogus bills.

(c) According to Sales Tax Department, ABCO Agency manipulated its purchase account records for 1994-96 by showing that the dealer had purchased 16100 bags of cement during 1994-95 and 54150 bags of cement during 1995-96 costing Rs.94.08 lakh from another dealer whereas the latter supplied only 800 bags to ABCO as per the details furnished to the Sales Tax Department.

(d) There were many discrepancies (like colour of the bills, hand writing, entries in the bills, telephone numbers etc.) between the original bills of ABCO Agency submitted by the Divisional Officer with the monthly accounts for the

period 1994-95 to Accountant General (A&E) and the office copies of the cash bills of the dealer produced before the Sales Tax Authorities in response to their notices. Evidently, the dealer issued one set of bills to the contractor to claim payment from the division and another set of bills to the Sales Tax authorities. The dealer inflated his purchase account to account for the bogus sale. The payments made on such bogus bills (481 numbers) pertaining to contractor 'A' amounted to Rs. 1.39 crore for 4751.95 tonnes of cement and Rs. 34.81 lakh for 225.65 tonnes of steel (25 bills).

In view of these, there is a strong possibility of use of inadequate quantity of cement and steel in the project works affecting their quality and durability and thus, their safety.

Evidently, the departmental officers made huge payments for fictitious purchase of cement and steel amounting to Rs.2.52 crore. Government may investigate to fix responsibility and recover the amount from the officials and contractors.

The matter was referred to Government in November 2000; reply has not been received (January 2001)

[Paragraph 5.1—Contained in the report of Comptroller and Auditor General of India for the year ended March 2000 No.3 (Civil)]

Note submitted by the Government is included in Appendix II.

17. The Committee wanted to know under whose authority did the Divisional Officer purchase 13107 tonnes of cement locally. The Chief Engineer answered that the decision to purchase the cement required for the Karapuzha Irrigation Project was made by the then Chief Engineer. The reason for local purchase was that Karapuzha Project was included under the Rural Infrastructural Development Fund—Phase I (RIDF-1) and a sum of Rs.50 crores was earmarked for the project. The fund had to be spent within 2 or 3 years or else it would lapse. In order to avail the fund and to prevent it from lapsing a decision to purchase the cement and steel for the project was taken.

18. To a question of the Committee whether the unspent balance under RIDF could be carried over to the next phase, the witness stated that when money was earmarked for a particular project under RIDF it would not be carried over or allotted subsequently if it was not spent within the scheme period.

19. The Committee wanted to know whether permission from Government was obtained before resorting to local purchase of cement, the witness stated that permission was sought for but it was denied. He added that it was with a good intention that the fund should not lapse that the Chief Engineer might have proceeded with the purchase.

20. The Committee asked as to when the funds under RIDF was released. The witness answered that an amount of Rs. 50 crores was released during 1995. In an answer to a question, the witness deposed that cement was purchased from Malabar Cements, and the Government of India undertaking, A.C.C. A.C.C. was the rate contractor at that time. Since there was acute shortage for cement during that period, the rate contractors were also not in a position to effect regular supply.

21. The Committee asked whether the Department had ascertained whether the rate contractor would be able to supply the required quantity of cement. The Chief Engineer answered that from the files it was not forthcoming whether such an attempt had been made.

22. It was further revealed that the controlling officer viz. the Executive Engineer had sought permission to make local purchase and the Chief Engineer without obtaining the permission of Government had suo motto given permission for the purchase. It was after effecting the purchase that the file was forwarded to Government for ratification which was eventually turned down by Government. The Committee understood that both the officers had retired from service. It was further submitted before the Committee that the Chief Engineer had the power to authorise purchase according to the availability of funds. The main issue in this case was that he had violated the Rule by resorting to local purchase for which he was not authorised. The Committee disagreed with the contention of the Department and pointed out that the case was a classic example of violation of Rules with the intention to corrupt practice. The bills of purchase were all fictitious. The audit observation was that the scrutiny of bills revealed that there was omission in indicating the unit rate, brand name, grade of cement, customer's signature and above all even the word "Executive Engineer" was misspelt. More over all the bills were made out in the same hand writing, raising doubts about their genuineness. For these observations of the Accountant General no satisfactory explanation apart from that a vigilance enquiry was going on was given by the Department. The Committee pointed out that the Executive Engineer who had passed these bills should not have done so and it was highly irregular to have passed the bill. The witness also agreed with the observation of the Committee.

23. The Committee brought to the notice of the witness the observation in the audit para that out of a total expenditure of Rs. 4.32 crore on purchase of cement and Rs. 0.77 crore on purchase of steel, the expenditure during February, March 1996 alone was 87% in the case of cement and 80% in the case of steel. The Committee wanted to know the necessity of making such large scale purchase during the fag end of the financial year. The Chief Engineer

explained to the Committee the procedure followed in purchase. The annual requirement for each project would be assessed and according to the availability of funds the Purchase Committee would give approval for the purchase and sanction for the purchase would be issued. The purchase procedures and other official formalities would be over by June-August period which is the non-working season. The working season would be from November to May and it was during this period that materials were purchased and stocked. In short, the purchase would be effected first and the payment would be made later according to the availability of funds.

24. The Committee wanted to know the details of purchase made before February 1996. The witness informed that in 1996 February only 770 tonnes of cement costing Rs. 23.10 lakhs were purchased. 1139.05 tonnes were purchased in March 1996. The Committee pointed out that the argument of the Chief Engineer that the purchase was done for avoiding the amount given by RIDF from lapsing was not convincing as only a small quantity was purchased before the end of the financial year.

25. The Committee brought to the notice of the witness that the cost of cement as per the cash bill ranged from Rs. 32,000 to Rs. 35,000 per 10 tonnes whereas the actual cost paid was only Rs. 30000. No contractor could be expected to incur loss and supply materials to the Department. This itself raises doubts regarding the genuineness of purchase. The Chief Engineer explained that in most of the cases in major works like canal formation the excavation works would be done using heavy machinery for which estimates would be prepared on schedule of rates based on manpower which would be higher than the expenditure incurred by using heavy machinery. Hence the contractors would not mind the loss in supply of cement as they were able to make good the loss in earthwork.

26. The Committee expressed the doubt as to whether the quantity shown in the bills were actually supplied. The witness answered that if the materials were not supplied, then the construction works could not have been completed.

27. The Committee wanted to know whether Executive Engineer had at any time brought to the notice of his superior, deficiencies in the bills. The witness answered in the negative. He stated that the issue was brought to light only when the vigilance enquiry was made. To another question the witness informed the Committee that the Executive Engineer had retired from service in 2001 and that due to the vigilance case started in 2000, only provisional pension was granted to him.

28. The Committee pointed out that as per Sales Tax Department two dealers whose bills (93 numbers) for Rs. 24.90 lakh produced by the contractors for the supply of cement and bills for 90 tonnes of steel for Rs. 13.87 lakh steel were non-existent. The Committee wanted to know whether the authenticity of the bills were verified before passing them and wanted to be informed of the organisational set up in the Office of the Executive Engineer in verification and passing of the bills. The witness explained that as per the practice the materials were taken into stock by the Assistant Engineer (Accounts) and the fact would be recorded in the measurement book. The Assistant Engineer and Assistant Executive Engineer were responsible for the verification of physical stock taking of the materials supplied at the time of supply. The Executive Engineer would be issuing pay order based on the Reports of Assistant Engineer and Assistant Executive Engineer. He added that vigilance had charged cases against all the officers including Assistant Engineer, Assistant Executive Engineer and Executive Engineer and also the contractors. The officers were placed under suspension following the vigilance case but High Court had quashed the suspension orders on the ground that it should be proved that the construction of the dam and retaining wall which was completed by that time was defective and sufficient quantity of cement and steel was not used for the construction. The forensic lab had taken sample from the dam and retaining wall for testing but till now the vigilance case had not been settled.

29. The Committee wanted to know whether the Irrigation Department had taken any steps to vacate the stay. The Additional Secretary, Water Resources Department informed the Committee that the respondent in the case was the Home Department in Government and it was that Department who should have moved for vacating the stay.

30. The Committee came to know that though the project envisaged to be completed within two years of its inception it was completed only just six months back i.e in 2005. The Committee pointed out that though the departmental officers had showed over-enthusiasm in making local purchase in order to avoid the fund getting lapsed, they were least interested in completing the work in time. The witness defended that though the work was delayed for years till its completion the work was executed throughout at the initial tendered rate. He added that there was no fault on the part of the departments for the delay in completion of the work there were many hurdles to be crossed before plugging up the dam i.e., installing emergency shutter, locating spill way, plug on river sluice etc. Moreover the inhabitants of the submergence area should have to be rehabilitated.

31. The Committee opined that ordering vigilance case on cases of grave irregularities and misappropriation was a very convenient way for enabling the culprits to escape scotfree. They would escape unscathed before the final verdict came out. The Committee desired to find an effective solution to curb this tendency. The Committee decided to take evidence from Law Secretary at its next meeting regarding the possibility of taking departmental action against the accused in cases of glaring and clear corruption, irregularity and misappropriation simultaneously with the vigilance enquiries. As the vigilance case are dealt with by Home Department the Committee decided to summon Home Secretary also at its next meeting.

32. The Committee expressed its displeasure over the way in which the department handled vigilance case. The officers who were suspended were reinstated in service and were given promotion subsequently. The Committee, therefore, urged the department to furnish the copy of the court order in this regard.

Conclusions/Recommendations

33. **The Committee observes that for the work of Karapuzha Irrigation Project under the Karapuzha Irrigation Division in Waynad District, the Divisional Officer had directly purchased bulk quantity of cement and steel beyond the approved limit without proper sanction from the Government. The reason adduced for this unlawful purchase was to avoid lapse of Rural Infrastructure Development Fund earmarked for the project. The Committee notices that the action of the Executive Engineer was a classical example of ultra vires with malafide intention to corrupt practice. It is seen that during February 1996 only a small quantity of material was purchased before the end of the financial year. Moreover the bills submitted by the contractor were of fictitious nature inclusive of two firms which were non-existent as per the records of Sales Tax Department. The bills contained many serious mistakes and omissions that could have been checked by the passing officials. All these apparently lead to doubts about the genuineness of the bills submitted by the contractor. The Committee opines that the Executive Engineer should not have passed the bill. By passing the bill without conducting an enquiry on the genuineness of the bill submitted is an action of high irregularity and flagrant subversion of existing rules in the Department. The Committee also notices that the Executive Engineer had never brought to notice of his superiors about the deficiency of the bill at any point of time but only when vigilance enquiry was started. It is also seen that expenditure of 87% cement purchase and 80% steel purchase was incurred during the fag end of the financial year, for which the department asserted that all purchases were incurred during the non**

working season subject to the approval of the Purchase Committee based on the availability of the fund. The Committee considers this was an unfair practice to follow, i.e., heavy rush in purchase during the closing days of the financial year especially in the case of construction work of a major irrigation project like Karapuzha Irrigation Project in the State. This unhealthy practice that could otherwise be averted shows lack of an astute planning and vision of the department.

34. The Committee acknowledges that Forensic lab had taken material sample from the dam site for seeing the quality of the material used in the construction work of the dam but its report had not been released till date due to the Vigilance enquiry pending for finalisation.

35. It is learnt that Vigilance had charged cases against all officers including Assistant Engineer, Assistant Executive Engineer, Executive Engineer and the contractor. But the officers who were suspended and reinstated later were subsequently promoted based on a stay order from the Hon'ble High Court. But the Committee is unaware of the fact that whether the Home Department, under which the Vigilance function, had taken any step to vacate the stay order. Therefore the Committee demands that the Water Resources Department should ascertain the position from the Home Department and submit, a detailed report regarding the vigilance enquiry now pursuing and also the copy of the Court Order in this regard.

36. The Committee opines that ordering a vigilance probe on serious irregularities and malpractices like this committed by civil servants appears to be a haven for the culprits to go scot-free. They were escaping unscathed and remaining unhurt till the final verdict which normally comes only after a prolonged legal exercise.

37. The Committee considers that this is a mockery of legal exercise consuming much of valuable time and wastage of public money. The Committee therefore suggests that the department initiate action against those outlawed people as a swift remedy to curb the evil menace, in addition to the vigilance enquiry ordered against them.

38. The Committee finds that even if the project was envisaged to be completed within two years of its inception, it could only be completed in the year 2005. This shows that the Department showed unusual enthusiasm in making local purchase by the reason of avoiding lapse of fund. However, they did not show much interest in completing the work of the project in time.

AUDIT PARAGRAPH

Excess payment of electricity charges

Kerala State Electricity Board (KSEB) had provided (1967) two 3-phase connections to the Kanhirapuzha Project, 128 project quarters were given connections through project's own installations and were provided with separate meters. The Department recovered electricity charges from the allottees of the quarters at rates applicable for domestic consumption. However, the energy charges were paid to KSEB at commercial rates. Though this lapse was pointed out in audit in October 1998, Chief Engineer, Project I, Kozhikode addressed KSEB only in July 1999 to segregate the power connection to the staff quarters from that of the project. KSEB agreed in October 2001, i.e., after a lapse of 2 years to take over the installation on payment of Rs. 5.40 lakh for reconstruction of lines. The Department remitted the amount to KSEB in March 2002. Payment of electricity charges for the quarters at commercial rates resulted in avoidable excess payment of Rs. 28.77 lakh to KSEB between April 1994 and March 2002.

The Department had *ab initio* erred in not ensuring separate domestic connections to the quarters. Even after the avoidable recurring excess payment came to the notice, concerted and purposive action was not taken by the Department. The anomalous situation in collecting electricity charges from occupants of quarters at domestic rates and remitting the charges to KSEB at commercial rates continued resulting in avoidable excess payment of Rs. 28.77 lakh to KSEB for the period from April 1994 to March 2002.

Government stated (May 2002) that KSEB was expected to take over the installation without further delay and thereafter the Department would be relieved from the burden of paying high rates for domestic consumption.

[Paragraph 4.10—Contained in the report of Comptroller and Auditor General of India for the year ended 31st March 2002 No. 3 (Civil)]

Note submitted by the Government is included in Appendix II.

39. The Committee came to know that in collecting electricity charges from the occupants of quarters at domestic rates and remitting the charges to KSEB at commercial rates resulted in excess payment of Rs. 28.77 lakh to KSEB for the period from April 1994 to March 2002. The Committee asked explanation as to why the department could not find the fault for such a long span of time i.e., from 1967 to 1998 and why it took four years for the rectification of the mistake even though pointed out by the audit in October 1998. The witness was not in a position to give a satisfactory reply. The Committee was informed that no

action had been taken against persons responsible. The Committee expressed its displeasure over the manner in which the case was dealt with. The Committee recommended that responsibility should be fixed and the details of action taken be intimated to them.

Conclusion/Recommendation

40. The Committee found that no action had been taken against the persons responsible. The Committee expresses its displeasure over the manner in which the case was dealt with. The Committee recommends that responsibility be fixed and the details of action taken be intimated at the earliest.

Thiruvananthapuram,
25th July, 2007

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

APPENDIX 1

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl. No.</i>	<i>Para. No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	4	Water Resources	The Committee observes that the KPWA code stipulates all transactions between divisions in the Water Resources Department would be settled with the maintenance of a cash settlement suspense Account. But under the Kanhirapuzha Irrigation Project an outstanding balance of Rs.1.58 lakhs in the cash settlement suspense account had not been settled so far even though the procedure of the maintenance of cash settlement suspense Account had been done away with effect from 1-4-1998 in the Water Resources Department. The Committee wants to know the reasons for the non-settlement of the outstanding balance in the account till date and learns that the matter is pending with the Government for its final decision. The Committee urges the Government to furnish the details of the remedial measure taken in this regard at the earliest.
2	8	„	The Committee understands that there was an amount of Rs. 1.39 crore kept outstanding during February-March 1996 in violation of the KPWD Code under Head of Account Advance Payment relating to the Pazhassi Irrigation Project Division and its Sub-divisions at Kannur and Kudali, without carrying out necessary accounting adjustment even

(1)	(2)	(3)	(4)
			after the receipt of the materials. The Committee is surprised at the fact that even after a decade the department had not taken any steps to settle the account. The Committee recommends that the Government take immediate steps to settle the account and to furnish the details of action taken in this regard. The Committee urges the department to take immediate action to dispose the sluice valve remaining in the stock and also to furnish the details of the present status of Pazhassi Irrigation Project.
3	12	Water Resources	The Committee understands that the work of formation of Moolathara Right bank canal under Kozhinjampara Project Division was awarded without observing procedures prescribed in KPWD manual and PWD Code and hence it was ultra vires. Besides, the work was awarded at the rate of 60% above the estimated rate as against the earlier proposal of 35%, causing an additional expenditure of Rs.24.46 lakhs that could have been avoided. The expenditure of Rs.56.55 lakhs, being incurred as transportation lead for conveyance and dumping of the excavated earth, was an unnecessary payment to the contractor which could also have been avoided, in the view of the Committee.
4	13	„	The Committee finds that a vigilance enquiry was initiated on the basis of a petition on the matter and the officials who were suspended in connection with the case had been re-instated on court orders.

(1)	(2)	(3)	(4)
5	14	Water Resources	The Committee urges the department to furnish the details of cases where officers were suspended and later re-instated due to court order and copy of the final judgment of the Court along with the present position of the cases.
6	16	„	The Committee observes that an amount of Rs. 12.62 lakh had been incurred as infructuous expenditure for maintaining a sub-division office without having any work to attend in connection with the construction of a ten storeyed building for Irrigation Complex. The sub division office started in May 1995, even before the commencement of work, was maintained upto July 1999. The reason adduced by the department is that at the beginning, the proposal was made jointly with an understanding with the Culture Department to allot one storey of the building for the exclusive use of the State Institute of Languages in the Culture Department. But later the State Institute of Languages had withdrawn from their earlier commitment of providing land to the complex which caused idling of staff in the sub-division. The Committee expresses its dissatisfaction over the plight of idling of staff for 4 years and the officer in charge had not taken any interest in giving assignment to the staff during these years.
7	33	„	The Committee observes that for the work of Karapuzha Irrigation Project under the Karapuzha Irrigation Division in Waynad District, the Divisional

(1)	(2)	(3)	(4)
			<p>Officer had directly purchased bulk quantity of cement and steel beyond the approved limit without proper sanction from the Government. The reason adduced for this unlawful purchase was to avoid lapse of Rural Infrastructure Development Fund earmarked for the project. The Committee notices that the action of the Executive Engineer was a classical example of ultra vires with malafide intention to corrupt practice. It is seen that during February 1996 only a small quantity of material was purchased before the end of the financial year. Moreover the bills submitted by the contractor were of fictitious nature inclusive of two firms which were non-existent as per the records of Sales Tax Department. The bills contained many serious mistakes and omissions that could have been checked by the passing officials. All these apparently lead to doubts about the genuineness of the bills submitted by the contractor. The Committee opines that the Executive Engineer should not have passed the bill. By passing the bill without conducting an enquiry on the genuineness of the bill submitted is an action of high irregularity and flagrant subversion of existing rules in the Department. The Committee also notices that the Executive Engineer had never brought to notice of his superiors about the deficiency of the bill at any point of time but only when vigilance enquiry was started. It is also seen that expenditure of 87% cement purchase and</p>

(1)	(2)	(3)	(4)
			<p>80% steel purchase was incurred during the fag end of the financial year, for which the department asserted that all purchases were incurred during the non working season subject to the approval of the Purchase Committee based on the availability of the fund. The Committee considers this was an unfair practice to follow, i.e., heavy rush in purchase during the closing days of the financial year especially in the case of construction work of a major irrigation project like Karapuzha Irrigation Project in the State. This unhealthy practice that could otherwise be averted shows lack of an astute planning and vision of the department.</p>
8	34	Water Resources	<p>The Committee acknowledges that Forensic lab had taken material sample from the dam site for seeing the quality of the material used in the construction work of the dam but its report had not been released till date due to the Vigilance enquiry pending for finalisation.</p>
9	35	„	<p>It is learnt that Vigilance had charged cases against all officers including Assistant Engineer, Assistant Executive Engineer, Executive Engineer and the contractor. But the officers who were suspended and reinstated later were subsequently promoted based on a stay order from the Hon'ble High Court. But the Committee is unaware of the fact that whether the Home Department, under which the Vigilance function, had taken any step to vacate the stay order.</p>

(1)	(2)	(3)	(4)
			Therefore the Committee demands that the Water Resources Department should ascertain the position from the Home Department and submit, a detailed report regarding the vigilance enquiry now pursuing and also the copy of the Court Order in this regard.
10	36	Water Resources	The Committee opines that ordering a vigilance probe on serious irregularities and malpractices like this committed by civil servants appears to be a haven for the culprits to go scot-free. They were escaping unscathed and remaining unhurt till the final verdict which normally comes only after a prolonged legal exercise.
11	37	„	The Committee considers that this is a mockery of legal exercise consuming much of valuable time and wastage of public money. The Committee therefore suggests that the department initiate action against those outlawed people as a swift remedy to curb the evil menace, in addition to the vigilance enquiry ordered against them.
12	38	„	The Committee finds that even if the project was envisaged to be completed within two years of its inception, it could only be completed in the year 2005. This shows that the Department showed unusual enthusiasm in making local purchase by the reason of avoiding lapse of fund. However, they did not show much interest in completing the work of the project in time.

(1)	(2)	(3)	(4)
13	40	Water Resources	The Committee found that no action had been taken against the persons responsible. The Committee expresses its displeasure over the manner in which the case was dealt with. The Committee recommends that responsibility be fixed and the details of action taken be intimated at the earliest.

APPENDIX II

REPLY TO PARA 5.2 OF THE C&AG REPORT FOR THE YEAR 1994-95
STORES AND STOCK OF KANHIRAPUZHA IRRIGATION PROJECT

<i>Para 5.2</i>	<i>Action Taken</i>
(1)	(2)
<i>Stores and Stock of Kanhirapuzha Irrigation Project</i>	<i>(i) Stock Account</i>
<p>For the implementation of Kanhirapuzha Irrigation Project (KPIP). 3 Divisions were formed at Kanhirapuzha (June 1967). Ottappalam (April 1975) and Cherplassery (November 1977). The division at Cherplassery was abolished in January 1992. For the procurement of stores like cement, bitumen, steel etc. there were 4 project stores, one at Kanhirapuzha under the control of Executive Engineer, KPIP Division No.I, Kanhirapuzha and 3 at Kalladikode, Ottappalam and Cherplassery under the control of Executive Engineer, KPIP Division No. II, Ottappalam.</p> <p>During 1992-93 to 1994-95 stores for Rs. 126.70 lakhs were procured. Scrutiny of the records of these two divisions revealed the following.</p> <p>(i) <i>Stock Accounts</i></p> <p>KPWA Code stipulates that payments made in advance for stores ordered shall be debited to the sub-head 'Advance payment' under the suspense head 'stock'. On receipt of materials, the value shall be debited to the concerned sub-head by stock by minus debit to 'purchase'. On getting final bill the transactions shall be settled by debit to purchase and by minus debit to 'Advance Payment'.</p>	<p>It is seen that an amount of Rs. 16,14,199 was outstanding from February 1996, regarding Kanhirapuzha Irrigation Project Division No. 1, Kanhirapuzha as minus debit balance under the sub head "purchase of 2701-80-799-01 suspense stock. The concerned Executive Engineer's further reported that it was revealed in a through search that the minus debit resulted due to non-adjustment of profit on stock to receipts and recoveries on capital Account from December 1975 onwards. Now the same is being cleared by transfer to receipts and recoveries on capital Account and necessary corresponding entries have been incorporated in the monthly accounts for August 1999. In the case of Kanhirapuzha Irrigation Project Division No. II Ottappalam, the concerned Executive Engineer has reported that out of total advance payment of Rs. 32,22,792 an amount of Rs. 18,13,072 had been adjusted still June 1998 and the balance of</p>

(1)	(2)																											
<p>As at the end of January 1995, Rs. 27.37 lakh and Rs.—55.31 lakh were outstanding under 'Advance payment' and 'purchase' respectively in the two divisions in charge of project stores. indicating that accounts adjustments were not carried out properly.</p> <p>(ii) <i>Non-inclusion of accounts transferred:</i> On abolishing the Siruvani Drinking Water Supply Project Puthikulam with effect from 1 April 1986. Ots. accounts with the following balances were transferred to KPIP Division No. I, Kanhirapuzha.</p> <table style="margin-left: 40px;"> <tr> <td>Advance payments</td> <td>Rs. 5.78 lakhs</td> </tr> <tr> <td>Other sub heads</td> <td>Rs. 6.24 lakhs</td> </tr> <tr> <td>Purchase (—)</td> <td>Rs. 20.72 lakhs</td> </tr> </table> <p>The KPIP Division No. I maintained the stock account of the defunct division separately upto March 1992 after which the same was neither maintained nor incorporated in the stock account of KPIP Division No. I. It could not be ascertained whether accounts adjustments in respect of the above claims had been carried out or not.</p> <p>(iii) <i>Reserve stock limit:</i> The reserve stock limits fixed for Divisions No. I and II were Rs. 25 lakhs and Rs. 10 lakhs respectively. But the stock actually held by the divisions during 1994-95 had exceeded the limit on many occasions as illustrated below :</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Month</th> <th style="text-align: left;">Division I</th> <th style="text-align: left;">Division II</th> </tr> <tr> <th></th> <th colspan="2" style="text-align: center;">(Rupees in lakhs)</th> </tr> </thead> <tbody> <tr> <td>April 1994</td> <td>25.73</td> <td>17.29</td> </tr> <tr> <td>August 1994</td> <td>25.01</td> <td>15.30</td> </tr> <tr> <td>Nov. 1994</td> <td>26.63</td> <td>15.21</td> </tr> <tr> <td>Dec. 1994</td> <td>26.64</td> <td>15.00</td> </tr> <tr> <td>Jan. 1995</td> <td>27.51</td> <td>14.90</td> </tr> </tbody> </table>	Advance payments	Rs. 5.78 lakhs	Other sub heads	Rs. 6.24 lakhs	Purchase (—)	Rs. 20.72 lakhs	Month	Division I	Division II		(Rupees in lakhs)		April 1994	25.73	17.29	August 1994	25.01	15.30	Nov. 1994	26.63	15.21	Dec. 1994	26.64	15.00	Jan. 1995	27.51	14.90	<p>Rs. 13,89,725 has since been adjusted by incorporating the same in the monthly accounts for August 1999. Hence no balance is now existing towards the advance payment to be adjusted.</p> <p>(ii) <i>Non-inclusion of accounts transferred:</i> The stock account of defunct Siruvani Drinking Water Supply Project Division, Muthikulam has been incorporated in the accounts of Kanhirapuzha Irrigation Project Division No. I, Kanhirapuzha.</p> <p>(iii) <i>Reserve stock limit:</i> The excess over Reserve stock limit in respect of Kanhirapuzha Irrigation Project Division No. I, Kanhirapuzha has been regularised as per G.O. (Rt.) No. 459/97/IRD dated 5-4-1997. The Executive Engineer, Kanhirapuzha, Irrigation Project Division No. II, Ottappalam has reported that the reason for exceeding the reserve stock limit was that the balance of deployed erstwhile Kanhirapuzha Irrigation Project Division No. III Cherpullassery was incorporated in the Accounts of that Division.</p> <p>(iv) <i>Cash settlement suspense Account</i> Regarding outstanding claims the concerned Executive Engineer's ie. Executive Engineer, Kanhirapuzha Irrigation Project Division No. 1, Kanhirapuzha and Executive Engineer, Kanhirapuzha Irrigation</p>
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(1)	(2)
<p>(iv) <i>Cash settlement suspense Account</i> :</p> <p>KPWA code provides for settlement of transactions on account of supplies made to other divisions normally through 'cash settlement suspense Account'. The claims preferred in respect of supplies made should be settled by the intending officers within 30 days and the officer in charge of stores shall have no powers to issue materials in cases where a claim older than 30 days was pending. However, it was noticed that the balance of Rs. 17.54 lakhs which included Rs. 12.68 lakh on issues made during 1981-82 to 1993-94 was outstanding under 'cash settlement suspense account' in the two divisions as of March 1995. It was also noticed that issues were made to Divisions from which claims older than 30 days were pending.</p> <p>(v) <i>Idle Stores</i> :</p> <p>Financial Rules prescribe that stores shall not be held in stock in excess of the quantity which is likely to be required for a reasonable period. The rules also stipulate that surplus stores shall be disposed of either by transfer to other offices which require them or by sale in public auction.</p> <p>It was seen that earth moving heavy machinery got transferred from other divisions and procured during May 1968 to January 1972 (valued at Rs. 13.58 lakhs) had been lying idle since completion of the earth dam work in 1981. Similarly, 12729.5 kg. of MS rods (value Rs. 1.99 lakhs) and 19 tyres (value Rs. 0.50 lakh) procured in</p>	<p>Project Division No. II, Ottapalam have been frequently reminding the concerned divisions to settle the amount. Necessary direction is not being issued to the Executive Engineer, Kanhirappuzha Irrigation Project Division No. II, Ottappalam has reported that no CSS claims is pending to be adjusted. As regard Kanhirapuzha Irrigation Project Division No. I, Kanhirapuzha the outstanding balance is Rs. 1,57,980 which will be settled soon.</p> <p>The claims are very old. The original CSS claim with invoices forwarded from division to sub Divisions are not forthcoming from the Sub Division. The Executive Engineer further reported that a thorough searching will be made again or duplicate obtained, if available from the originating divisions and claims will be settled at any rate in this financial year itself.</p> <p>(v) <i>Idle Stores</i> :</p> <p>It is reported by the Executive Engineer, Kanhirapuzha Irrigation Project Division No. I, Kanhirapuzha that all the unserviceable machineries and idle stores for which survey Report have been got sanctioned were disposed off in public auction. The remaining items will be disposed off soon on receipt of sanctioned</p>

(1)	(2)
August 1982 and June 1984 respectively, were also lying unutilised. There was also a stock of about 1640 items of spare part (valued at Rs. 6 lakhs) most of which were unsuitable for the machinery in use.	Survey Report from Mechanical Division, Malampuzha. In the case of 6mm rods the balance quantity can be utilised in this financial year itself.
The matter was referred to Government in June 1995 reply has not been received (September 1995)	

REMEDIAL MEASURES TAKEN STATEMENT ON PARA 5.1.1, 5.1.2 & 5.1.3
CONTAINED IN THE REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH 1996 NO. 3
(CIVIL) STORES AND STOCK OF PAZHASSI IRRIGATION PROJECT

<i>Sl. No.</i>	<i>Para. No.</i>	<i>Name of Department</i>	<i>Audit Para Details</i>	<i>Remedial Measures taken</i>
(1)	(2)	(3)	(4)	(5)
1	5.1.1	Water Resources Department	<p>5.1.1 <i>Stock Accounts:</i></p> <p>According to Kerala Public works Account Code, advance payment made for materials are debited under the sub-head 'Advance payment' under the suspense head 'Stock'. When payments are made on receipt of materials, the cost of materials is debited to the final head by credit to the head 'Advance payment'. As at the end of January 1996, an amount of Rs. 1.39 crores was outstanding under the head 'Advance payment' indicating that either the materials for which the advance was paid had not been received or the necessary accounting adjustments had not been carried out when materials were received. The Division had not taken proper action for analyzing the balance and for their clearance. When materials are received for stock its value is initially credited to the sub head 'purchase' under the suspense head 'stock'. These credits are cleared by an equivalent debit when payment is made. As of January 1996 a</p>	<p>In all cases of advance payment made by the Division, materials have been received. It is only due to the non adjustment of the invoices that the huge balance remains under "Advance Payment" and not because of the non-receipt of materials. The receipt of the materials have been verified with the goods received sheet and materials at site account and found agreed.</p>

(1)	(2)	(3)	(4)	(5)
			credit balance of Rs. 2.54 crores was outstanding under this sub head. The Division had not analysed the reason for this pendency for taking remedial action.	
2	5.1.2		<p data-bbox="657 741 1007 770">5.1.2. <i>Reserve limit of stock</i></p> <p data-bbox="657 792 1007 1749">According to Kerala Public Works Department Code materials should be purchased only for works in progress and no reserve of stock should be kept. But, in case owing to remoteness from markets or for any other reasons. It was considered necessary to maintain a reserve, sanction of Government was necessary for maintenance of the reserve stock upto a maximum value prescribed. The Executive Engineer is required to regulate the purchase to an extent sufficient to keep the stock upto that limit. The fixed maximum should be kept at the lowest point compatible with efficiency. The maximum limit of stock for the Division was Rs. 8 lakhs fixed by Government long ago in March 1981. The value of stock held in the Division during the year 1995 was Rs. 73 lakhs to Rs. 1.30 crores, showing an increase of 813 per cent to 1525 per cent over the</p>	<p data-bbox="1023 792 1246 1279">It is true that the reserve limit fixed for Pazhassi Irrigation Division No. II Kannur was Rs. 8 lakhs. The reserve limit of Py. I.P. Division, Mattannur which was abolished and merged with this Division in 11/92 along with the materials was fixed at Rs. 20 lakhs. Consequently total reserve limit was Rs. 28 lakhs.</p> <p data-bbox="1023 1301 1246 1749">While fixing the above reserve limit during the year 1981, the cost of one MT of cement was Rs. 660 and Rs. 2500 for steel. While the rate prevailed during 1995 was Rs. 1,200 for 1 MT of cement and Rs. 13,000 for steel. Considering the escalation of the cost of steel and cement from 1981 to 1995</p>

(1)	(2)	(3)	(4)	(5)																																								
			limit fixed. No action was taken either to get the maximum limit revised reasonably taking into account the increase in the cost of materials or to obtain sanction from the competent authority for exceeding the stock limit.	there was no considerable increase in the quantity in stock during the year 1995 or after. During that period the execution of the project was in full swing. However, the present value of stock is far below the permissible limit i.e., below Rs. Six lakhs.																																								
3	5.1.3		<p>5.1.3. <i>Retention of stores for long period:</i></p> <p>Many items purchased between May 1968 and March 1990 were still held in stock. A few such cases are mentioned below:</p>	In order to dispose of the remaining stock the list of all materials not required for the project was forwarded to the Executive Engineers of 21 Divisions for ascertaining their requirements in November 1996. However there was no response indicating requirement. Since many of the articles were unserviceable, survey reports were prepared and materials were auctioned. All the materials mentioned in the CAG report except sluice valves have been survey reported.																																								
			<table border="1"> <thead> <tr> <th><i>Name of item</i></th> <th><i>Months of Purchased</i></th> <th><i>Quantity purchased</i></th> <th><i>Present balance in stock (February 1996)</i></th> <th><i>Value of balance quantity (in rupees)</i></th> </tr> </thead> <tbody> <tr> <td>400 mm LP pipe</td> <td>6/1979 & 7/1979</td> <td>87 Nos.</td> <td>74 Nos.</td> <td>99,234</td> </tr> <tr> <td>450 mm pipe</td> <td>1/1982 to 8/1982</td> <td>146 Nos.</td> <td>141 Nos.</td> <td>77,268</td> </tr> <tr> <td>28 mm tor steel</td> <td>7/1981</td> <td>29.98 MT</td> <td>16.762 MT</td> <td>2,17,906</td> </tr> <tr> <td>Bitumen</td> <td>5/1978</td> <td>Not known</td> <td>174 barrel (27.144 MT)</td> <td>28,553</td> </tr> <tr> <td>150 mm sluice valve</td> <td>1/1984 to 5/1984</td> <td>150 Nos.</td> <td>80 Nos.</td> <td>3,34,075</td> </tr> <tr> <td>28 mm MS rod</td> <td>3/1987</td> <td>57.31 MT</td> <td>23.81 MT</td> <td>3,09,530</td> </tr> <tr> <td>MS channel 100+50 mm</td> <td>4/1987</td> <td>10.78 MT</td> <td>10.78 MT</td> <td>77,907</td> </tr> </tbody> </table>	<i>Name of item</i>	<i>Months of Purchased</i>	<i>Quantity purchased</i>	<i>Present balance in stock (February 1996)</i>	<i>Value of balance quantity (in rupees)</i>	400 mm LP pipe	6/1979 & 7/1979	87 Nos.	74 Nos.	99,234	450 mm pipe	1/1982 to 8/1982	146 Nos.	141 Nos.	77,268	28 mm tor steel	7/1981	29.98 MT	16.762 MT	2,17,906	Bitumen	5/1978	Not known	174 barrel (27.144 MT)	28,553	150 mm sluice valve	1/1984 to 5/1984	150 Nos.	80 Nos.	3,34,075	28 mm MS rod	3/1987	57.31 MT	23.81 MT	3,09,530	MS channel 100+50 mm	4/1987	10.78 MT	10.78 MT	77,907	
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(1)	(2)	(3)	(4)	(5)
			<p>No action by the Division was taken either to transfer these items to other divisions or to dispose these of otherwise. A survey report prepared by the Superintending Engineer in February 1995 for disposal of items worth Rs. 0.84 lakh had not been acted upon as of August 1996.</p> <p>The points mentioned above were reported to Government in September 1996; reply had not been received (October 1996).</p>	<p>The list of materials now in stock and details of materials sold in auction are enclosed herewith on Annexure I and II respectively.</p>

ANNEXURE I
LIST OF MATERIALS SURVEY REPORTED AND AUCTIONED

<i>Sl. No.</i>	<i>Name of item</i>	<i>Quantity purchased</i>	<i>SR. No.</i>	<i>Date of Auction</i>	<i>Amount obtained</i>
1.	Collar for 700 mm Ø pipe	1 No.	35/96-97	7-1-98	1200
2.	Collar for 1200 mm Ø pipe	15 Nos.	„	„	
3.	Collar for 600 mm Ø pipe	36 Nos.	„	„	
4.	B Class rubber rings for 700 mm Ø pipe	10 Nos.	„	„	
5.	B Class rubber rings for 400 mm Ø pipe	70 Nos.	„	„	
6.	'A' Class rubber rings for 400 mm Ø pipe	3 Nos.	„	„	
7.	Collar for 150 MM Ø pipe	93 No.	„	„	
8.	32 MM tor steel	9.00 met.	3/01-02	18-1-01	10450
9.	32 MM MS rod	32	5/00-01	„	10065
10.	28 mm M rod	2658 kg.	„	„	
11.	32 mm tor steel	5100 Kg.	„	„	
12.	25 mm MS rod	2284 Kg.	7/00-01	„	6650
13.	22 MM tor Steel	58 Kg.	„	„	
14.	22 mm MS rod	113 Kg.	„	„	
15.	MS Channel 100x50	3.331 MT	11/00-01	8-1-01	4200
16.	150 mm leather washer	162 Nos.	12/00-01	18-1-01	4318
17.	Cement	2070 MT	2/01-02	8-5-02	704

ANNEXURE II
DETAILS OF MATERIALS NOW IN STOCK

<i>Sl. No.</i>	<i>Item</i>	<i>Qty.</i>	<i>Rate</i>	<i>Date of Purchase</i>	<i>Value</i>	<i>Reason for retention in store</i>
1.	Cement	50.10 MT	3290/MT	31-3-05	164829	Required for the Project
2.	6 mm Ø MS	12.21 Kg.	16850/MT	8-2-00	206	do. Qty negligible
3.	10 mm Ø tor	80 Kg.	16950/MT	24-8-04	1356	do.
4.	16 mm Ø MS	79 Kg.	16950/MT	20-3-97	1339	do.
5.	700 mm Ø RCC Pipe	2 Nos.	3355	8/70	6710	Not required. Will be sold to other needy divisions.
6.	450 mm Ø collars	123 Nos.	67	3/80	8241	do.
7.	900 mm Ø collars	10 Nos.	120	3/80	1200	do.
8.	700 mm Ø Ruber Ring	24 Nos.	40	3/80	960	do.
9.	150 mm Ø sluice valve	80 Nos.	4245	1/84 to 4/84	339600	do.
10.	80 mm Ø sluice valve	12 Nos.	2815	do.	33780	do.
11.	80 mm leather washer	6 Nos.	38	do.	228	do.

IRRIGATION (MAJOR PROJECT) DEPARTMENT

Statement of action taken of para 4.4 of the report of the C&AG for the year ended on 31-3-1998 on KKIP

<i>Para</i>	<i>Action taken</i>
(1)	(2)
<p>4.4 <i>Irregular arrangement of execution of earth work for formation of main canal.</i></p> <p>Chief Engineer, Project I, Kozhikode proposed (April 1995) execution of canal works from chainage 6100 metre to 6785 metre (635 metres) of Moolathara Right Bank Canal (MRBC) estimated to cost Rs. 44 lakh departmentally at 35 per cent above estimate rates (based on 1992 schedule of rates) (SOR) on piece-work agreement. Technical sanction for the work was issued by CE in June 1995 and on the basis of sealed tenders the work was awarded.</p> <p>CE approved (14 March 1996) the lowest quotation at 60 per cent above estimate rates. Government orders approving departmental execution of works at 60 per cent above estimate rates (SOR) 1992 were issued on 27 March 1996. Though execution of works departmentally on piece work agreements was proposed (7 April 1995) in order to complete the work by March 1996 the work had not been completed even as of November 1996. Expenditure</p>	<p>The CE has accorded Technical Sanction for a proposal for the formation of canal from Ch. 6100 m to 6735 of MRBC for an amount of Rs. 43.75 lakhs. The work was awarded on quotation basis without resorting to tender as per the decision taken by the Subject Committee Meeting held on 15-11-1994 to start the work of KKIP formation of canal upto Korayar river departmentally on piece work agreement of proposal for departmental execution of work from Ch. 6100 to 6735 of MRBC at 35% above estimate rate was made in April 1995. Since this proposal was not carried out a consolidated proposal for 3730 m for an amount of Rs. 3.75 crores was submitted to Government at 60% above estimate. Due to the time lag of one year there was considerable increase in labour and material costs and schedule of rates was revised in July, 1996. Government have awarded sanction to start the canal work vide G. O. (Ms.) No. 15/96/IRD dated 28-2-1996. The SE, Siruvani Project Circle, Palakkad proposed a recast</p>

(1)	(2)
<p>incurred on canal excavation up to June 1996 on the work was Rs. 1.56 crore. Audit scrutiny of the records of Project division Kozhinjampara in July 1996 disclosed the following points.</p> <p>(i) According to Kerala Public Works Department manual and Public Works Department code waiver of the procedure for awarding works through tenders should be done only by the competent authority when it is felt absolutely necessary for satisfactory reasons. Therefore award of canal work (635 meters) estimated to cost Rs. 44 lakh to a contractor in July 1995 by EE at 60 per cent above estimate rates based on 1992 SOR in anticipation of Government approval was violative of the codal provisions.</p> <p>(ii) The CE had proposed (April 1995) execution of works departmentally at 35 per cent above estimate rate of 1992 SOR. The rate however adopted was at 60 per cent above estimate rates even without exploring the possibility for reducing the rates. The additional expenditure due to adoption of higher premium was Rs. 24.46 lakh.</p>	<p>estimate for Rs. 12 crores for the work of formation of main canal upto Korayar river as per direction of the CE. PI. Based on the decision of the Subject Committee the work was arranged departmentally so as to complete the work in a time bound manner. The work of link canal between Meenkara and Chulliar was tendered and the lowest tender quoted was above 80%. This was negotiated by the Tender Committee and this tender was settled at 55% above estimate rate. The Tender Committee accorded sanction to the proposal to execute the canal work upto Korayar River at 60% above estimate rate and this has been approved by Government.</p> <p>Since there was sufficient budget provision for KKIP during 1995-96 the Subject Committee decided to start the work when the land is available on free surrender. Accordingly the Executive Engineer convened a meeting of the beneficiaries of the project and it was decided in the meeting that the beneficiaries will surrender their land on free of cost for the canal work.</p> <p>The land taken on free surrender from concerned land owners was limited to the minimum land required for the canal only and</p>

(1)	(2)
<p>(iii) The estimate for earth work excavation was inclusive of conveyance of cut earth to the contractor's own dump yard after providing 5 km lorry lead for conveyance. Since the beneficiaries had already promised as early as in June 1993 free surrender of land for depositing the cut earth there was no need to convey the cut earth to the contractor's own dump yard. The total expenditure of Rs. 56.55 lakh incurred on this account was avoidable.</p> <p>In December 1996, the Vigilance Department directed the division to stop forthwith all payments relating to the project. On the basis of preliminary enquiry Government Ordered (February 1997) suspension of five officers (including one CE) from service. Further developments were awaited (June 1998).</p>	<p>hence there is no canal embankment portion available for stacking extra earth. No Government land available within a distance of 5 km from the site of work. Hence a conveyance lead of 5km was included in the data for earth work for all classes of soil.</p> <p>The matter was under Vigilance enquiry and now the case is pending in Vigilance Tribunal, Kozhikode. The officers placed under suspension has since been reinstated subject to finalisation of the case.</p>

WATER RESOURCES (A) DEPARTMENT

Statement of action taken of para 4.10 of the report of C&AG for the year ended on 31-3-1999 Civil)

<i>Audit Para</i>	<i>Statement of Action taken</i>
<p>Consequent on segregation of Irrigation Department from the composite Public Works Department from 1st April 1990, Chief Engineer (Irrigation & Administration) (CE) proposed (November 1993) construction of a multistoried building to house its various offices in Thiruvananthapuram under one roof. Accordingly, Government sanctioned (November 1995) construction of a ten storied building-Irrigation complex-at an estimated cost of Rs. 3.70 crore. Expenditure on the work was ordered to be met from the funds for the National Hydrology Project (Rs. 2.74 crore) and Vamanapuram Irrigation Project (Rs. 0.96 crore).</p> <p>Meanwhile, based on the directions issued (February 1995) by the Minister for Irrigation & Culture, CE ordered (March 1995) formation of an Irrigation Complex Sub Division for supervision of the work and the Sub Division started functioning from May 1995. Construction of the building has not been started even as of March 1999. However the Sub Division continued despite having no work to attend to. Establishment expenditure incurred amounting to Rs. 12.62 lakh during May 1995 to March 1999 thus proved to be infructuous.</p>	<p>Irrigation Complex Sub Division was formed by deploying Kallada Irrigation Project (LB) Sub Division No. 14, Kundara as per the directions of the then Hon'ble Minister for Irrigation. This new Sub Division was formed for the construction of the Irrigation Complex building for accommodating all Irrigation offices at Thiruvananthapuram. However Government had not accorded sanction for the above Sub Division.</p> <p>Eventhough the Sub Division was formed exclusively for the construction of Irrigation Complex Building the construction work was not proceeded with. Hence the Irrigation Complex Sub Division was further redeployed to Hydrology Project as per G.O. (Ms.) No. 50/99/IRD dated, 16-7-1999 and the functioning of the Sub Division was discontinued with effect from 1-11-1999.</p> <p>It is a fact that the staff who worked in the newly formed Sub Division were drawing their salary by debit to a head of account related to Kallada Irrigation Project. The salary of the staff had to be paid from the accounts of Kallada Irrigation Project had they not been deployed to the newly formed Sub Division. There was no additional expenditure incurred by Government due to this deployment of staff. There was only a procedural lapse which has arisen due to administrative reasons.</p>

REMEDIAL MEASURES TAKEN BY GOVERNMENT ON AUDIT PARA 5.1
(UNDER CHAPTER V STORES AND STOCK IN THE REPORT OF THE
C & AG FOR THE YEAR ENDED 31-3-2000)

<i>Audit Para No.</i>	<i>Department</i>	<i>Audit para</i>	<i>Remedial measures taken</i>
(1)	(2)	(3)	(4)
5.1	Water Resources	<p style="text-align: center;"><i>Fictitious purchase of cement and steel</i></p> <p>Karapuzha Irrigation Project Division in Wayanad District is implementing Karapuzha Irrigation Project partly financed by National Bank for Agriculture and Rural Development (NABARD). A total quantity of 14437.25 tonnes of cement costing Rs. 4.32 crore (1458 bills) was purchased locally by the divisional officer directly and through two contractors during 1994-96. The payment for the entire quantity of 14437.25 tonnes of cement was made by the Divisional Officer between June 1995 and March 1996 and debited to project account. Out of the total purchase of 14437.25 tonnes of cement purchased locally 12477.25 tones were purchased through two contractors. Of these 11002.25 tonnes were supplied by Contractor 'A'. It was observed that disregarding Government orders against local purchase of materials through contractors and the annual limit of 2000 tonnes fixed by Government for local purchase the Divisional Officer purchased 13107.25 tonnes of cement during 1995-96 from the contractors (12477.25 tonnes) and dealers (630 tonnes). Besides 501.75 tonnes of steel valued at Rs. 77.42 lakh (in 53 bills) were also purchased.</p> <p>A scrutiny of bills for supply of cement and steel revealed that</p>	<p>Reply already given as per Government letter No. 2482/MP2/03/WR dt. 13-10-2005</p>

(1)	(2)	(3)	(4)
		<p>(i) Out of a total expenditure of Rs. 4.32 crore on purchase of cement and Rs. 0.77 crore on purchase of steel, the expenditure during February-March 1996 alone was 87 per cent in the case of cement and 80 per cent in respect of steel. This indicated that there was heavy rush of expenditure during the fag end of the financial year.</p>	<p>Reply already given as per Government letter No. 2482/MP2/03/WR dt. 13-10-2005</p>
		<p>(ii) While cash bill from dealers for purchase of cement furnished by the contractors for reimbursement showed varying rates from Rs. 32,000 to Rs. 34,875 per 10 tonnes of cement the Divisional Officer made reimbursement to contractors against these bills at the uniform rate of Rs. 30,000 per 10 tonnes. Thus the contractors would have suffered a loss of Rs. 28.61 lakh computed on the basis of the lowest rate paid by them and the rate of reimbursement. No contractor could be expected to incur such a loss and therefore the supply of cement was doubtful.</p>	<p>Reply already given as per Government letter No. 2482/MP2/03/WR dt. 13-10-2005</p>
		<p>(iii) The bills for supply of cement by different dealers at different dates contained similar mistakes (like wrong spelling as 'Executive Engineer' omission to indicate unit rate, brand name grade of cement customer's signature etc.) and also appeared to have been written in similar hand raising doubts about their genuineness.</p>	<p>Vigilance and Anti Corruption Bureau is conducting detailed investigations on genuineness of the bills and allegations regarding purchase of materials in case No VE. 10/97/WYD,</p>
		<p>(iv) In one bill for Rs. 0.30 lakh furnished by contractor "A" neither the quantity of cement supplied nor the cost thereof was indicated, but the bill was paid by the EE on the basis of stock certificate recorded by the Assistant Engineer and countersigned by the</p>	

(1)	(2)	(3)	(4)
		<p>Assistant Executive Engineer leading to serious doubts regarding genuiness of the bill and supply of material.</p> <p>Due to such doubts, Audit decided to conduct a cross verification of the following bills submitted by the contractors with the records of Sales Tax Department.</p>	<p>which is pending for want of the Forensic Science Laboratory Report. The Director, VACB offered to furnish the Vigilance enquiry report soon on receipt of the above report from FSL. Appropriate action will be taken after the receipt of the Vigilance report.</p>

<i>Name of Contractor</i>	<i>Item</i>	<i>Name of firm</i>	<i>Num-ber of bills</i>	<i>Quan-tity (in tonnes)</i>	<i>Amount paid (Rs. in lakh)</i>	<i>Period</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
T. B. Kunhi-mahin Haji	Cement	M. A. Traders, Thamrassery	77	770	23.10	February/ March 1996
N. P. Paily	„	P. K. Hardwares, Sulthan Bathery	6	60	1.80	March 1996
„	Steel	„	10	90	13.87	March 1996
T. B. Kunhi-mahin Haji	Cement	Home Rows, Kozhikode	10	100	3.00	March 1996
„	Cement	JAS Agencies, Sulthan Bathery	83	814	24.42	February/ March 1996
„	Steel	Chanthiam Hardwares, Sulthan Bathery	8	75.055	11.59	February/ March 1996
„	Cement	ABCO Agency, Panamaram	451	4451.95	132.00	1995-96
			30	300	7.29	1994-95
	Steel		25	225.65	34.81	1995-96
„	Cement	S. K. Cements and Steel, Kalpetta	1		0.30	March 1996
Total			701		252.18	

(a) Sales Tax Department confirmed that two dealers, whose bills (93 numbers) for Rs. 24.90 lakh for the supply of 830 tonnes of cement and bills for 90 tonnes of steel costing Rs. 13.87 lakh were produced by the contractors in support of supplies of cement and steel and paid by Executive Engineer during February-March 1996 were non-existent.

(1)	(2)	(3)	(4)
		<p>(b) Three dealers who reportedly supplied 914 tonnes of cement costing Rs. 27.42 lakh (93 bills) and 75.055 tonnes of steel costing Rs. 11.59 lakh (8 bills) did not include the value of sales purported to have been made to the division in their turnover for 1995-96, while filing their Sales Tax Returns. In response to Sales Tax Department's order imposing penalty, the dealers denied any sales to the contractors. Thus, the Divisional Officer released payments of Rs. 39.01 lakh to contractor 'A' on the basis of bogus bills.</p>	<p>(a to d) Vigilance & Anti Corruption Bureau is conducting detailed investigations in this case. The accused officers have been suspended for the irregular purchase of cement for Rs. 37.52 lakh locally. The Vigilance enquiry is now going on. Proper action based on the findings of the Vigilance enquiry will be taken after the receipt of the Vigilance report.</p>
		<p>(c) According to Sales Tax Department ABCO Agency manipulated its purchase account records for 1994-96 by showing that the dealer had purchased 16100 bags of cement during 1994-95 and 54150 bags of cement during 1995-96 costing Rs. 94.08 lakh from another dealer whereas the latter supplied only 800 bags to ABCO as per the details furnished to the Sales Tax Department.</p>	
		<p>(d) There were many discrepancies (like colour of the bills, hand writing, entries in the bills, telephone numbers etc.) between the original bills of ABCO Agency submitted by the Divisional Officer with the monthly Accounts for the period 1994-95 to Accountant General (A&E) and the office copies of the cash bills of the dealer produced before the Sales Tax Authorities in response to their notices. Evidently the dealer issued one set of bills to the contractor to claim payment from the division and another set of bills to the Sales Tax Authorities. The dealer inflated his purchase account to account</p>	

(1)	(2)	(3)	(4)
		<p>for the bogus sale. The payments made on such bogus bills (481 numbers) pertaining to contractor 'A' amounted to Rs. 1.39 crore for 4751.95 tonnes of cement and Rs. 34.81 lakh for 225.65 tonnes of steel (25 bills).</p>	
		<p>In view of these there is a strong possibility of use of inadequate quantity of cement and steel in the project works affecting their quality and durability and thus their safety.</p>	
		<p>Evidently, the departmental officers made huge payments for fictitious purchase of cement and steel amounting to Rs. 2.52 crore. Government may investigate to fix responsibility and recover the amount from the officials and contractors.</p>	
		<p>The matter was referred to Government in November 2000 reply has not been received (January 2001).</p>	

REMEDIAL MEASURES TAKEN BY GOVERNMENT ON AUDIT PARA 5.1
(UNDER CHAPTER V STORES AND STOCK IN THE REPORT OF THE
C & AG FOR THE YEAR ENDED 31-3-2000)

<i>Audit Para No.</i>	<i>Department</i>	<i>Audit para</i>	<i>Remedial measures taken</i>
(1)	(2)	(3)	(4)
5.1	Water Resources Department	<i>Fictitious purchase of cement and steel</i> Karapuzha Irrigation Project Division in Wayanad District is implementing Karapuzha Irrigation Project partly financed by National Bank for Agriculture and Rural Development (NABARD). A total quantity of 14437.25 tonnes of cement costing Rs. 4.32 crore (1458 bills) was purchased locally by the Divisional officer directly and through two contractors during 1994-96. The payment for the entire quantity of 14437.25 tonnes of cement was made by the Divisional Officer between June 1995 and March 1996 and debited to project account. Out of the total purchase of 14437.25 tonnes of cement purchased locally 12477.25 tones were purchased through two contractors. Of these 11002.25 tonnes were supplied by Contractor 'A'. It was observed that disregarding Government orders against local purchase of materials through contractors and the annual limit of 2000 tonnes fixed by Government for local purchase the Divisional Officer purchased 13107.25 tonnes of cement	The works of construction of cut and cover from ch. 2420m to 3430m of K a r i y a m p a d y branch canal cut and cover from Ch. 15300 m to 16350 m and from ch.10300 m to 10720 m of LBC, cut and cover from ch. 6435m to 6630m of RBC etc. were in progress during 1994-96. All these works required cement and steel in huge quantities. Though efforts were made to obtain cement and steel from rate contract firm materials were not obtained in time. In order to maintain the progress of work. Executive Engineer had

(1)	(2)	(3)	(4)
	<p>during 1995-96 from the contractors (12477.25 tonnes) and dealers (630 tonnes). Besides 501.75 tonnes of steel valued at Rs. 77.42 lakh (in 53 bills) were also purchased.</p>		<p>requested for sanction to obtain cement and steel locally. The Chief Engineer reported that since these materials were essential for completing the works on the targeted dates, he issued sanction for obtaining the materials locally.</p>
	<p>A scrutiny of bills for supply of cement and steel revealed that—</p>		
	<p>(i) Out of a total expenditure of Rs. 4.32 crore on purchase of cement and Rs. 0.77 crore on purchase of steel, the expenditure during February-March 1996 alone was 87 per cent in the case of cement and 80 per cent in respect of steel. This indicated that there was heavy rush of expenditure during the fag end of the financial year.</p>		<p>Cement and steel required for the works was obtained from rate contract holders and locally on various occasions. As letter of credit was issued towards the end of the financial year expenditure was incurred accordingly. Expenditure of Rs. 4.32 crores includes Rs. 2,61,25,000 paid to M/s. Cement Corporation of India, a Central Govt. undertaking on 29-3-1996.</p>

(1)	(2)	(3)	(4)
	<p>(ii) While cash bills from dealers for purchase of cement furnished by the contractors for reimbursement showed varying rates from Rs. 32,000 to Rs. 34,875 per 10 tonnes of cement the Divisional Officer made reimbursement to contractors against these bills at the uniform rate of Rs. 30,000 per 10 tonnes. Thus the contractors would have suffered a loss of Rs. 28.61 lakh computed on the basis of the lowest rate paid by them and the rate of reimbursement. No contractor could be expected to incur such a loss and therefore the supply of cement was doubtful.</p>		<p>Contractors had submitted bills from local dealers of cement and claimed the rates prevailing at the time of purchase. Since there was no mechanism to check whether the rate claimed was the actual rate prevailing locally, the rate charged by Govt. firms such as Malabar Cements Ltd. was allowed and payment was limited to that amount.</p>
			<p>Contractors adopted various methods depending upon the circumstances and nature of each works. Some times they quoted rates far below the estimate rate for utilizing the idling machinery and equipments. If the difference between price paid for the materials and amount allowed by the</p>

(1)	(2)	(3)	(4)
			<p>department was far less than the loss by idling men and machine due to non receipt of materials it was more beneficial to accept the lower price allowed by the department.</p>
		<p>(iii) The bills for supply of cement by different dealers at different dates contained similar mistakes (like wrong spelling as 'Executive Engineer' omission to indicate unit rate, brand name grade of cement customer's signature etc.) and also appeared to have been written in similar hand raising doubts about their genuiness.</p>	<p>Since the para is not specific the Chief Engineer has been addressed for more details about the audit observations. The detailed reply will therefore be furnished later.</p>
		<p>(iv) In one bill for Rs. 0.30 lakh furnished by contractor "A" neither the quantity of cement supplied nor the cost thereof was indicated, but the bill was paid by the EE on the basis of stock certificate recorded by the Assistant Engineer and countersigned by the Assistant Executive Engineer leading to serious doubts regarding genuiness of the bill and supply of material.</p>	
		<p>Due to such doubts, Audit decided to conduct a cross verification of the</p>	

(1)	(2)	(3)	(4)			
following bills submitted by the contractors with the records of Sales Tax Department.						
<i>Name of Contractor</i>	<i>Item</i>	<i>Name of firm</i>	<i>Number of bills</i>	<i>Quantity (in tonnes)</i>	<i>Amount paid (Rs. in lakh)</i>	<i>Period</i>
T. B. Kunhimahin Haji	Cement	M. A. Traders, Thamarassery	77	770	23.10	February/ March 1996
N. P. Paily	„	P. K. Hardwares, Sulthan Bathery	6	60	1.80	March 1996
„	Steel	„	10	90	13.87	March 1996
T. B. Kunhimahin Haji	Cement	Home Rows, Kozhikode	10	100	3.00	March 1996
„	Cement	JAS Agencies, Sulthan Bathery	83	814	24.42	February/ March 1996
„	Steel	Chanthiam Hardwares, Sulthan Bathery	8	75.055	11.59	February/ March 1996
„	Cement	ABCO Agency, Panamaram	451 30	4451.95 300	132.00 7.29	1995-96 1994-95
„	Steel		25	225.65	34.81	1995-96
„	Cement	S. K. Cements and Steel, Kalpetta	1	..	0.30	March 1996
Total			701		252.18	

(1)	(2)	(3)	(4)
		<p>The Scrutiny revealed following serious discrepancies in the assessment records leading to doubts about the dealers and the supplies of material by them. The details are as under:</p> <p>(a) Sales Tax Department confirmed that two dealers, whose bills (93 numbers) for Rs. 24.90 lakh for the supply of 830 tonnes of cement and bills for 90 tonnes of steel costing Rs. 13.87 lakh were produced by the contractors in support of supplies of cement and steel and paid by Executive Engineer during February-March 1996 were non-existent.</p> <p>(b) Three dealers who reportedly supplied 914 tonnes of cement costing Rs. 27.42 lakh (93 bills) and 75.055 tonnes of steel costing Rs. 11.59 lakh (8 bills) did not include the value of sales purported to have been made to the division in their turnover for 1995-96, while filing their Sales Tax Returns. In response to Sale Tax Department's order imposing penalty, the dealers denied any sales to the contractors. Thus, the Divisional Officer released payments of Rs. 39.01 lakh to contractor A on the basis of bogus bills.</p> <p>(c) According to Sales Tax Department ABCO Agency manipulated its purchase account records for 1994-96 by showing that the dealer had purchased 16100 bags of cement during 1994-95 and 54150 bags of cement during 1995-96 costing Rs. 94.08 lakh from another dealer whereas the latter supplied only 800 bags to ABCO as</p>	<p>(a to d) Vigilance & Anti Corruption Bureau is conducting detailed investigations in this case. The accused officers have been suspended for the irregular purchase of cement for Rs. 37.52 lakhs locally. The Vigilance enquiry is now going on.</p> <p>Proper action based on the findings of the Vigilance enquiry will be taken.</p>

(1)	(2)	(3)	(4)
		<p>per the details furnished to the Sales Tax Department.</p>	
		<p>(d) There were many discrepancies (like colour of the bills, hand writing, entries in the bills, telephone numbers etc.) between the original bills of ABCO Agency submitted by the Divisional Officer with the monthly Accounts for the period 1994-95 to Accountant General (A&E) and the office copies of the cash bills of the dealer produced before the Sales Tax Authorities in response to their notices. Evidently the dealer issued one set of bills to the contractor to claim payment from the division and another set of bills to the Sales Tax Authorities. The dealer inflated his purchase account to account for the bogus sale. The payments made on such bogus bills (481 numbers) pertaining to contractor 'A' amounted to Rs. 1.39 crore for 4751.95 tonnes of cement and Rs. 34.81 lakh for 225.65 tonnes of steel (25 bills).</p>	
		<p>In view if these there is a strong possibility of use of inadequate quantity of cement and steel in the project works affecting their quality and durability and thus their safety.</p>	
		<p>Evidently, the departmental officers made huge payments for fictitious purchase of cement and steel amounting to Rs. 2.52 crore. Government may investigate to fix responsibility and recover the amount from the officials and contractors.</p>	
		<p>The matter was referred to Government in November 2000 reply has not been received (January 2001).</p>	

ACTION TAKEN NOTES ON COMPTROLLER AND AUDITOR GENERAL'S
REPORT FOR THE YEAR ENDED 31ST MARCH 2002 (CIVIL)

I. (a) Department	Water Resources Department
(b) Subject/Title of the Review/ Paragraph	“Excess payment of electricity charges” contained in C&AG’s Report for the year ended 31st March 2002 (Civil) Para No. 4.10
(c) Paragraph No.	4.10
(d) Report No. & Year	Report of Comptroller and Auditor General for the year ended 31st March 2002 (Civil)
II. (a) Date of the receipt of the Draft Paragraph/Review in the Department	9-4-2002
(b) Date of Department’s reply	16-4-2002
III. Gist of Paragraph/Review	Excess payment of Electricity charges
IV. (a) Does the Department agree with the fact and figures included in Paragraph	Yes
(b) If not please indicate the areas of disagreement and also attach copies of relevant documents in support	NA
V. (a) Does the department agree with the Audit conclusion	No
(b) If not please indicate specific areas of disagreement with reason for the disagreement and also attach copies of relevant documents where necessary	When the fact of incurring excess payment came to notice the department took all possible measures to avoid such excess payment.
VI. Remedial Action Taken	
1. Improvement in system and procedure including internal controls	Detailed report in the separate sheet enclosed

2. Recovery of over payment pointed out by Audit	Nil
3. Recovery of under assessment short levy or other dues	Nil
4. Modifications in the schemes and programmes including financial pattern	Nil
5. Review to similar cases/complete scheme/project in the light of findings of sample checks by Audit	Nil

REMEDIAL MEASURES TAKEN STATEMENT ON THE REPORT OF THE
C & AG FOR THE YEAR ENDED 31ST MARCH 2002 (CIVIL)
PARA 4.10—EXCESS PAYMENT OF ELECTRICITY CHARGES

<i>Para. No.</i>	<i>Name of Department</i>	<i>Audit Para Details</i>	<i>Remedial Measures Taken</i>
(1)	(2)	(3)	(4)
4.10	Water Resources Department	<p><i>Excess payment of electricity charges</i></p> <p>Kerala State Electricity Board (KSEB) had provided (1967) two 3 phase connections to the Kanhirapuzha Project. 128 project quarters were given connections through project's won installations and were provided with separate meters. The Department recovered electricity charges from the allottees of the quarters at rates applicable for domestic consumption. However the energy charges were paid to KSEB at commercial rates. Though this lapse was pointed out in audit in October 1998 Chief Engineer Projects I Kozhikode addressed KSEB only in July 1999 to segregate the power connection to the staff quarters from that of the project. KSEB agreed in October 2001 i.e., after a lapse of 2 years to take over the installation on payment of Rs. 5.40 lakhs for reconstruction of lines.</p>	<p>Kerala State Electricity Board was levying commercial tariff for the power supplied to Kanhirapuzha Irrigation Project from the initial stage itself i.e. from 1967. KSEB had provided two numbers of three phase electrical connection at the project headquarters. The power so provided was diverted for the requirement of offices staff quarters, Pumping Station, Workshop pumping gallery, street light etc. through the electrical installation of the project. There are about 209 numbers of staff quarters under the project. The occupants were paying electricity charges at domestic rates based on the consumption assessed through individual</p>

(1)	(2)	(3)	(4)
	<p>The Department remitted the amount to KSEB in March, 2002. Payment of electricity charges for the quarters at commercial rates resulted in avoidable excess payment of Rs. 28.77 lakhs to KSEB between April 1994 and March, 2002.</p> <p>The Department had abinitio erred in not ensuring separate domestic connections to the quarters. Even after the avoidable recurring excess payment came to the notice, concerted and purposive action was not taken by the Department. The anomalous situation in collecting electricity charges from occupants of quarters at domestic rates and remitting the charges to KSEB at commercial rates continued resulting in avoidable excess payment of Rs. 28.77 lakhs to KSEB for the period from April 1994 to March 2002. Government stated (May 2002) that KSEB was expected to take over the installation without further delay and thereafter the Department would be</p>		<p>metres provided in the quarters. In the beginning there was not much difference in the rates. Later KSEB had revised the rates resulting in huge difference in the amount paid to KSEB and the amount realised from occupants at domestic rates. When the excess payment was brought to notice the matter was taken up with KSEB for providing separate connections to the quarters and to take over the existing electrical installation. Though KSEB was approached as early as in 1999, there was no favourable response till 5-10-2001. In Lr. No. TS2/General/2001-02/2335 dated 5-10-2001 the Chief Engineer (Electrical Distribution) Kozhikode had informed that Rs. 5.4 lakhs was to be paid to KSEB for reconstructing the lines. In G.O. (Rt.) No. 155/2002/Ir.D, dated 5-2-2002. Government had issued sanction for payment of Rs. 5.40 lakhs to KSEB for taking over the electrical</p>

(1)	(2)	(3)	(4)
	relieved from the burden of paying high rates for domestic consumption.		<p>instllations. Accordingly the Executive Engineer, Kanhirapuzha Irrigation Project Division- I, Kanhirapuzha remitted the amount to KSEB on 30-3-2002. In Lr. No. DB/11.KPZHA/2002-03 dated 6-5-2002 the Assistant Engineer Electrical Section, Thachempara has informed that the work of reconstructing the line has been completed. In order to obtain service connections to staff quarters security deposit service connection charges etc. will have to be paid individually.</p> <p>In addition to this the KSEB is insisting on rewiring all the staff quarters as a pre condition for providing new service connection. Direction has been given to the concerned to complete the rewiring on a phased manner so that the extra of expenditure on account of payment of electricity charges as higher rates can be avoided.</p>