

# Contractual Management

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### 6.1 Undue Benefits to Contractors

Various cases of undue benefits to the contractors amounting to Rs.186.89 crore were noticed in audit in Andhra Pradesh, Assam, Chhattisgarh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal (14 States). Details of such cases of undue benefits to the contractors, as observed during Audit, are given below:

**Table 13 - Instances of Undue Benefits to contractors**

State	Projects	Amount (In Rs. crore)	Nature of Undue Benefit
<b>Andhra Pradesh</b>	1 Major-Ali Sagar Lift Irrigation Scheme & 2 Medium- Khomaram Bhim Project and Thotapalli Barrage Project	33.67	Systemic deficiencies e.g. entrustment of work on fixed price basis with variable scope of work and non-adherence to agreement clauses
<b>Assam</b>	1 Major- Champamati Irrigation Project & 1 Medium- Modernisation of Jamuna Irrigation Project and 1 MI	3.22	Instead of booking the amount under Miscellaneous Public Work Advances, the amount was charged as expenditure to the projects.
<b>Chhattisgarh</b>	1 Major- Hasdeo Bango	0.34	Excess payment beyond sanctioned estimates and non deduction of royalty on use of metal and sand in the cement concrete lining work in a distributary.
<b>Jharkhand</b>	2 Medium- Sonua Reservoir Scheme & Upper Shankh Reservoir Scheme	3.89	Price escalation and non-recovery/short recovery of penalty/liquidated damages
<b>Karnataka</b>	1 Major- Upper Krishna Project - Stage I	3.60	Non levy of penalty on delayed supply of material

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State	Projects	Amount (In Rs. crore)	Nature of Undue Benefit
<b>Madhya Pradesh</b>	2 Major- Bargi Diversion Project Phase I & Indirasagar Project Phase I	45.53	Price escalations and payment of interest free mobilization advances.
<b>Maharashtra</b>	1 Major- Nandur Madhmeshwar	9.74	Price escalations and payment for work after expiry of validity period of contract without obtaining extension.
<b>Manipur</b>	1 Major- Thoubal Multipurpose Project and 4 MIs	7.57	Payments made on unapproved works, escalation charges, and by adopting incorrect rates; non recovery of penalty for non-completion of the works within the stipulated time frame and for non-employment of technical staff.
<b>Nagaland</b>	4 MIs	4.78	Projects were declared completed and payments made to the contractors on the basis of false measurements recorded in the MBs.
<b>Orissa</b>	3 Major- Upper Indravati Irrigation Project, Telengiri Irrigation Project & Rengali Irrigation Project and 7 MIs	67.26	Non-recovery of liquidated damages for non-completion / abandonment of works, payments for works not carried out as per agreements and inadmissible items, due to adoption of wrong Schedule of Rates, non-recovery of excess payments made on inflated measurements, non-recovery of interest free advances, payment of escalation charges beyond the permissible limits etc.
<b>Punjab</b>	1 Medium -Remodelling of U.B.D.C.Channels	1.21	Security deposits released before the expiry of stipulated period, and payment made on higher rates.
<b>Rajasthan</b>	4 Major -Narmada Canal, Modernisation of Gang Canal, IGNP Stage-II & Mahi Bajaj Sagar	5.43	Non-recovery of compensation due to non-completion of the works within the stipulated time and making payment for a work which was to be constructed by the contractor.
<b>Uttar Pradesh</b>	1 Major -Improving Irrigation Intensity of Hardoi Branch System	0.60	Payment for excavation of earth, which had already been made.
<b>West Bengal</b>	1 Major- Teesta Barrage Project	0.05	Non-completion of work within the stipulated period.
<b>Total</b>		<b>Rs. 186.89 crore</b>	

## 6.2 Wasteful/Irregular Expenditure

Audit scrutiny revealed cases of wasteful/irregular expenditure amounting to Rs. 403.83 crore incurred on unapproved components of works, in excess of the quantities specified in the estimates, as interest free mobilization advances to contractors, as penalty for not obtaining statutory clearances etc. in Andhra Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Mizoram, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal (17 States). Details of such cases of wasteful/irregular expenditure from the programme funds are given below:

Table 14 - Instances of Wasteful/Irregular expenditure

State	Projects	Amount (In Rs. crore)	Nature of Wasteful / Irregular expenditure
Andhra Pradesh	1 Medium- Yerrakalva Project	1.21	Expenditure incurred on repair works.
Assam	1 Major- Champamati Project and one minor	0.71	Work done at a site could not be put to use due to unsuitability of soil condition, resulting in wasteful expenditure. In one Minor Irrigation Scheme, though the State Government did not accord the administrative approval till August 2008, the Division had incurred an expenditure of Rs. 36 lakh between 2001-02 and 2004-05.
Bihar	2 Major - Western Kosi Canal Project (WKCP) and Sone Canal Modernisation Project (SCMP)	79.55	Expenditure of Rs. 72.20 crore up to March 2008 was incurred for metalling of service roads in SCMP (without serving the purpose of irrigation) and payment of Rs. 7.35 crore was made on unauthorized extra works in WKCP.
Chhattisgarh	1 Major-Hasdeo Bango	0.11	Expenditure was incurred on repair of gate and cross regulators, though this work should have been carried out by the concerned contractor.
Haryana	1 Major-WRCP	12.44	Expenditure was incurred (i) on unapproved works, and (ii) without obtaining the sanction of the Competent Authority.
Jharkhand	1 Medium- Sonua Reservoir Project	0.14	Expenditure was incurred on construction of Inspection Bungalow and office by diverting the funds.
Karnataka	1 Major- Upper Krishna Project – Stage II	15.44	Excess expenditure was incurred due to defective estimation as the primary requirements of entering into a contract viz. preparation of estimates, examination of the agreement clauses and specification etc., were not examined and adopted. Embezzlement of funds of Rs.1.39 crore in 10 cases in Krishna Bhagya Jala Nigam Limited (KBJNL).
Kerala	1 Major- MVIP	5.74	Expenditure was incurred on unapproved works viz. Formation and improvements to Roads, protection works, upkeep of dam, improvement of canal roads etc.

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State	Projects	Amount (In Rs. crore)	Nature of Unauthorised / Irregular expenditure
Madhya Pradesh	1 Major- Indra Sagar Project	165.73	The state government diverted the AIBP grants of Rs. 165.73 crore for payment of irrigation share of Dam to protect its 49 percent share holding in the Joint venture Company with NHPC without obtaining the approval of MoWR/CWC.
Maharashtra	3 Major- Bembla, Khadakpurna and Arunawati	13.51	Funds utilised for engaging agencies for works relating to obtaining environmental clearance; making payment for unapproved components and for works executed prior to the inclusion of projects under AIBP.
Manipur	1 Major - TMP	4.80	Commencing work on abandoned works.
Mizoram	3 MIs	0.94	Doubtful payment for purchase of raw material, hiring charges of JCB machines and labour charges.
Orissa	3 Major- RIP, UIIP and Telengiri Irrigation Project and 3 MIs	34.26	Funds of Rs. 32.36 crore given to LAOs for payment of land acquisition charges and rehabilitation assistance without sanction of estimate and non furnishing of accounts for such payments.  Expenditure of Rs. 1.90 crore on construction of a bridge on right extension canal without any estimate.
Punjab	1 Medium-Remodelling of UBDC	5.67	Expenditure was incurred on unapproved works.
Rajasthan	3 Major-Narmada Canal Project, IGNP Stage-II and Gang Canal	13.93	Funds were drawn towards payment of land compensation and booked under the projects to avoid lapse of funds; expenditure was rendered infructuous, as works were abandoned midway on technical grounds; expenditure was incurred on unapproved works; works were taken up without proper planning.
Uttar Pradesh	4 Major-Modernization of Agra Canal project, Bansagar Canal Project, Rajghat Canal Project and Lahchura Dam Project	35.78	Expenditure incurred on unapproved works, non recovery of penalty and income tax dues, excess payment to Railway department, booking expenditure under wrong head.
West Bengal	1 Major- Teesta Barrage Project	13.87	Expenditure was incurred on unapproved works, and due to wrong estimation of design capacities.
<b>Total</b>		<b>Rs. 403.83 crore</b>	

### 6.3 Other cases of Irregular Contractual Management

Audit scrutiny revealed poor management of contracts and works in 8 Major, 4 Medium and 28 Minor test checked Irrigation Projects in Assam, Bihar, Maharashtra, Manipur, Meghalaya, Orissa, Punjab, Rajasthan and Uttar Pradesh (9 States). Details of instances of such irregularities, as observed during audit, are given below:

**Table 15 - Other Instances of Irregular Contractual Management**

State	Projects	Nature of Irregularity
Assam	1 Major- Champamati Irrigation Project and 1 Medium- Modernization of Jamuna Irrigation Project	Technical sanctions were accorded (a) in piece meal fashion to avoid sanctioning by competent authority (b) to works beyond the financial powers.
Bihar	1 Major- SCMP	Recommendations of Water And Power Consultancy Services (WAPCOS) to line the link canals, distributaries, sub-distributaries, minor and water courses, were not incorporated in the estimates; due to which their banks were regularly damaged and the quantum of flow of water was badly affected.
Maharashtra	4 MI	Nearly 50 per cent of grant could not be utilized due to various reasons such as non availability of land, rehabilitation issues and opposition from affected persons and due to lack of preparation and approval of technical estimates.
Manipur	20 MIs	No open tenders were called for, and estimates of 12 projects were split up into 54 smaller estimates to avoid approval of the higher competent authorities.
Meghalaya	4 MIs	Supply of water at the tail end was inadequate due to reasons like-unequal and improper distribution of water, leakage and pillerage at various points, improper alignment of pipeline etc.
Orissa	2 Major-Pengali Irrigation Project & Upper Indravati Irrigation Project and 1 Medium-Telengiri Irrigation Project.	Retendering of work abandoned by earlier contractors, non acceptance of the lowest tender, invitation of tender without acquisition of land, non-finalisation of resettlement/rehabilitation issues, substandard work etc. resulted in delay and extra cost to the projects.
Punjab	2 Medium-Remodeling of U.B.D.C Channels and Extension of Kandi Canal Stage -II	Funds for the pucca structures were spent on other works like maintenance of channels etc. Distance marks and boundary pillars meant for use on canal banks had not been installed. Necessary procedures had not been adopted while incurring expenditure on execution of water courses. Besides, the department did not devise any ways & means to recover the cost of construction of water courses from the beneficiaries.
Rajasthan	2 Major- IGNP Stage-II and Narmada Canal Project	Excess expenditure of Rs. 3.96 crore was incurred on work charged establishment. Non-recovery of dues from Public Health Engineering Department (PHED) towards proportionate share cost of construction.
Uttar Pradesh	2 Major – Bansagar canal and Improving intensity of Hardoi Branch System	MoUs were signed with National Project Construction Corporation (NPCC) before sanctioning of the estimates and acquiring the required lands. Additional expenditure was incurred for rectification of the sub-standard work.