



CHAPTER-II

Results of Audit of Panchayat Raj Institutions

CHAPTER II

RESULTS OF AUDIT

SECTION 'A' – PERFORMANCE AUDIT

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.1 Water quality component under National Rural Drinking Water Programme

Executive summary

The Accelerated Rural Water Supply Programme introduced by the Government of India during 1972-73 was revisited and revised (April 2009) as National Rural Drinking Water Programme (NRDWP). Under NRDWP, the issue of water quality monitoring and surveillance was given due emphasis and the National Rural Water Quality Monitoring & Surveillance Programme, launched in February 2006, was merged with NRDWP.

A performance audit of the implementation of water quality component of NRDWP during the period 2007-12 was conducted between June and September 2012.

The performance audit showed that planning was deficient as the annual plans were approved after delays, sometimes stretching to the fag end of the financial year. There were deficiencies in survey of quality affected habitations; as a result the data could not be relied upon. The financial allocation for the quality aspect was deficient resulting in non-utilisation of earmarked funds and there were instances of time and cost overrun, non-completion/delayed completion of works and non-functional/ defunct works. The pace of coverage and completion of projects did not indicate that all the habitations would have access to safe drinking water anytime in near future. Monitoring and inspection of activities under the Programme at different levels was also not adequate.

2.1.1 Introduction

2.1.1.1 Background

Provision of safe drinking water is a basic necessity. The Government of India (GOI) has been extending policy, technological and financial support to State Governments through the centrally sponsored Accelerated Rural Water Supply Programme (ARWSP) since 1972-73. The major thrust of the ARWSP was to ensure provision of adequate drinking water supply to the rural community. The programme was given (1991) a mission approach with stress on water quality, appropriate technology intervention and other related activities. For this purpose, projects were taken up under the Sub-mission component of the ARWSP, which was funded in the ratio of 75:25 (Centre: State).

In order to address the issues identified in the Eleventh five year plan (2007-12), the rural water supply programme was revised (April 2009) as National

Rural Drinking Water Programme (NRDWP). Under the NRDWP, the issue of water quality monitoring and surveillance has been given due emphasis and the National Rural Water Quality Monitoring & Surveillance (WQM&S) programme, launched in February 2006, has now been merged with NRDWP.

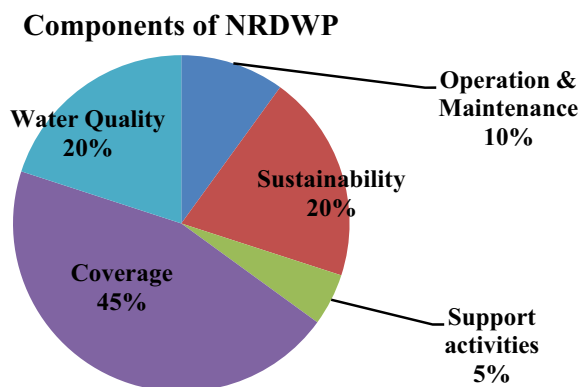
2.1.1.2 What is safe drinking water?

As per Indian Standard-10500 of Bureau of Indian Standards, water is defined as safe if it is free from biological contamination (guinea worm, cholera, typhoid, *etc.*) and within maximum permissible limits of chemical contamination (Arsenic <0.05 mg/l, Fluoride < 1.5 mg/l, brackishness < 2000 mg/l, Iron < 1 mg/l, Nitrate 45 mg/l, *etc.*).

2.1.1.3 Programme objective and components of NRDWP

The prime objective of NRDWP was to provide every rural person with adequate safe water for drinking, cooking and other domestic basic needs on a sustainable basis. This basic requirement should meet minimum water quality standards and be readily and conveniently accessible at all times and in all situations.

Water supply schemes (WSS)/projects are taken up under coverage, water quality, sustainability and support activity. A graphical overview of component-wise allocation of NRWDP funds at the State level is given below:



2.1.1.4 Funding pattern and flow of funds

The cost sharing between Centre and States in respect of operation & maintenance (O&M), coverage and water quality components is in the ratio of 50:50.

Under ARWSP, the GOI had been releasing grants to the State Government, which, in turn, released the grants to the Zilla Panchayats (ZPs) to take up approved WSS and other related activities.

As per NRDWP guidelines, the GOI releases the grants, on the basis of allocations made, to Karnataka Rural Water Supply and Sanitation Agency (KRWSSA), which has been declared (September 2009) as the State Water and Sanitation Mission (SWSM). The State Government also releases its matching share to KRWSSA. During each quarter, the Chief Executive Officers (CEOs) of ZPs send requests to the Director, KRWSSA for authorisation to utilise the funds. The Director, KRWSSA authorises the CEOs to operate the funds in the Programme Account maintained at KRWSSA. The

Executive Engineers (EEs), Panchayat Raj Engineering Divisions (PREDs) submit the bills to the CEOs of ZPs for scrutiny and payment.

2.1.2 Institutional structure for service delivery

The Institutional structure for service delivery was as follows:

Level	Authority	Functions and responsibilities
Habitation ¹¹	Grama Panchayat	<ul style="list-style-type: none"> Operation and maintenance of schemes and arranging for testing of water quality periodically.
District	Panchayat Raj Engineering Divisions	<ul style="list-style-type: none"> Proposing works depending on the status of habitations, selection of site for works based on water yield/potability and suitability and execution of works
	Zilla Panchayat	<ul style="list-style-type: none"> Preparation of annual action plan for the district and according approval for works. Monitoring progress of works, operation and maintenance and testing quality of water periodically.
State	Panchayat Raj Engineering Department	<ul style="list-style-type: none"> Maintenance of database regarding status of habitations, ground water level, water quality. Planning at the State level and preparation of consolidated annual action plan for the State. Monitoring the implementation, operation and maintenance and water quality testing of the schemes at the field level
	Rural Development and Panchayat Raj Department	<ul style="list-style-type: none"> Timely release of Central and State funds. Overall monitoring of the implementation of the scheme.
	State Level Scheme Sanctioning Committee (SLSSC)	<ul style="list-style-type: none"> Approval of consolidated annual action plan and onward transmission to Government of India for obtaining funds. Review the functioning/performance of existing water supply schemes

2.1.3 Audit objectives

The main objectives of the Performance Audit were to ascertain whether:

- there was an effective process of planning and survey of habitations affected by quality;
- funds were released timely and utilised economically and financial control was adequate and effective;
- individual projects for addressing water quality were implemented within the stipulated time and cost, and were executed economically, efficiently and effectively; and

¹¹ Habitation is a term used to define a group of families living in proximity to each other.

- the mechanism for monitoring of water quality and surveillance was adequate and effective.

2.1.4 Audit criteria

The audit criteria were derived from the following:

- Guidelines for NRDWP (April 2009);
- Guidelines for ARWSP (August 2000);
- Guidelines for National Rural Drinking Water Quality Monitoring and Surveillance Programme (January 2006);
- Karnataka Public Works Accounts (KPWA) Code, Karnataka Public Works Departmental (KPWD) Code, Karnataka Financial Code (KFC) and Karnataka Transparency in Public Procurements (KTPP) Act, 1999;
- State Government orders, notifications, circulars and instructions issued from time to time; and
- Meeting proceedings of SLSSC.

2.1.5 Audit scope, sampling and methodology

The implementation of ARWSP including water quality component was previously included in the Report of the Comptroller and Auditor General of India (Panchayat Raj Institutions) for the year ended 31 March 2007.

Implementation of water quality component of NRDWP¹² during the period 2007-12 was reviewed through test-check of records (June-September 2012) of Rural Development and Panchayat Raj (RDPR) department, Chief Engineer, Panchayat Raj Engineering Department (CE) and implementing agencies in seven districts¹³. The districts were selected using judgmental sampling method. During the review period, 256 multi-village WSS were in progress in the State to address water quality problems in 2602 habitations. Out of 140 schemes taken up in the test-checked districts, Audit selected 77 schemes (55 per cent) through simple random sampling method for detailed examination. Audit also examined the implementation of WQM&S programme and reviewed the execution of 32 projects, which were sanctioned before April 2007.

The audit objectives and methodology of Performance Audit were discussed with the Principal Secretary, RDPR department along with officers from PRED during an Entry Conference held in June 2012. The audit findings were discussed with the Principal Secretary, RDPR department during Exit Conference (January 2013). The replies received from the State Government in March 2013 have been incorporated at appropriate places in the report.

Acknowledgement

Audit acknowledges the cooperation extended by the State Government, CE and other audited entities in conducting the performance audit.

¹² erstwhile Sub-mission projects under ARWSP (2007-09)

¹³ Bagalkot, Belgaum, Bellary, Chickmagalur, Davanagere, Koppal and Tumkur

The audit findings are discussed in the succeeding paragraphs.

Planning

2.1.6 Preparation and approval of plans

2.1.6.1 Non-preparation of consolidated Annual Action Plan

As per ARWSP guidelines, the State Government was to prepare a consolidated Annual Action Plan (AAP) on the basis of a shelf of schemes, likely size of the allocation as well as likely carry-over funds, if any, and submit them to the Department of Drinking Water Supply, GOI (DDWS) by the beginning of October of the previous year for use at Annual Plan discussions. Audit observed that neither the consolidated AAP nor the shelf of schemes was prepared during 2007-09. However, the AAPs were prepared and approved district-wise. The department agreed during Exit Conference that consolidated AAP was not prepared.

Under NRDWP, the consolidated AAPs were prepared during 2009-12 and were available in the Integrated Management Information System (IMIS) hosted by DDWS.

The State Government replied (March 2013) that the work of formulating AAPs was assigned to Districts/divisions. However, the reply was not acceptable as the State Government was responsible for preparing a consolidated AAP to have a macro picture about the entire gamut of planning.

2.1.6.2 Non-preparation of five year rolling plan

Under NRDWP, the State Government had to prepare a five year rolling plan and, during each financial year, the sub-goal and the priorities would be fixed on the basis of mutual consultation between the Centre and the State. However, it was seen that the five year rolling plan was not prepared and sub-goals and priorities had not been fixed, which was accepted during the Exit Conference. Thus, the planning did not have a long term perspective.

The State Government (March 2013) replied that there was no requirement for preparing a five year rolling plan. The reply was not correct as the guidelines required preparation of the five year rolling plan.

2.1.6.3 Non-preparation of master plan for WQM&S programme

Under NRDWP, the State Water and Sanitation Support Organisation (WSSO) was to prepare a master plan for the WQM&S programme and AAPs, indicating year-wise financial implication which was to be approved by the SLSSC. However, it was seen that the master plan was not prepared. As a result, the planning for the quality surveillance was completely neglected.

The State Government replied (March 2013) that the master plan was introduced for the first time during 2009-10 and there were certain clarifications required in this behalf.

2.1.6.4 Alternate sources to combat water quality not looked into

The NRDWP guidelines refer to the paradigm shift under NRDWP to ensure sustainable and environmental friendly drinking water supply projects. Under this, there was, *inter alia*, a move consciously away from 'high cost treatment technologies for tackling Arsenic and Fluoride contamination' to

'development of alternative sources in respect of Arsenic' and 'alternate sources/dilution of aquifers through rainwater harvesting in respect of tackling Fluoride contamination'. It was also aimed to promote simple-to-use technologies, such as terracotta based filtration systems, solar distillation and dilution through rainwater harvesting for tackling Iron, salinity and suspended particulate matters.

However, it was seen that only one project comprising 300 De-fluoridation (DF) plants¹⁴ was planned in October 2011, based on low cost and simple-to-use technologies. The estimated cost of each plant ranged from ₹5.78 lakh for 500 litres per hour capacity to ₹11.78 lakh for 4000 litres capacity, which was to be shared equally by Government and the contractor. The contractor was permitted to collect user fee. The work order for the installation of the DF plants was issued (October 2011) to four agencies with instructions to complete the installation within three months in different districts. However, none of the agencies had commenced or installed DF plants so far (July 2012). One agency was yet to receive the work order for installing 50 DF plants (July 2012).

The State Government stated (March 2013) that the alternate sources had to be provided as a temporary measure in view of lack of adequate surface water sources. It was also stated that drilling of bore wells at distant places was being adopted and sustainability structures were taken up for recharging of ground water. However, drilling of bore wells can not be termed as alternate sources in combating water quality. Further the reply was not acceptable as the agreement for maintenance of DF plants was for 10 years, which could not be termed as a temporary measure.

2.1.6.5 Delay in finalisation of Annual Action Plans

The AAPs have to be approved by the Government/SLSSC on the basis of proposals received from ZPs. The AAP under ARWSP was to be reviewed and finalised by April. However, there were delays ranging from six to seven months in according approval to AAPs of the test-checked districts ¹⁵during the years 2007-08 and 2008-09.

After the commencement of NRDWP, the State Government had to submit to DDWS a Comprehensive Water Security Action Plan (CWSAP) by February every year which, *inter alia*, includes broad directions/thrust and tangible targets planned to be achieved in the financial year. Audit observed that not only the State Government had delayed (by 2 to 10 months) the submission of CWSAP to the SLSSC, the SLSSC also delayed (two to three months) in giving the approvals.

The State Government stated (March 2013) that AAPs were prepared after taking into account results of survey, yearly data updation and also funds available, as a result there was some delay in approval of AAPs. However, the reply was not acceptable as these issues had to be addressed beforehand and AAPs had to be submitted in time as per guidelines.

¹⁴ Installation of DF plants is a low-cost alternate technology for habitations having high content of Fluoride.

¹⁵ Bagalkot, Belgaum, Bellary and Tumkur

2.1.7 Provision of safe drinking water to quality affected habitations

2.1.7.1 Validation of data on quality affected habitations

Water sample collection, household survey and sanitary inspections of drinking water sources should be done by village level workers from Gram Panchayat (GP). However, it was seen that the survey details of the water sources were not available with the test-checked ZPs. The IMIS also indicated that no sanitary surveys had been conducted during any of the years under review. In the absence of these details and proper validation by any other agency in the test-checked ZPs or in PREDs, Audit could not ascertain the actual number of habitations which were quality affected.

The State Government accepted (March 2013) that comprehensive sanitary survey had not been taken up.

2.1.7.2 Coverage of quality affected habitations

The ARWSP and NRDWP guidelines require that priority should be given for coverage of quality affected habitations. As per the data furnished by the CE, there were 21,008 quality affected habitations during the year 2000-01. In 2010-11, the total number of quality affected habitations had come down to 15,001. Audit compared these figures with projects taken up to address the quality affected habitations and observed that projects had been envisaged to cover 3,266 quality affected habitations only, out of which projects in 851 habitations were completed (March 2012). Evidently, coverage of habitations was far behind the number of habitations that were quality affected. The pace of coverage and completion of projects did not indicate that all the habitations would have access to safe drinking water anytime in near future.

The State Government stated (March 2013) that 6,750 habitations have been provided with safe drinking water. However, no documentary proof was submitted to validate the coverage of 6,750 habitations.

2.1.7.3 Inadequate efforts in tackling water quality problems

Audit analysed the schemes taken up for addressing water quality district-wise. In five districts¹⁶, as per Annual Reports of RDPR department, there were 1,119 quality affected habitations (March 2012). It was, however, noticed that no action was taken either by the SLSSC or the State Government for addressing water quality problems in these habitations. Not even a single scheme was brought before the SLSSC for approval, indicating lack of planning to cover these habitations in a phased manner.

The State Government replied (March 2013) that schemes could not be taken up due to non-availability of sustainable and dependable sources in Bangalore (Rural) and Bangalore (Urban) districts. In the remaining districts the habitations were scattered and per capita cost would be very high if surface source was adopted. However, the department failed to provide alternate sources of safe drinking water by using low cost technology in scattered habitations.

¹⁶ Bangalore (Rural), Bangalore (Urban), Dakshina Kannada, Kodagu and Udupi

2.1.7.4 Provision of less quantity of water to habitations

As per the ARWSP guidelines, the basic norm was to provide 40 litres per capita per day (LPCD) of safe drinking water to rural population in the habitations. However, in two test-checked works, the proposed service level was less than the basic norm of 40 LPCD. The details are given in **Table 2.1** below:

Table 2.1: Details of works where less than 40 LPCD had been proposed

Name of the work/ Year of commencement	Estimated cost (₹ in crore)	Proposed service level
WSS to Kanakagiri and other nine villages in Koppal district (February 2009)	8.17	25 LPCD
WSS to Islampur and 60 other villages in Bagalkot district (March 2008)	18.09	30 LPCD

Source: as furnished by the department

Thus, the planning of these schemes was inadequate and not directed towards achieving the desired objective of providing the basic service level of 40 LPCD to these habitations.

The State Government stated (March 2013) that the works were proposed to keep the project cost of the scheme within the administratively approved amount. It was further stated that dual system of water supply was adopted which was sufficient to cater to drinking water supply requirements. The reply was not acceptable as 40 LPCD was the minimum quantity of safe drinking water to be provided.

2.1.7.5 Obtaining requisite sanctions for approved works

As per ARWSP Guidelines, the project should follow a scheme cycle not exceeding 36 months consisting of four distinct phases and a post project completion phase. The scheme/system planning phase which, *inter alia*, included detailed designing, estimation, seeking approval of the competent authority, identification of the contractors and assigning the job for implementation, *etc.*, was to be completed within nine months. It was, however, seen in five test-checked districts¹⁷ that though the SLSSC had approved eight works (covering 367 habitations) costing ₹218.63 crore during October 2009- October 2010, technical sanctions were not obtained even as of May 2012. In another 20 works (366 habitations) costing ₹203.36 crore in six test-checked districts¹⁸, where technical sanctions had been accorded (June 2011-January 2012), the tenders were not approved/finalised (May 2012).

Thus, the failure of concerned implementing agencies in obtaining requisite approvals resulted in non-commencement of these works and denial of envisaged benefits to 733 habitations. The possibility of cost overrun in these cases could not also be ruled out.

The State Government attributed (March 2013) non obtaining sanctions to non-availability of land, excess per capita cost, non-responsive tenders, change in alignment, *etc.* The reply was not acceptable as the department was

¹⁷ Belgaum, Bellary, Davanagere, Koppal and Tumkur

¹⁸ Bagalkot, Belgaum, Bellary, Davanagere, Koppal and Tumkur

responsible for preparation of realistic estimates, identification of unencumbered land, *etc.*, before commencing the works.

2.1.7.6 Water supply schemes without a dependable source

Any work taken up should have a dependable source of water which can provide drinking water throughout the year to the habitations covered under the project. However, in three test-checked works taken up in two districts, there was no dependable source of water, and this was fraught with the risk of shortage of water or non-provision of safe drinking water to the identified habitations throughout the year. The details are as follows:

Table 2.2: Works taken up without a dependable source

Sl. No.	Name of the work	Expenditure as of March 2012	Audit remarks
1.	WSS to Mydala & nine other villages in Tumkur district Estimated cost- ₹3.45 crore Date of approval-23.12.09	₹2.60 crore	The estimated inflow in Mydala tank per year is 0.4994 Mcum at 100 <i>per cent</i> dependability. Out of this, CMC ¹⁹ , Tumkur draws 0.4599 Mcum, whereas the requirement for this WSS is 0.34 Mcum. In case water is to be drawn, CMC has to be requested to stop drawal of water and to restrict irrigation in the area. Both the issues remained unresolved and no action was taken to sort out the issue.
2.	WSS to Uradigere and two other villages in Tumkur district Estimated cost - ₹0.93 crore Date of approval-19.03.07	₹1.10 crore	The source is a tank which depends on monsoon. If the monsoon fails, no water can be provided to the identified habitations.
3.	WSS to Manihal and nine other villages in Belgaum district Estimated cost-₹4.42 crore Date of approval -19.03.07	₹3.67 crore	The volume of water in the identified source from Malaprabha river reduces considerably during summer. Hence, it was proposed to construct a barrage across the river at an estimated cost of ₹1.61 crore. However, the barrage was not constructed, even though tendered (July 2007).

Source: As furnished by EEs.

Mcum: Million cubic metre

The State Government replied (March 2013) that a work for providing water to Dabaspeta industrial area in Tumkur was under progress, after completion of which Mydala tank would get water for all the seasons. In respect of Uradigere, there was no problem so far and in respect of Manihal, proposed barrage could not be commenced due to site problem. However, the reply was not acceptable as all these projects were conceived without an assured source of water.

2.1.8 Operation and Maintenance of water supply schemes

2.1.8.1 Handing over of completed schemes to Village Water & Sanitation Committees

In order to create awareness among the people of using water optimally, the Government had issued (December 2009) an order directing the PREDs to hand over the completed WSS to Village Water and Sanitation Committee (VWSC) for O&M. The implementing agency, before calling for tenders, was

¹⁹ CMC- City Municipal Council

required to obtain a consent letter from VWSC for the maintenance of WSS after its completion.

Audit observed that such a consent letter had not been obtained in any of the test-checked districts/divisions.

It was also noticed that provision for O&M was not uniform in the test-checked districts. It was seen that EE, PRED, Tumkur had included O&M in the estimates for two works²⁰ but did not include the O&M in the estimates for two other works²¹. It was also seen that EE, PRED, Chikkodi in Belgaum district, had requested (October 2011) Government to release ₹15.80 crore towards maintenance cost of schemes including rectification of defects noticed post completion, against which the Government released ₹2.64 crore only.

The State Government replied (March 2013) that due to high cost of maintenance and poor maintenance by VWSC/GPs, the Government took the responsibility of maintaining 146 completed schemes and process of allotting O&M tender to other agencies was under progress. The reply was not acceptable as the completed schemes were to be handed over to GPs for maintenance for which incentive was given by the GOI.

2.1.9 Financial performance

2.1.9.1 The details of funds released and utilised by the State Government during the period 2007-12 under water quality component were as follows:

Table 2.3: Fund utilisation for addressing water quality

(₹ in crore)

Year	Total releases			Expenditure on water quality	
	GOI	GOK	Total	Amount	Percentage with respect to releases
2007-08	-	-	529.20	141.85	27
2008-09	-	-	656.39	87.25	13
2009-10	627.86	395.62	1,023.48	272.11	27
2010-11	587.76	522.18	1,109.94	139.63	13
2011-12	667.79	518.42	1,186.21	119.09	10

Source: as furnished by the CE and IMIS

Note: For the years 2007-08 and 2008-09, break-up of releases was not available.

It could be observed that the minimum of 20 *per cent* expenditure on water quality issues was not achieved during the years 2008-09 and 2010-12. Evidently, low priority was given to the provision of safe drinking water to the quality affected habitations.

2.1.9.2 Non-maintenance of cash book

The codal provisions stipulated that all monetary transactions should be entered in the cash book as soon as they occur and the cash book should be closed daily. The cash book should also be reconciled for the difference between the cash book balance with the balance appearing in the bank pass sheet. However, it was observed in test-checked divisions that cash books were not maintained for the receipts or the remittances from/to the bank during

²⁰ Bellavi and C S Pura

²¹ Mydala and Rangapura

2009-12. Non-maintenance of cash book coupled with non-reconciliation is fraught with the risk of fraud, excess payments, non-remittances, etc.

The State Government replied (March 2013) that PREDs were instructed to maintain cash book as per codal provisions.

Execution of works

2.1.10 Physical progress of works

2.1.10.1 As stated earlier, there were 256 works in progress as of March 2012. The status of execution of these works was as detailed in **Table 2.4** below:

Table 2.4: Status of works (March 2012)

Period	Number of projects					Expenditure on incomplete works (₹ in crore)
	Approved	Cost (₹ in crore)	Completed	Not started for want of approval	Under progress	
2007-08	144	786.44	74	Nil	70	476.57
2008-12	112	1,008.39	Nil	80	32	55.55

Source: Progress reports furnished by the CE

It could be seen that 70 (49 per cent) of 144 works remained incomplete even though the works had been approved during 2007-08. In respect of 112 works approved during the period of 2008-12, not even a single project was completed and 80 projects were not even started for want of technical sanction, non-completion of tender process and non approval of tenders, etc. Even though the guidelines prescribed that AAPs should give priority to completion of incomplete works, it was evident from the above that execution of works was lackadaisical. In test-checked districts, 87 out of 140 projects (62 per cent) remained incomplete even after incurring an expenditure of ₹271.19 crore (March 2012).

The State Government replied (March 2013) that the engineers in PREDs lacked basic knowledge about the projects and the department lacked infrastructure to prepare detailed project reports and further added that projects were handled in a routine manner like a normal water supply programme.

2.1.10.2 Incorrect reporting on completed projects

As per the progress reports furnished to the State Government, the following six projects in Bellary and Belgaum districts were reported to be completed at a total cost of ₹24.15 crore. However, on a scrutiny of the files relating to these projects in PREDs, it was seen that the works were under progress and were in fact at different stages of execution as indicated in **Table 2.5**:

Table 2.5: Details of works claimed to have been completed

(₹ in crore)

Sl. No.	Name of the work	District	Estimated cost	Date of completion as per Progress Report	Expenditure	Actual progress (March 2012)
1.	WSS to Somalapura village in Bellary Taluk	Bellary	1.04	January 2011	1.05	Heavy boulder rocks present in the bed of the Impounding Reservoir (IR); the blasting work is under progress.

2.	WSS to Genikihal and other four villages in Bellary Taluk	Bellary	1.76	January 2011	2.33	Water filling was under progress; time extension submitted to CE for approval.
3.	WSS to Korlagundi village in Bellary Taluk	Bellary	2.28	November 2011	2.34	Filter media yet to be laid.
4.	WSS to Yelibenchi village in Bellary Taluk	Bellary	1.38	Not mentioned	1.72	Redesign of pumping machinery to be done; work slip, Extra Item Rate List was submitted for approval. The State Government replied (March 2013) that work was nearing completion and tenders for express feeder line were re-invited as no bidder participated during the first call.
5.	WSS to Mincheri and other four villages in Bellary Taluk	Bellary	3.82	Not mentioned	4.17	IR under progress
6.	WSS to Amtur and other 19 villages in Bailhongal Taluk	Belgaum	9.21	February 2008	12.54	Works under progress; two out of 19 villages were yet to get water supply
Total			19.49		24.15	

Source: Progress Reports furnished by the CE and reports of EE, PREDS

Evidently, the information furnished to the State Government was not correct and could not be relied upon.

2.1.10.3 Non-achievement of targets relating to coverage of habitations

The targets set by the State Government *vis-a-vis* the achievements in respect of coverage of quality affected habitations during the period 2007-12 were as follows:

Table 2.6: Target and achievement of quality affected habitations

Year	Target	Achievement	Percentage
2007-08	2,407	372	15
2008-09	2,035	608	30
2009-10	4,055	3,692	91
2010-11	3,683	1,452	39
2011-12	1,689	1,495	89
Total	13,869	7,619	55

Source: Annual reports of RDPR department

As seen from the above, there were wide variations in the achievement of coverage of quality affected habitations. It ranged from 15 to 91 *per cent* of the targets fixed each year. Failure of the divisions to complete the projects resulted in non-provision of safe drinking water to the affected rural habitations.

Further, the achievements as stated in the annual reports could not be assessed by Audit as the progress reports (March 2012) furnished by the CE indicated completion of works only in 851 habitations, while the figures given by the RDPR department indicated achievement as 7,619 habitations during 2007-12. Thus, the figures furnished by the CE and the Government were at variance.

The State Government replied (March 2013) that the targets could not be achieved due to poor progress in completing the multi village schemes.

2.1.10.4 Cost and time overruns

As per the guidelines, completion of ongoing project was to be given priority over new projects and approved works were to be completed within three years, lest it should result in time and cost overrun. As the amount released by GOI could not be adjusted against any cost escalation or excess expenditure over and above the approved cost, it was the responsibility of the State Government to meet expenses on this account.

In the test-checked districts, it was seen that majority of the schemes, approved till 2007-08, were completed with time and cost overruns as detailed in **Table 2.7** below:

Table 2.7: Details of Time and Cost overrun

Sl. No.	District	Total No. of projects	No. of projects with cost and time overrun			
			Cost overrun		Time overrun	
			Number	Amount (₹ in crore)	Number	Delay in months
1.	Bagalkot	19	10	12.94	18	8 to 31
2.	Belgaum	34	21	19.52	29	1 to 63
3.	Bellary	41	28	16.85	32	1 to 71
4.	Chickmagalur	3	2	0.99	3	7 to 36
5.	Davanagere	12	12	25.61	11	15 to 36
6.	Koppal	12	5	17.34	9	25 to 35
7.	Tumkur	4	2	0.29	4	19 to 35
Total		125	80	93.54	106	

Source: Progress reports (March 2012) as furnished by the CE

As seen from the above table, there was increase to the extent of ₹93.54 crore in respect of 80 projects and delays up to 71 months in respect of 106 projects completed during the review period. The cost overrun of ₹93.54 crore would be an extra burden on the State exchequer as the excess expenditure over and above the approved cost was not reimbursable from GOI.

The State Government replied (March 2013) that the department lacked the infrastructure to take up these bigger multi village schemes. It was also replied that delays in acquisition of land, unrealistic estimates submitted to SLSSC, execution of additional quantities/extra items, *etc.*, resulted in cost and time overrun. The reply was not acceptable as these were avoidable factors and proper planning could have been done while formulating and executing the schemes.

2.1.11 Tendering process

Audit observed the following discrepancies/irregularities in tendering process in the test-checked schemes:

2.1.11.1 Calling for tenders without obtaining technical sanction

The codal provisions stipulate that no tender shall be invited before obtaining administrative approval and technical sanction. Contrary to the provision, EEs in four test-checked districts²² invited tenders in 16 cases amounting to ₹93.29 crore before obtaining technical sanction from the CE. Evidently, tenders were invited without technical scrutiny which was not in order and even resulted in postponement of tenders, up to 11 times.

²² Bagalkot, Bellary, Chickmagalur and Tumkur

The State Government replied (March 2013) that tenders were invited in view of urgency and in anticipation of approval by the CE. However, this was against the codal provisions.

2.1.11.2 Restricted participation in tenders

➤ The State Government amended (September 2003) the procedure for sale of tender documents as per KTPP Act and stipulated that tender documents should be made available for entire period provided for the submission of tenders. However, it was seen in almost all selected schemes that tender notifications provided for sale of tender forms only for a short duration and not till the last date of receipt of sealed tenders. This not only contravened the provisions of the KTPP Act but also restricted the participation of tenderers.

The State Government replied (March 2013) that short term tenders were called in view of urgency and after obtaining the necessary approval. The reply was not acceptable as the reason for not providing sale of tender forms till the last date of receipt of sealed tenders was not explained and also there were delays in completion of these works.

➤ The codal provisions stipulated that the tenders, in respect of all works costing more than ₹10 crore, should be published in Indian Trade Journal (ITJ) published by the Ministry of Commerce and Industry (Ministry), GOI. It was seen in Bagalkot that though the tender notice in respect of WSS to Islampur and other 60 villages in Hungund Taluk (estimated at ₹20.60 crore), was forwarded (May 2008) to the Ministry, the same was not published in ITJ as the Ministry did not receive the Notice Inviting Tender (NIT) in time. The Ministry returned (August 2008) the NIT to EE, PRED, Bagalkot with the advice to send NITs through speed post in future.

The State Government agreed (March 2013) to follow the procedure in future.

➤ As per the guidelines issued (December 2002) by the State Government, fresh tenders were to be invited when less than three tenders were received for a work. It was, however, seen that in majority of the works in all the test-checked districts, only two contractors had participated and the concerned EEs did not invite fresh tenders in such cases. Thus, possibility of bid rotation between the two contractors, subverting the spirit of competition, could not be ruled out.

In another 22 cases in four²³ test-checked districts, single tenders were accepted for works costing ₹82.53 crore, which was in contravention to the KTPP Act.

The State Government replied (March 2013) that the tenders were accepted to avoid delays in completion. This was not justifiable as this had violated codal provisions and there were abnormal delays ranging up to 43 months in completion of works in all these test-checked cases.

2.1.11.3 Routine price negotiations

The above stated guidelines also discouraged conducting negotiations even with the lowest tenderer in a routine manner as it defeated the very purpose

²³ Bagalkot (1), Bellary (13), Chickmagalur (1) and Tumkur (7)

and ethics of competitive tendering. This was to reduce the possibility of tenderers jacking up the prices in the original tender and reducing the prices marginally during negotiation. The first choice for the tender inviting authority was to reject the tenders and invite fresh tenders. Audit observed in the test-checked divisions that the CE, instead of rejecting the tenders, invariably negotiated with the lowest tenderers who had quoted higher rates, even up to 45 per cent of the estimated rates. After negotiations, the contractors reduced their quoted rates to 15 per cent.

The State Government stated (March 2013) that negotiations were held to arrive at a workable amount and to avoid cost/time overrun. The reply was not acceptable as negotiations without resorting to fresh tenders was in contravention of the guidelines.

2.1.11.4 Works were entrusted to ineligible contractors

The State Government's instructions (October 2008), read with NIT, specified certain conditions for participation in a tender above ₹50 lakh, such as satisfactory completion of at least one work to the extent of 80 per cent of the tendered cost for works costing more than one crore; the contractor owning at least 50 per cent of the equipment required for the work, turnover of at least two times the amount put to tender, etc. Scrutiny of two technical evaluations²⁴ for works in Chickmagalur district showed that the execution of works were below the threshold fixed and the details of equipment owned by the contractors were not insisted upon. Thus the tender evaluation was not done as prescribed and works were entrusted to the contractor without adhering to the eligibility criteria for executing such works. It may be mentioned that both the works remained incomplete even after the scheduled dates of completion.

The State Government replied (March 2013) that the works were entrusted after ensuring the eligibility of the contractor. However, the documents with Audit prove the fact that the contractor was ineligible for entrustment of the particular work.

2.1.12 Wasteful expenditure on water supply projects

2.1.12.1 Non-functional water supply scheme

The WSS to Manakapur and Kasnal villages in Chikkodi taluk of Belgaum district was taken up during September 2001 and was completed (November 2009) after incurring an expenditure of ₹1.15 crore. It included infrastructure such as pumping machinery, water treatment plant, sumps and pipelines for distribution. However, the Health Department issued directions (February 2011) not to use the water as it was contaminated due to discharge of chemicals from industrial units. Accordingly, the EE proposed (February 2011) closure of the scheme and to take up a new scheme in its place. Failure of the Government in preventing contamination of the source resulted not only in wasteful expenditure of ₹1.15 crore but also denied safe drinking water to quality affected habitations in spite of availability of necessary infrastructure as stated above.

²⁴ Kalasa (cost- ₹2.60 crore and stipulated to be completed by December 2010) and Ballenahalli (cost -₹6.80 crore and stipulated to be completed by August 2011)

The State Government accepted (March 2013) that work was stopped and water was being utilised for domestic purposes, and not for drinking purposes.

2.1.12.2 Non-provision of water to habitations even after completion of scheme

➤ The WSS to Katageri and 13 other villages in Badami taluk of Bagalkot was approved by SLSSC (March 2007) for an amount of ₹4.60 crore. After obtaining approval (January 2008) the work was tendered and entrusted (August 2008) to an agency at a cost of ₹7.21 crore including a Main Balancing Tank (MBT). In addition to this scheme, the treated water from the MBT was also to cater to 11 villages under Anwala scheme. For both the works consisting of 25 villages, the treated water was to flow through gravity to the proposed villages. The work was stated to have been physically completed at a cost of ₹7.98 crore with water being supplied to the villages (November 2011).

A scrutiny of records showed that MBT was to be constructed at a height of 646 metres Full Service Level (FSL). However, the MBT was constructed at a height of 617 metres FSL as observed by the CE during his inspection (July 2012). As a result, the treated water could not be supplied through gravity to 13 villages proposed in these two schemes, and the assets created for supplying water to these villages could not be utilised.

The consultant also failed to check where the proposed MBT was being constructed. Thus, the negligence of the concerned engineers to construct the MBT at the appropriate level as proposed in the estimates resulted in non-provision of safe drinking water to 13 habitations, besides wasteful expenditure of ₹7.98 crore. There was, however, nothing on record to indicate any action being contemplated against the engineers.

The State Government replied (March 2013) that an alternative proposal at a cost of ₹98 lakh had been submitted for rectification of defects in the scheme.

➤ The WSS to Mangalur and two other villages in Yelburga taluk of Koppal district was approved in March 2007. The work was stated to be physically completed (March 2012) at a cost of ₹2.94 crore with trial run of water supply under progress. After the completion of work, it was seen that water was reaching only Mangalur village and not the other two villages i.e. Vanagere and Guttur. The CE blamed (September 2011 and February 2012) the consultant for the defects in the design for the scheme and for not providing an intermediate sump and a pump house, due to which water could not reach these villages. However, the consultants' response (September 2011) was that the sump and a pump house were provided in the original design and these were deleted in the final approved estimates due to financial constraints. From the correspondence, it was seen that the consultant and the engineers of the department blamed each other for the failure of the scheme, but did not take corrective steps. As a result, the expenditure of ₹2.94 crore remained unfruitful. The failure needed to be analysed and responsibility fixed.

The State Government replied (March 2013) that a proposal to provide additional and other requisite components had been submitted (November 2012) before SLSSC for approval. However, the reply was silent on the

reasons as to why the sump was not approved and how the scheme was expected to be successful without planning for the sump.

2.1.12.3 Execution of water supply scheme by using sub-quality materials and workmanship

The WSS to Islampur and 60 other villages in Hungund taluk of Bagalkot district was entrusted (March 2008) to an agency at a tendered cost of ₹20.60 crore with stipulation to complete the work by March 2009. The work was reported to be physically completed and treated water was being supplied to the villages. A sum of ₹19.81 crore was also paid to the agency as at the end of March 2012.

It was seen in audit that of the 60 habitations the scheme was to benefit, only 27 habitations received water daily. The remaining 23 habitations received water intermittently, six did not receive water at all and four habitations were altogether excluded from the scheme. Further, there were several deficiencies in the execution as the quality of air valves and control valve chambers was not up to mark and needed immediate replacement which was not carried out; water was reaching only to few Ground Level Reservoirs (GLR); the consultant noticed large number of leaks in joints due to which there was heavy pressure drop and due to low pressure water was not being pumped; 160mm dia PVC pipes were laid instead of 200mm dia PVC pipes and the pipes were laid in Black Cotton (BC) soil without murrum cushion resulting in damages to pipes due to uplift to the joints.

The CE was aware of these deficiencies as he had inspected (May 2011) the scheme and also appointed (May 2012) a consultant to inspect the work. The CE stated (July 2012) that the scheme was a failure due to large scale leaks in the pipelines and valve chambers. Thus the expenditure of ₹19.81 crore remained largely wasteful. The CE also rejected the proposal of the division for extension of time and ordered imposition of penalty (₹1.35 crore) as per the tender conditions. An enquiry was also ordered (July 2012).

Audit observed (August 2012) that ₹ one lakh only was recovered towards penalty. No further corrective/preventive measures were taken to rectify the defects or propose alternatives to service the habitations which were denied the envisaged benefits under the scheme. No responsibility was also fixed on the concerned officials.

The EE, PRED, Bagalkot replied (August 2012) that the matter would be investigated and action would be initiated to recover the penalty from the contractor. The State Government replied (March 2013) that works were completed and action was taken to plug the leaks and provide sufficient water to the proposed villages. However, the fact remains that the quality of materials used has been poor and intended benefits have not been extended to all the habitations.

2.1.13 Extension of undue benefits to the contractors

Audit came across cases where undue benefits were accorded to the contractors. These cases are detailed in succeeding paragraphs:

2.1.13.1 Loss due to non-recovery of Central excise exemption obtained by the contractors

As per the GOI, Ministry of Finance letter dated 28 October 2005; exemption from excise duty was available for pipes required for obtaining untested water from its source to water treatment plant and to the first storage point. The exemption was to be given by the Deputy Commissioner (DC) of the district, based on a certificate that the pipes were required from the place of tapping to the place where treatment plant was set up. It was seen in audit that in 22 cases in four test-checked divisions²⁵, the EEs had addressed the DC for providing exemption from central excise duty for the pipes and other accessories for the water supply works. The DCs gave the exemptions, based on the proposal. No action was, however, taken to recover the duty so exempted by the Government from the contractor. Thus the contractors were getting additional benefit as they had quoted the rates inclusive of central excise duty. As the purchase bills from the supplier were not available, the exact amount could not be worked out.

The State Government replied (March 2013) that action would be taken to recover the excise duty from the contractors.

2.1.13.2 Extra payment due to provision of higher diameter of pipes

The work of WSS to Mayaconda and 14 other villages in Davanagere district was taken up (February 2008) at a tendered cost of ₹9.71 crore. The work was completed (January 2011) at a cost of ₹11.94 crore. A pipeline of 300 mm DI pipes was proposed for raw water raising main. It was seen in audit that the CE had directed (December 2007) inclusion of 250 mm DI pipes in the tender documents instead of 300 mm before the last date of submission of tenders due to reduction in supply from 55 LPCD to 40 LPCD. However, the EE, PRED, Davanagere did not include the revised specification in the tender documents. The tender documents specified provision for 300 mm DI pipes. Audit also observed from running account bills and work slip approval statement that the Agency had laid only 250 mm DI pipes. However, the agency was paid at the rate for the 300 mm pipes. This resulted in excess payment of ₹66.94 lakh for 8,370 running metres.

The State Government replied (March 2013) that 300 mm DI pipes were used, hence payments were made accordingly. However, the reply was contradictory to the running account bills which indicated usage of 250 mm DI pipes only.

2.1.13.3 Irregular payment towards pipes

The material component, especially pipes, constituted a major portion of the estimated cost. As per the special conditions attached to the tender document, which formed part of the agreement, and also the specifications for the component, the contractor was to be paid only for the pipes supplied, laid, jointed and hydraulically tested.

The CE had also instructed (August 2010) the divisions to desist from making payments towards supply of pipes in the first bill. In spite of these instructions, it was noticed in 18 test-checked projects of three PREDs²⁶ that the divisions

²⁵ Bagalkot (10), Bellary (5), Koppal (3) and Tumkur (4)

²⁶ Bagalkot (10), Bellary (2) and Tumkur (6)

had made payments of ₹22.75 crore for the pipes in the first bill, though there were no earthwork excavations for the laying of pipelines.

The State Government replied (March 2013) that works in Tumkur and Huvinahadagalli divisions had been completed. However, the fact remained that payments were made contrary to agreement conditions and the orders issued by CE.

2.1.13.4 Adoption of soft, hard rocks and hard soil in the excavation of soils

As per codal provisions, trial pits should invariably be dug at the site of work and nature of soil such as ordinary soil, hard soil, hard rock, soft rock, *etc.*, ascertained before preparing the estimates for work. The rates are highest for excavation in hard rock, followed by soft rock, hard soil and lastly ordinary soil. It was seen in audit that this exercise was not done in any of the cases and no certificates were available on record. In the absence of such tests, the CE, while approving the estimates, should have adopted excavation rates only in respect of ordinary soil.

As per the work bills the expenditure on excavation of soils other than ordinary soil in two PREDs²⁷ worked out to ₹3.17 crore. In view of non-conducting of tests before estimation, it was evident that the engineers had prepared the estimates on ad hoc basis. As such, excess payments could not be ruled out.

The State Government replied (March 2013) that trial pits were drilled on random basis in Tumkur division and in Koppal division reports were submitted. However, the reports were not made available to Audit. In the absence of these reports, Audit could not assess the correctness of quantities executed and payments made.

2.1.13.5 Excess payment due to adoption of tendered rates for excess quantity

➤ As per the agreements entered into by the PRED with the agency, extra items or quantities in excess of 125 *per cent* of the tendered quantity should be paid at Current Schedule of Rate (CSR) plus or minus tender premium.

It was seen in respect of WSS to Mundargi and 37 other villages in Koppal taluk (Mundargi & 87 villages Ph-I) of Koppal district that quantities of pipes increased beyond 125 *per cent* of the tendered quantity. The EE, PRED, Koppal, while calculating the rates for additional quantities, had adopted the tendered rates, instead of CSR plus the tender premium of 14.89 *per cent*. The decision to adopt the tendered rates was based on the letter of the contractor agreeing to execute the extra quantities at the tendered rates, which was also agreed to by the department. The deliberate and considered decision of the department to adopt tendered rates for additional quantities resulted in over payment of ₹21.08 lakh to the contractor as the tendered rates were more than the CSR plus tender premium.

➤ Similarly, in the work of WSS for Sindigere and four other villages in Bellary district, though the quantity of murrum had increased beyond 125 *per cent*, the contractor was paid at his tendered rates of ₹150 per cum, while the

²⁷ Koppal (₹78.78 lakh) and Tumkur (₹238.60 lakh)

CSR plus tender percentage worked out to ₹107.43 per cum. This resulted in undue benefit of ₹7.21 lakh to the contractor.

The State Government replied (March 2013) that payments were made after approval from the competent authority. The reply was not acceptable as it was against the agreement clause.

2.1.14 Doubtful execution of works

2.1.14.1 Irregular payment towards pipes

The engineer overseeing the work is responsible for recording each set of measurements in the Measurement Books (MB), which should be check-measured by the Assistant Executive Engineer (AEE). The EE is also required to check 25 per cent of the works executed. In WSS to Navali and 22 other villages in Gangavathi taluk of Koppal district, the work commenced during January 2009 was stated to be nearing completion and the payment amounting to ₹10.63 crore was made to the contractor by the end of March 2012. The payments for the pipes were made against the initial bills between February and September 2009. While inspecting (July 2011) the work, the CE had ordered recheck of total quantity of pipes laid. Accordingly, AEE, Koppal subdivision verified the quantity of pipes actually available *vis-à-vis* the pipes for which payments were made. The AEE's report, however, did not indicate the excess payment. As per AEE's report (August 2011), there were 63,161 running metres (RMT) of pipes of various classes actually laid, whereas the payments had been made for 71,202.50 RMT of pipes. Audit calculated the difference which worked out to ₹98.15 lakh. Thus, there was failure in internal control checks to be followed while check-measuring the works. This resulted in irregular payments of ₹98.15 lakh to the contractor.

The State Government replied (March 2013) that the difference in quantity of pipes was laid subsequently after the inspection by CE. However, the reply was not acceptable as there was no documentary evidence to substantiate the reply and the payments were made much before the actual laying of pipes.

2.1.14.2 Irregular check measurement and payment of bills to contractors without ensuring availability of materials

Each set of measurements to be recorded should commence with entries stating among other things, date of recording measurements. A scrutiny of WSS to Machakanur and nine other villages in Mudhol taluk of Bagalkot district showed that the measurements were taken and recorded on 25 March 2011 in the MBs even before materials required for laying of pipelines had arrived at the work spot. The payment of ₹3.13 crore was made for different works which, *inter alia*, included supply of pipes and conveying to work site, rolling, lowering into trenches, jointing of pipes and specials, encasing the pipes with 15 cm soft gravel, giving hydraulic tests, testing and commissioning.

It was seen in audit that the Third Party Inspection (TPI) agency had inspected the materials on 26 March 2011 at Jalgaon (Maharashtra State) which were after the date of check measurement i.e. on 25 March 2011 and the place of inspection was also hundreds of kilometers away from the work spot. Thus, there was a total failure of the internal control system at all levels.

The State Government replied (March 2013) that payments had been made after verification and as per rules. However, the reply was not acceptable as materials would not have arrived on the date of check measurement.

2.1.14.3 Construction of impounding reservoir did not yield the desired results

The WSS to Mincheri and four other villages in Bellary taluk, was taken up (August 2008) at an estimated cost of ₹3.82 crore and civil works were stated to be completed. However after completion, water brought to IR was getting drained through seepages. Even after water was filled for over 12 hours daily, it was seen that water could be retained only to a depth of 0.45 meter on one side and nil on the other side. The division claimed that the agency had laid a 30 cm Black Cotton soil blanket in the IR. It was noticed in audit that IR had been constructed in a place which was not the original one initially proposed in the estimates. The change, stated to be necessitated due to protest from villagers, was accepted without obtaining approval from the competent authority. The division continued with the civil works and completed all the items contemplated in the estimates at an expenditure of ₹4.17 crore as per the progress report of March 2012. As the water was not getting retained in the IR, the consultant opined (May 2011) that BC blanket of 60-100 cms was required to be spread in the IR so as to retain water in the tank. This was not done even though two years had lapsed after the date of completion of civil works. As a result, the entire expenditure of ₹4.17 crore remained wasteful besides non-provision of safe drinking water to the proposed villages.

The State Government replied (March 2013) that water was not being stored due to high porosity of soil and work would be taken up in consultation with State level quality control task force.

2.1.15 Installation and functioning of De-Fluoridation plants

2.1.15.1 Non-functional de-fluoridation plants

The DF plants are installed in habitations which have high content of Fluoride for which alternate sources of safe drinking water cannot be provided and are considered as low cost technology to address quality issues. A total number of 100 Reverse Osmosis (RO) and 25 Absorption Technology Systems (ATS) were installed (September 2002 to June 2003) and as none of the units installed were functioning, it was proposed in the annual reports of RDPR department to entrust the maintenance of these plants to the approved organisation on contract basis. It was further seen that the RDPR department had been claiming every year from 2007-08 onwards that action had been taken to entrust the work of maintenance of these plants on contract basis and guidelines had been issued for the annual maintenance contract. A paragraph on non-functional DF plants was included in the Report of the Comptroller and Auditor General of India (Panchayat Raj Institutions) for the year ended 31 March 2007 (Paragraph 2.9). However, out of the total 100 non-functional RO and ATS plants in the State, only 61 RO plants had been repaired and the remaining RO plants continued to remain non-functional. Further, none of the ATS plants had been repaired and put to use (July 2012). This resulted in not only the expenditure on installation remaining wasteful but the failure in

repairing of plants also defeated the objective of providing safe drinking water.

It was seen in Belgaum district that on a proposal (April 2009) made by the CE, Government released (May 2012) ₹64.50 lakh to ZP Belgaum for repair of 16 RO plants installed at a cost of ₹1.63 crore. However, the Chikkodi division was yet to identify the agency to carry out the rectification work (August 2012), resulting in non-provision of safe drinking water to the habitations.

The State Government replied (March 2013) that the agency in Belgaum district was not traceable and balance 10 *per cent* was held up. However, the reply was silent about the rectification work.

2.1.15.2 Failure to complete terrafil plants for combating Arsenic contamination

The GOI had approved (March 2008) establishment of terrafil units²⁸ in Chickmagalur district for which an amount of ₹7.16 crore was released (February 2009) to ZP. After tendering, the work order was issued (September 2009) to an agency for fixing 1,156 units in 344 habitations at a unit cost of ₹63,000 with instruction to complete the work within three months. The total tendered amount for the project was ₹7.28 crore, which worked out to 14.54 *per cent* over the amount put to tender.

The agency, however, did not complete the work and installed only 110 units in one taluk and a payment of ₹69.30 lakh was made to the agency. The agency requested (January 2011) the department that it could not undertake the work due to increased cost and requested for extension of time as well as relieving him from the responsibility. The division and the Superintending Engineer recommended (February 2012) the case to the CE who approved the same with a nominal penalty @ ₹20 per day amounting to ₹0.14 lakh. Alternate arrangements for the completion of work of providing these filters were not made. This resulted in denial of safe drinking water to the needy habitations, besides non-utilisation of the amount allocated.

The State Government replied (March 2013) that establishment of terrafil units in Chickmagalur district was done on pilot basis and the balance villages would be considered after obtaining feedback on the pilot project.

2.1.15.3 Wasteful expenditure on repairs of DF plants

In Tumkur district, 27 DF plants were not functional, out of which the EE, PRED, Madhugiri proposed to repair 12 DF plants during 2007-08 for which ZP released ₹30 lakh. The EE, without obtaining any approval from the CE, split the work into 12 individual works and entrusted the works to class III contractors who were not experts in the field of installation and maintenance of DF plants. The work orders were issued on 17 December 2007 and the works were stated to have been completed within 20 days at a cost of ₹29.95

²⁸ Terrafil filter is a low cost device to filter impure water into clean drinking water when the water is rich in sediments, suspended particles, Iron and certain micro-organisms causing water borne diseases. It is most suitable for areas where water from both surface and ground water sources like dug wells, ponds, tube wells and rivers are used for drinking purpose. (Source: Council of Scientific and Industrial Research, Bhubaneswar, Orissa)

lakh. However, when the CE proposed to repair all the DF plants in the State as a whole, the division reported that these 12 DF plants were not working, even though repaired. Thus, the repair of DF plants through unprofessional agencies resulted in wasteful expenditure of ₹29.95 lakh.

The State Government replied (March 2013) that CE was not aware of the repairs done and action would be initiated against the engineers for entrusting work to unprofessional agencies.

2.1.16 Monitoring of the Scheme

2.1.16.1 Establishment and functioning of Committees

Proper functioning of various Committees and Bodies to be constituted under the programme is a must for the achievement of end objective. However, it was seen that the functioning of various monitoring agencies was far from satisfactory and, in some cases, the same were not constituted at all as discussed below:

Monitoring agency	Functions and responsibility	Status noticed by Audit
<i>State Water and Sanitation Mission</i> headed by the Chief Secretary/Additional Chief Secretary with members from various departments.	It was to provide policy guidance, monitoring and evaluation of physical and financial performance and management of the water supply and maintaining the accounts for programme Fund and Support Fund.	The SWSM had not met anytime from the date of constitution (September 2009). The mission was largely ineffective as allocation contemplated under the guidelines were not made available, large number of works remained incomplete, monitoring of programme was lackadaisical.
<i>State Level Scheme Sanctioning Committee</i> headed by a Chairperson who is the Secretary, RDPR department and the Committee should meet at least twice in a year.	Sanctioning new schemes, progress, completion and commissioning of the schemes approved.	After its constitution in December 2009, the SLSSC met only four times against five prescribed during 2009-12. Further, in majority of the meetings, discussions concentrated only on sanctioning of new schemes rather than on progress of works.
<i>District Water and Sanitation Mission</i> (DWSM) functions at ZP and is headed by President of ZP and shall meet at least quarterly.	To review the implementation of the schemes approved, taking action for the works remaining incomplete.	In none of the test-checked districts the DWSM was constituted, evidencing slackness in programme implementation.
<i>Village Water and Sanitation Committee</i>	Constituted for the maintenance of the completed schemes.	In test-checked districts, the VWSC had not been constituted for the proper maintenance and upkeep of the water supply schemes.

The State Government replied (March 2013) that the action had been taken to constitute the Committee in SWSM and same was expected to be functional in 2013-14 and establishing DWSM would be done in 2013-14. As far as VWSC was concerned, the State Government stated that the matter was under consideration.

2.1.16.2 Inspections

Proper inspection of scheme is a basic requirement for its success. Audit observed several deviations in the monitoring and inspection by Departmental officers as detailed below:

Provision in the guidelines	Position noticed in audit
DWSM should constitute a team of experts in the district who should review the implementation in different block frequently.	Such a team of experts was not constituted in any of the test-checked districts.
The SWSM should conduct review of the programme in the districts once in six months.	SWSM had not even met since its constitution. Evidently, there was no inspection at the highest level.
The community needs to be involved in the water quality monitoring & surveillance programme.	No information was available regarding such inspection in any of the test-checked districts.
Inspection as to whether the water quality information of the drinking water sources is displayed in GPs by wall painting.	No inspection was done.

The State Government accepted (March 2013) the fact and stated that establishment of DWSM was under serious consideration and once these were constituted, the same would be strengthened by inducting experts.

2.1.17 Conclusion

Planning was deficient as the annual plans were approved after delays, sometimes stretching to the fag end of the financial year. The pace of coverage and completion of projects did not indicate that all the habitations would have access to safe drinking water anytime in near future. The financial allocation for the quality aspect was deficient resulting in non-utilisation of earmarked percentage of funds. The physical achievements were far from satisfactory. The key aims of creating assets for providing safe drinking water remained undelivered. As there were abnormal delays in completion of works, the Government failed to provide the basic minimum need of safe drinking water to quality affected habitations. Monitoring and inspection of activities under the programme at different levels was not adequate.

2.1.18 Recommendations

- The AAPs should be prepared as scheduled so that schemes could be commenced and completed within the stipulated time.
- At least 20 *per cent* of the allocation under NRDWP should be utilised for addressing quality affected habitations.
- The delays in acquisition of land, poor progress by contractors, unrealistic estimates, execution of additional quantities/extra items, *etc.*, leading to cost and time overruns should be avoided.
- The department should ensure strict action against officials found responsible for faulty execution of works and monitoring and inspection should be strengthened at all levels.

SECTION 'B' – PARAGRAPHS

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT AND SOCIAL WELFARE DEPARTMENT

2.2 Fraudulent withdrawal of funds from bank account

Out of ₹10.77 lakh required to be remitted to the Government account, the Taluk Social Welfare Officer, Sira Taluk remitted ₹0.77 lakh only and fraudulently withdrew ₹10 lakh. The Taluk Social Welfare Officer then tampered with the Treasury challan to suppress the short remittance and fraudulent withdrawal.

In order to avoid misuse of Government money lying in bank accounts, the Principal Secretary, Social Welfare department, Government of Karnataka had instructed (May 2011) all District Social Welfare Officers to convert existing savings bank accounts to a joint account in the names of Deputy Commissioner (DC) and Chief Executive Officer (CEO) of Zilla Panchayat (ZP). The Taluk Social Welfare Officers (TSWOs) were also instructed to close all their bank accounts and to remit the balances lying in these accounts to the joint account maintained at the district level.

On a test-check of records in the office of TSWO, Sira taluk in Tumkur district, it was seen that a sum of ₹53.23 lakh was lying in a bank account as of July 2011. The TSWO, instead of closing the bank account and remitting the entire amount, remitted (July 2011) only ₹42.19 lakh (including commission charges) to the concerned district authorities and incurred a sum of ₹0.27 lakh on other expenses. The balance amount of ₹10.77 lakh was recorded as remitted to the Treasury on 15 December 2011. The challan for the remittance of ₹10.77 lakh to the Government account under the Major head 0049 (Interest receipts) was kept on record.

On verification of remittances in the Schedule of Receipts maintained by the Sub-Treasury Office (STO), Sira, it was seen that only ₹0.77 lakh was remitted vide challan No. 27. Audit confirmed (September 2012) from the bank that the TSWO had drawn two cheques on 15 December 2011, one for ₹10 lakh for issue of a demand draft in favour of M/s Aditya Enterprises, Kestur and another for ₹77,365/- for remitting the same to Government account.

Evidently, the TSWO had remitted only ₹0.77 lakh out of the amount available in the bank account and added '10' (both in figures and words) before the amount of ₹77,365/- to suppress the short remittance.

Thus, the action of the TSWO in not closing the bank account soon after receiving the instructions and then tampering with the challan resulted in fraudulent withdrawal of ₹10 lakh.

On this being pointed out (13 September 2012) by Audit, the then TSWO remitted ₹10 lakh to the Government account on 18 September 2012. Though the funds fraudulently drawn have been remitted to the

Government account, the matter needs to be investigated by the Government to fix the responsibility.

The Government endorsed (January 2013) the reply of the CEO, ZP, Tumkur which acknowledged the fraudulent withdrawal of Government money. It was stated that a criminal case has been filed on 04 December 2012 in this regard and the final outcome was awaited (January 2013).

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.3 Extra expenditure

Providing and laying surface dressing in village road works by Panchayat Raj Engineering Divisions in Bagalkot, Bellary, Chickmagalur, Gulbarga and Ramanagara districts contrary to the norms of Indian Roads Congress resulted in avoidable extra expenditure of ₹1.42 crore.

The construction of rural roads (other district roads and village roads) is governed by the specifications in Rural Roads Manual (Special Publication: 20-2002) issued by the Indian Roads Congress (IRC). The specifications *ibid* recommend that bituminous layer of Pre-mix Carpet (PMC)²⁹ with seal coat or Surface Dressing³⁰ (SD) may be applied over the semi-rigid base.

The Executive Engineers (EEs) of Panchayat Raj Engineering Divisions (PREDS) in five districts³¹ took up (2010-11) the works of 'improvements to village roads' under NABARD³² Rural Infrastructure Development Fund-XV and XVI. From a test-check of records (June 2012 - January 2013), it was seen that estimates for these works included construction of granular sub-base and three grades of metalling *i.e.* water bound macadam (WBM) as base course and two wearing courses *viz.*, SD as intermediate wearing course followed by tack coat and close graded PMC as final wearing course. Accordingly, the SD was laid in between the base course and PMC by incurring an expenditure of ₹1.42 crore (detailed in **Appendix 2.1**). However, as per the norms of IRC, in case of rural roads, 20 mm thick bituminous layer of PMC with seal coat or 20 mm thick mix seal surfacing or SD was to be applied on the WBM. Hence, laying of the intermediate wearing course *i.e.*, SD in between base course and final wearing course was contrary to IRC norms.

The EE, PRED, Chickmagalur replied (June 2012 and September 2012) that single coat SD was executed as this item was particularly recommended by the NABARD authority and SD was provided to serve as binding material as these works came under Malnad Region. The EE, PRED, Gulbarga replied (December 2012) that SD ensured waterproofing of the base layer as well as fixation of aggregates. The replies were not acceptable for the following reasons:

²⁹ PMC involves laying of closely graded premix material in 20 mm compacted thickness on a previously prepared surface.

³⁰ Surface dressing involves successive spraying and spreading of binder and aggregate respectively. This mainly seals granular surface and ensures waterproofing of the base layer as well as ensures contact between the traffic and pavement.

³¹ Bagalkot, Bellary, Chickmagalur, Gulbarga and Ramanagara

³² National Bank for Agriculture and Rural Development

- IRC is the standard setting authority in respect of road works. Even the Pradhan Mantri Grama Sadak Yojana (PMGSY) guidelines which is a flagship programme related to rural roads and NABARD guidelines for selection/scrutiny of road works also stipulate construction of rural roads in accordance with the specifications as given in the Rural Roads Manual issued by IRC.
- SD was followed by tack coat and PMC, which also served as binding material.

Hence, the execution of SD as intermediate wearing course was not warranted and expenditure of ₹1.42 crore incurred on SD was avoidable.

The matter was reported to the State Government (August 2012 and February 2013); reply is awaited.

2.4 Unfruitful expenditure on water supply scheme

Entrustment of work to a contractor without acquiring land resulted in unfruitful expenditure of ₹1.41 crore on advance procurement of materials besides denial of safe drinking water to the villages.

The codal provisions³³ require taking up of projects after ensuring availability of required land, preparation of design and drawings after proper survey so that the project could be completed within the stipulated time to realise the intended benefits. Any delay in providing these inputs results only in time and cost overrun and postponement of benefits.

With an objective of providing safe drinking water to Kurdi and seven other villages of Manvi taluk, Raichur district, a water supply scheme (Scheme) under Sub-mission project of Rajiv Gandhi National Drinking Water Mission estimated to cost ₹6.86 crore was administratively approved by the Director and ex-officio Joint Secretary to Government, Rural Development and Panchayat Raj (RDPR) Department in August 2008, based on the decision (December 2007) of the State Level Empowered Committee. The project cost was to be shared between the Government of India and the State Government in the ratio of 75:25. The Scheme envisaged construction of impounding reservoir, with Tungabhadra river being the source of water. Twenty two acres of land at Rajalabanda village belonging to Horticulture Department was identified on the assurance of the local Horticulture Departmental officers for construction of the impounding reservoir.

The Chief Engineer, Panchayat Raj Engineering Department (CE), while according the technical sanction (20 November 2008) stipulated that land should be acquired before inviting the tenders. However, the Executive Engineer, Panchayat Raj Engineering Division, Raichur (EE) had already invited (07 October 2008) tenders even before getting the technical sanction and ensuring the availability of land. Out of two bids received (10 December 2008), only one tenderer³⁴ qualified for the technical evaluation. The EE, instead of rejecting the tender due to lack of competition, entrusted (February 2009) the work to the contractor at a cost of ₹6.50 crore against an amount of ₹5.04 crore put to tender. The work was stipulated to be completed by January

³³ Paragraphs 209 and 211 of Karnataka Public Works Departmental Code (Volume I)

³⁴ Shri M. Earanna, Grade I contractor

2010. The approved designs and drawings for construction of intake-well pump house, water treatment plant *etc.*, were provided during September 2010 after a delay of 19 months. The contractor, in anticipation of execution of work, had procured PVC pipes, pumping machinery *etc.*, even before the approval (August 2010) of designs and drawings and an amount of ₹1.41 crore was paid by the EE in March 2009. However, the Horticulture Department refused to release the required land (May 2009).

Thus, the improper action of the EE in entrusting the work without ensuring the availability of land and procurement of materials resulted in unfruitful expenditure of ₹1.41 crore.

The EE replied (July 2012) that alternative land in the same village was identified but the consultants opined that the land was not fit for impounding reservoir as it was submerged in water due to heavy rains. Hence, another land was identified in Gorkal village and a proposal for land acquisition sent to the Deputy Commissioner, Raichur on 24 February 2010, for which an amount of ₹20 lakh had been deposited.

The Government endorsed (December 2012) the reply of the Chief Executive Officer, Zilla Panchayat, Raichur which also stated that action had been initiated to acquire the land and works would be completed within 8 to 10 months. However, the fact remains that the land acquisition process is still in a preliminary stage and identified villages have been denied safe drinking water even after a lapse of five years. The possibility of cost overrun could also not be ruled out. The commencement of work without taking possession of the required land was, therefore, imprudent and contravened the codal provisions.

2.5 Entrustment of work in disregard of norms

Chief Executive Officer, Zilla Panchayat, Bellary colluded with Executive Engineer, Panchayat Raj Engineering Division, Bellary and vitiated the tendering process, resulting in wasteful expenditure of ₹31.92 lakh on sub-standard work. The Government also did not initiate appropriate action against the concerned officers.

The codal provisions³⁵ stipulate that pre-requisites like preparation of detailed estimate, obtaining sanction, provision of funds, *etc.*, should be ensured before taking up a project so as to realise intended benefits. Further, as per the Karnataka Transparency in Public Procurements (KTPP) Act and Rules thereunder, no procurement entity shall procure goods or services except by inviting tenders and should ensure a minimum period of 30 days for submission of tender up to ₹ two crore and any reduction in time should be specifically authorised by superior authority for reasons to be recorded in writing. It was also stipulated that in respect of works involving computer peripherals and related services, the list of pre-qualified tenderers empanelled by the Directorate of Information Technology, Government of Karnataka (DIT) should be referred to.

The Executive Engineer, Panchayat Raj Engineering Division, Bellary (EE) took up (2010-11) the work of '*implementation of contract management and*

³⁵ Paragraph 211 of Karnataka Public Works Departmental Code (Volume I)

reporting of Panchayat Raj Engineering Divisions, Bellary and Hadagali' which was a workflow-based web application.

Test-check of records (July 2012) showed that the Chief Executive Officer, Zilla Panchayat, Bellary (CEO) along with EE vitiated the tendering process to benefit a particular contractor as discussed below:

The work was estimated at ₹32.19 lakh and involved development of software. The CEO ordered (September 2010) making use of savings available under other heads³⁶ of account, which was irregular.

The EE, instead of calling tenders as per KTPP Act or selecting from the list of pre-qualified tenders invited (09 August 2010) quotations with the last date of submission as 20 August 2010. This was done as per 'oral instructions' of CEO. The notice inviting quotations was not given publicity and was only pasted on the office notice board. Three agencies located outside Bellary³⁷ submitted their quotations.

It was seen that all three quotations contained the same grammatical and spelling mistakes. Further, the EE certified to have opened the quotations on 20 August 2010 though these were submitted on 17/18 September 2010. Later the EE rejected all the quotations without assigning any reason.

Thereafter, the EE again invited short term tender through e-tendering on 23 September 2010. The approval of superior authority was not obtained for calling short term tender of 19 days. Further, the tender for an amount of ₹32.19 lakh was called through KW-1 document which was meant for civil works below ₹20 lakh and did not require two cover system. Out of two tenders received, the lower tender of M/s Viztek BPO Solutions Pvt. Ltd., Hubli (vendor) amounting to ₹31.92 lakh was accepted (14 October 2010) without the technical evaluation of bids. This was one of the three agencies who had submitted the quotations earlier and also had discussions with the CEO on 13 August 2010.

The EE entered into agreement with the vendor on 14 October 2010. The work was reportedly completed during March 2011 for which a sum of ₹31.92 lakh was paid (December 2010 – March 2011). While making payments, the Junior Engineer (JE) concerned had certified that the work was satisfactory.

However, District Informatics Officer, National Informatic Centre, Bellary, reported (August 2011) that the application was still in preliminary stages and made the following observations:

- User requirements were not gathered properly and there was no user requirement specification (URS) document.
- Tables design was not done properly and linking of master data was not appropriate.
- There was no module for estimate preparation.
- More validations were required in input screen during data capture.
- Fund management was not handled properly.

³⁶ 3054, 4702 and 5054 meant for civil works

³⁷ Bangalore, Hubli and Hyderabad

- There was no provision for rejection of bills in the application.
- The user manual did not contain the required information.
- Customised reports were not readily available and the source code was not given.

Later the JE submitted (September 2011) that the vendor was a close associate of former CEO who had forced him to certify the work though he was not qualified in software technology.

The irregularities were brought to the notice (September 2011) of the Government; however, appropriate action was not taken (July 2012) against the officers concerned. Only the JE was suspended (August 2011) but reinstated during February 2012.

The EE made (January 2012) unfruitful efforts to contact the vendor to rectify the defects in the software. The software was not being used (July 2012) in the division. Evidently, the entire tendering process was vitiated to entrust the work to a particular vendor which resulted in wasteful expenditure of ₹31.92 lakh on sub-standard work.

Audit Officer of Panchayat Raj Engineering Division, Bellary accepted (July 2012) all the audit observations and reiterated that the work was taken up as per oral instructions of CEO and without obtaining proper approvals. It was also stated that so far no action has been taken either to rectify the defects or to initiate enquiry against officers concerned.

The matter was reported to the Government in August 2012; reply is awaited (February 2013).