Chapter 3

Compliance Audit

CHAPTER 3

COMPLIANCE AUDIT

Compliance Audit of the Economic Sector departments, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs:

COMMERCE AND INDUSTRIES DEPARTMENT

3.1 Unfruitful expenditure

Absence of a detailed project report, diversion of funds, non-procurement of necessary equipment , *etc.* resulted in failure in setting up of Gems and Jewellery Training Institute leading to unfruitful expenditure of ₹ 2.01 crore.

Government of Karnataka (GoK) approved (January 2008) establishment of a Gems and Jewellery Training Institute and Park at Bengaluru and Karwar under Public-Private Partnership (PPP) model to be implemented by Karnataka Small Scale Industries Development Corporation Limited (KSSIDC) and released (March 2009) ₹ 1.01 crore for the training component of the project. The efforts made by KSSIDC to find private players did not materialise and hence it decided (March 2010) to refund the amount to Government. The Government Tool Room and Training Centre (GTTC) which was in the field of imparting industrial training programmes offered to take the responsibility for training and implementation of the project in co-ordination with KSSIDC. The Government accepted (October 2010) the proposal and issued orders for transfer of ₹ 1.01 crore from KSSIDC to GTTC and also released an additional amount of ₹ one crore as per the estimate submitted by the GTTC. The project cost of ₹ 2.01 crore comprised procurement of computer hardware, software, jewellery laboratory equipment, metrology equipment, furniture, *etc*. GoK also stipulated that KTPP Rules[26] be followed for procurement.

The details of procurement and payment made are given in **Table 3.1:**

Table 3.1: Procurement and payment details of computer materials

Sl No	Description	Supplier	Quantity	Amount paid (₹ in lakh)
1	Siemens PLM[27] jewellery design software	Meksol India	40	49.00
2	DELL Workstations	Sam Infoways India Pvt Ltd	40	35.78
3	DELL Laptops	Computer Indya	25	11.90
			TOTAL	**96.68**

[26] Karnataka Transparency in Public Procurements Act, 1999 & Rules, 2000
[27] Product Lifecycle Management

The jewellery laboratory equipment, metrology equipment, furniture, *etc*., were not procured. The Governing Council of GTTC (GC) decided (May 2011) to discontinue the establishment of jewellery training institute at Bengaluru and instead suggested the project be taken up as a joint venture with industry association on PPP model because of financial crunch. The GC proposed (February 2012) setting up of a sub-centre at Mangaluru, in place of Bengaluru, due to space constraints which was approved by the Government in September 2012. The equipment was accordingly shifted to Mangaluru in November 2014.

Audit scrutiny (September 2014) of records revealed the following:

- The computer hardware was procured from different firms without following competitive bidding process as required under the KTPP rules.
- The establishment of the institute was sanctioned without a detailed project report. No survey was conducted to assess the demand for or requirement for a Gems and Jewellery Training Institute. Due to lack of planning, the PPP model of implementation had to be scrapped and GoK had to release additional funds.
- Project funds amounting to ₹ 1.04 crore meant for procuring essential equipment were unauthorisedly diverted to meet establishment expenditure.
- Out of 40 workstations procured (October 2010), 10 workstations each were initially supplied to Mangaluru and Belagavi institutes even though they were not approved centres as per the original scheme. The delivery pattern was indicative of skewed planning.
- The Siemens PLM jewellery design software was procured at a cost of ₹ 49 lakh on the basis that it was being used by private jewellery making firms and also by private training institute. However, Audit noticed that private training institute was imparting training using Rhinocerous and Matrix software. The Siemens PLM software is commonly used for CAD/CAM application software for imparting training in tool and die making, sheet making and could also be used for jewellery designing. Thus software was purchased without assessing proper requirement.
- GTTC procured 25 laptops (cost ₹ 11.90 lakh) which were not as per the requirement. It was stated that the laptops were being used by officers of the institute. Thus, the project funds were diverted for other purposes.

The establishment of a jewellery training institute (sub-centre) at Mangaluru did not serve any purpose as there were no takers for the jewellery training programmes offered, thereby rendering the expenditure of ₹ 2.01 crore unfruitful.

On this being pointed out (May 2015), Government stated (October 2015) that it was decided to establish the Gems and Jewellery Centre at Mangaluru since sufficient space was not available in GTTC Bengaluru Centre. It also stated that efforts were made to conduct Gems and Jewellery design training

programmes using computers and software procured for this purpose, but there was no response from the candidates to undergo training. However, the workstations and software would be used to train Diploma students. The reply clearly establishes the fact that the project was ill-conceived without proper planning. Even after setting up of the centres, publicity measures were not undertaken to attract potential persons to get training.

Thus, absence of a detailed project report, diversion of funds and poor implementation resulted in non-fulfillment of the objective of establishing a Gems and Jewellery Training Institute even after seven years of sanction by the Government, which resulted in unfruitful expenditure of ₹ 2.01 crore.

3.2 Excess payment of Market Development Assistance

Payment of ₹ 1.99 crore in excess of permitted rate for Market Development Assistance.

Government of India (GoI) modified (April 2010) the Market Development Assistance (MDA) to enlisted Khadi institutions from the existing rebate scheme to provision of assistance at the rate of 20 *per cent* of the production cost. For items supplied to Government departments under Rate Contract (RC), which does not involve retail channel, the Khadi institutions were eligible to receive MDA at 11 *per cent*[28] of the production cost.

The Government of Karnataka (GoK) switched over to MDA from 1 April 2012, fixing the rate at 15 *per cent* of the production cost. As per the guidelines issued (April 2010) by the GoK, the conditions prescribed by the GoI were also made applicable to the MDA provided by State. The MDA being fixed at 15 *per cent* of the production cost, the Khadi institutions supplying RC items were eligible to receive MDA at 8.25 *per cent*[29] of the production cost as per the GoI formula, specified in the guidelines.

On scrutiny of the records (November 2014) of Karnataka State Khadi and Village Industries Board, Bengaluru (Board), Audit noticed that excess MDA was paid to 12 Khadi institutions for RC items during 2012-13 and 2013-14, without restricting the amounts to the admissible MDA at 8.25 *per cent* of the production cost. As per the RC sales details furnished to audit, the MDA payable by GoK works out to ₹ 2.43 crore against which MDA of ₹ 4.42 crore was paid to these Khadi institutions. The excess payment of MDA in contravention of scheme guidelines works out to ₹ 1.99 crore.

The Chief Executive Officer of the Board stated (August/October 2015) that the excess payment of MDA actually worked out to ₹ 64.51 lakh and ₹ 50.51 lakh had been recovered. The balance amount would be recovered in future releases.

The Board, however, did not furnish the details of how the excess payment of only ₹ 64.51 lakh was arrived at. Also, contrary to their claim that

[28] GoI formula = (25 + 30) × (20 ÷ 100) = 11
[29] GoK formula = (25 + 30) × (15 ÷ 100) = 8.25

₹ 50.51 lakh had been recovered, Audit verified (October 2015) that only ₹ 30 lakh was actually recovered (October 2015).

The matter was referred to the Government in May 2015, followed by reminders in August and September 2015; their reply is still awaited (December 2015).

3.3 Payment of land compensation twice for same land

Land compensation payment was made twice for the same land resulting in erroneous payment of ₹ 1.84 crore due to non-verification of status of land by Karnataka Industrial Areas Development Board.

In terms of circular issued by Government (March 2007) for acquisition of land for formation of industrial layout, the preliminary notification is to be made only after conducting joint measurement of land with Revenue Authorities.

Karnataka Industrial Areas Development Board (KIADB) acquired 1,612-08 *acres* of land for Harohalli Industrial Area (3rd Phase) in Ramanagar district which included 409 *acres* of land in Bannikuppe village, Harohalli hobli, Kanakapura taluk of Ramanagar district. The preliminary notification for acquisition of these lands under section 28 (1) of KIADB Act and final notification under section 28 (4) was issued in October 2006 and January 2010 respectively. The joint measurement of the lands at Bannikuppe village was conducted by the Special Land Acquisition Officer, Bengaluru (SLAO) of KIADB with representative of the Revenue Department (Tahsildar, Kanakapura) during January 2013. The land compensation was thereafter paid to the land owners between March and June 2013.

The lands acquired for the industrial area included 14-10 *acres* in survey numbers 198/5, 199, 210/3, 210/7, 210/11 and 240 of Bannikuppe village for which land compensation of ₹ 2.28 crore was disbursed by KIADB. Based on complaints about the payment of land compensation for Government lands, KIADB undertook spot verification (November 2013) which established the fact that 5-28 *acre*s of land in Bannikuppe Village had already been acquired by the Land Acquisition Officer, Ramanagar for a minor irrigation project and land compensation had already been paid between 1980 and 1988. Despite above, the KIADB had paid land compensation of ₹ 1.84 crore for 4-33½ *acres* (out of 5-28 *acre*s) of Government land in 2013 which resulted in double payment of land compensation. Revenue recovery suits had been initiated by the KIADB against the persons who had again received the land compensation amount for the same land for which compensation had already been paid.

Audit scrutiny (September 2014) of records showed that following lapses contributed to payment of double compensation for the land:

- Though instructions issued in March 2007 by Government stipulated that joint measurement of the land had to be conducted before issue of preliminary notification, the joint measurement was conducted (January 2013) only after issue of the final notification (January 2010).
- When joint measurement (January 2013) was conducted by the SLAO, KIADB along with the representative of the Revenue Department (Tahsildar, Kanakapura), it was specifically noted in the joint measurement report that payment of land compensation in respect of certain survey numbers was to be made after due verification as they formed part of submergence area of a minor irrigation tank. Though the SLAO, KIADB was personally involved in the exercise of the joint measurement process and was aware of the fact that a portion of land belonged to the Minor Irrigation Department, he disbursed the land compensation without further verifying the joint measurement report. This resulted in double payment of land compensation amounting to ₹ 1.84 crore, which was not payable.

On this being pointed out, KIADB replied (February 2015) that the land compensation was paid as per revenue records.

The reply is not factually correct in view of the fact that joint measurement report specifically mentioned that certain extent of land formed part of the submergence area of a minor irrigation tank and SLAO, KIADB had full knowledge of this fact. Thus, payment of land compensation by ignoring the joint inspection report was a serious lapse which had resulted in double payment of compensation of ₹ 1.84 crore. Thus, apart from initiating disciplinary action against the SLAO, the KIADB needs to take appropriate action to recover the amount of excess land compensation given to the land owners.

The matter was referred to the Government in May 2015; their reply was awaited (December 2015).

FOREST, ECOLOGY & ENVIRONMENT DEPARTMENT

3.4 Excess payment to contractors

Adoption of incorrect rates for excavation in hard rock by blasting in execution of Elephant Proof Trench resulted in excess payment of ₹ 1.72 crore to the contractors.

Elephant Proof Trenches (EPT) are trapezoidal trenches excavated around the periphery of forest areas to prevent entry of wild elephants into human settlements. The Sanctioned Schedule of Rates (SSR) of Forest Department prescribes the rates for excavation and repairs of EPT of 3m × 2m × 1m size[30].

[30] Top width × height × bottom width

The Schedule of Rates (SR) of the Public Works, Ports & Inland Water Transport Department (PWD) is to be followed for excavation in hard rock.

During 2013-15, Conservator of Forests and Director, Bandipur Tiger Reserve, Bandipur (CF) carried out maintenance and repairs to existing EPT through contractors on percentage rate contracts. The higher dimension of EPT (3m × 3m × 1.5m) for a length of 66.66 km was executed by incurring total expenditure of ₹ 5.46 crore. Hard rock was encountered as a result of deepening which was removed using explosives.

Audit scrutiny (April 2015) of records showed estimates were unrealistic and excess payment was made due to adoption of improper rate for excavation in hard rock as discussed below:

- The tenders contemplated only excavation of soil but during execution hard rock was found. This shows that soil strata were not ascertained by taking trial bores for preparing estimates and thus tenders were not based on realistic estimates.
- As per notice inviting tender, the PWD rate for excavation in hard rock by blasting was admissible. The SR of PWD, Mysuru circle contained different rates for excavation in hard rock based on nature of complexity[31]. The rate for excavation in hard rock ranged between ₹ 85 per cum and ₹ 429 per cum and between ₹ 146 per cum and ₹ 444 per cum during 2013-14 and 2014-15, respectively. The CF adopted a rate of ₹ 429 per cum and ₹ 444 per cum which was applicable to excavation in hard rock for foundation trenches of buildings. The rate adopted was incorrect as excavation for foundation trenches of building includes other operations such as shoring, bracing, back filling. However, these operations are not involved in EPT works. The comparative rate would be rate for excavation in hard rock by blasting for road way works which was required to be adopted for regulating the extra item and rate applicable was ₹ 85 per cum[32] and ₹ 146 per cum[33] during 2013-14 and 2014-15, respectively. The incorrect adoption of rate had resulted in excess payment of ₹ 1.72 crore for excavation of 66,947.57 cum of hard rock.

On this being pointed out, the Additional Principal Chief Conservator of Forests (Project Tiger), Mysuru replied (July 2015) that the rate paid was less when compared to hard rock excavation using chiseling or wedging which was ₹ 1,096 per cum.

The reply is not acceptable as the rate of ₹ 1,096 per cum was applicable only when contractor had done hard rock excavation by using chiseling and wedging. The adoption of rates of ₹ 429 per cum and ₹ 444 per cum for excavation in hard rock by blasting which was applicable to building works was incorrect. As such, excess payment made was recoverable from the contractors.

[31] Excavation for foundation trenches of buildings, excavation for road structures, *etc*
[32] Item 19.13; Page 153 of PWD SR 2013-14 of Mysuru Circle
[33] Item 19.13; Page 146 of PWD SR 2014-15 of Mysuru Circle

The matter was referred to Government in June 2015; their reply is awaited (December 2015).

PUBLIC WORKS, PORTS AND INLAND WATER TRANSPORT DEPARTMENT

3.5 Wasteful expenditure due to improper identification of site

Construction of residential quarters in a site disallowed by statute resulted in abandonment of project mid-way, along with deficient contract management, resulted in wasteful expenditure of ₹ 7.71 crore.

The Bangalore Development Authority (BDA) transferred (February 2008) 7-19 *acres* of land, comprising a playground, at HSR layout[34], Bengaluru to Executive Engineer (EE), No. 2, Buildings Division, Public Works, Ports and Inland Water Transport Department (PWD), Bengaluru as per the directions of Government[35] for 'construction of residential quarters for High Court judges, *etc*'. The contract for the work was awarded (September 2008) by the EE to a contractor for ₹ 30.01 crore for completion in two years.

The contractor commenced the work in October 2008 and was paid ₹ 1.80 crore for the value of work done up to January 2009. In January 2009, based on a writ petition filed by the HSR layout residents, the Hon'ble High Court ordered stoppage of the work as the project was being undertaken on a civic amenity site. The EE instructed (28 January 2009) the contractor to stop the work only temporarily stating that the High Court had stayed the construction. Since no communication for resumption of work was received from the EE, the contractor through a legal notice (December 2009) terminated the contract as per Clause 49.2 (b) of the agreement stating that there was a fundamental breach of contract. The contractor requested payment for work done, idle men/machinery, transportation, security charges and ₹ 5.62 crore as damages for 'loss of profit at 20 *per cent*' aggregating to ₹ 6.51 crore. As the EE disputed the claim, the contractor requested (May 2010) for appointment of an Arbitrator to resolve the disputes arising out of stoppage of work.

As no decision was taken for appointment of an Arbitrator, the contractor approached the Indian Council of Arbitration as provided in the agreement which appointed a Sole Arbitrator in August 2011. The Government issued rescinding order (January 2012) invoking Clause 49.4 *i.e.,* termination of the contract at the convenience of the employer as the High Court had ordered stoppage of the work.

[34] Hosur Sarjapur Road layout, commonly known as HSR layout
[35] Department of Personnel and Administrative Reforms

The Arbitrator awarded (18 June 2013) ₹ 4.68 crore[36] with 12 *per cent* interest[37] for making payment up to October 2013 and 18 *per cent* thereafter. The Law Department opined (October 2013) that it was not a fit case for appeal. Despite that, the PWD appealed against the award which was dismissed by the City Civil Court, Bengaluru. After 15 months of dismissal of appeal, the PWD paid the award amount of ₹ 5.76 crore in February 2015 which included interest of ₹ 92 lakh for the interim period from November 2013 to February 2015. The Government sustained a loss of ₹ 7.71 crore[38] on the work which had to be abandoned.

Audit scrutiny of records (October 2014) revealed the following lapses;

- The land transferred by BDA for construction of residential quarters had been earmarked for "playground" as per approved (25 June 2007) Comprehensive Development Plan-2015 and was being used as such too. The Karnataka Parks, Play-fields and Open Spaces Act, 1985 prohibits diversion/transfer of "notified playground" for other purposes. Thus, the transfer of land and according administrative approval for the project on that site was in violation of the Act and hence any construction of residential buildings on that site would be deemed to be illegal.

  When the High Court had ordered stoppage of work, the Department should have stopped the work. Instead, a temporary stoppage order was issued to the contractor without adequately examining the reason for the stoppage. It was also imperative on the part of the EE to withdraw the temporary stoppage order within 60 days as non-withdrawal would entail claiming of damages by the contractor. However, no such review was conducted and hence contractor terminated the contract as there was no prospect for resumption of work.

- The Department also did not settle the dues admissible to the contractor but rescinded the contract even though the contract had already been closed by the contractor. These lapses resulted in the Arbitrator treating the contract as having been kept alive by the Department. As no documents were placed to show that efforts were made to get the stay vacated, the Arbitrator awarded loss of profit on the un-executed portion of work. Thus, the deficiency in administration of the contract resulted in payment of damages of ₹ 3.30 crore with interest of ₹ 2.46 crore thereon, which was avoidable.

- The Department not only delayed the appointment of Arbitrator but took 15 months to settle the arbitral amount and thus paid ₹ 5.76 crore against the award of ₹ 4.84 crore[39]. The avoidable payment of ₹ 92 lakh was due to payment of interest (18 *per cent)* for delayed payment.

[36] ₹ 2.81 crore towards loss of profit, ₹ 34.56 lakh towards overheads, ₹ 14.2 lakh towards cost of labour, staff, material, transportation of material brought to site, centering material not usable, interest of ₹ 1.38 crore at 12 *per cent* for the period from December 2009 to 9 June 2013.

[37] On the principal amount of ₹ 3.30 crore

[38] ₹ 5.76 crore for award amount; ₹ 1.80 crore for work executed; ₹ 14.69 lakh for arbitrator fees, *etc*.

[39] ₹ 4.68 crore + ₹ 15.62 lakh (interest from 10 June 2013 to 31 October 2013) = ₹ 4.84 crore

On this being pointed out, the Government replied (July 2015) that the question of verifying the status of the land/site by PWD does not arise since the BDA is the authority for the allotment. It further stated that since the case was pending before the Hon'ble High Court, PWD was unable to take any decision on the work.

The reply was not acceptable in view of the several lapses by PWD such as not taking action to close the contract after High Court had stayed the construction, non-settlement of claims of the contractor though contract was terminated by him, delay in appointment of arbitrator, preferring appeal against arbitrator award ignoring Law Department's opinion, besides delay in settlement of arbitral amount after dismissal of appeal which collectively contributed to the wasteful expenditure of ₹ 7.71 crore.

3.6 Avoidable expenditure

Failure to revise design for RCC works for using higher grade steel as per IS/IRC codes in seven bridge works resulted in avoidable expenditure of ₹ 5.38 crore.

In case of steel reinforcement in reinforced cement concrete (RCC) works, Fe 500[40] grade of steel has more tensile strength than Fe 415 grade steel. Due to higher tensile strength of Fe 500, the quantity of steel required for reinforcement would be less when compared to use of Fe 415 grade steel. The requirement of Fe 500 would be 0.83 metric tonne (MT) to achieve the same results as one MT of Fe 415 grade steel and there would be consequent reduction in RCC cost. Further, Clause 302.5 of IRC[41]: 21-2000 - "Standard specifications and code of practice for road bridges-Section: III-Cement Concrete (Plain or reinforced)" stipulate that the characteristic strength as designated in IS[42] code be adopted for reinforcement of RCC.

During scrutiny of records in four divisions[43], Audit noticed that in construction of seven bridge works taken up between September 2009 and January 2014 for a total contract price of ₹ 146.49 crore, the scope of works included "Providing, fabricating and placing in position reinforced steel for RCC structure". For these bridges, the designs for steel reinforcements were prepared considering the strength applicable to Fe 415 grade steel. The contractors had used Fe 500 grade steel for RCC works and executed reinforcement to the extent of 5,586.85 MT as per the running account bills. The quantity of steel *i.e.,* 5,586.85 MT used for reinforcement was based on the strength of Fe 415 grade steel. Failure to revise the bar bending drawings/designs as per the strength of Fe 500 grade steel and instead adopting strength of Fe 415 grade steel, resulted in excess consumption of

[40] As per IS 1786, the figures following symbol 'Fe' indicate the specified minimum 0.2 *per cent* proof stress or yield stress

[41] Indian Road Congress

[42] Indian Standards

[43] Public Works, Ports & Inland Water Transport (PWD) Divisions, Bidar & Tumakuru; National Highways (NH) Divisions, Bengaluru & Hubballi

steel by 17 *per cent i.e,* 949.76 MT[44]. The cost of excess consumption of steel for works at tendered rate resulted in extra expenditure of ₹ 5.38 crore which was avoidable.

On this being pointed out, the Government replied (July 2015) that the estimates were prepared considering Fe 415 grade steel but Fe 500 grade of steel was actually used in the works. However, the Government did not furnish any reasons for not adopting Fe 500 grade steel in the estimate and for ignoring the IRC: 21-2000 code which also permits use of Fe 500 grade steel.

In respect of work relating to PWD, Bidar, the Government stated that there would be no savings in steel quantity as there was no change in grade of steel (Fe 500) between design and execution. Government also stated that design for retaining walls would be suitably modified using Fe 500 grade steel before execution.

The Government's reply is not acceptable for the following reasons:

- The reply relating to PWD, Bidar stating that Fe 500 grade steel was considered in design and execution is factually incorrect as estimate was prepared based on Fe 415 grade steel. The Government reply stating that steel reinforcement for retaining walls would be revised conforming to Fe 500 grade steel before execution tantamounts to accepting the audit observation. Further, the Superintending Engineer, National Highway Circle, Dharwad while accepting the audit observation stated (June 2015) that structural reinforcement (design, quantity and rate) as per Fe 500 grade steel would be adopted in future works which would result in savings in cost.
- When grade of steel actually used was different from the grade of steel considered in the estimate, it was imperative on the part of PWD to revise the design based on the grade of steel to be used to ensure consequent reduction in expenditure.

Thus, failure to adhere to design parameters as per IRC code during estimate stage and not revising the design later when different grade of steel was used in the works, resulted in expenditure of ₹ 5.38 crore which was avoidable.

3.7 Unfruitful expenditure due to improper implementation

Non-commissioning of automatic traffic counter cum weighing machines even after eight years of commencement of project rendered expenditure of ₹ 4.60 crore unfruitful.

Ministry of Road Transport and Highways (MORTH), Government of India decided (December 2006) to install Automatic Traffic Counter cum Classifier (weigh-in-motion system) on National Highways (NH). The weigh-in-motion system was meant to check and control overloading of vehicles which causes deterioration of roads and also to provide traffic count on real time basis.

[44] (Total steel consumed × 17% saving) = (5,586.85 × 0.17) = 949.76 MT

Two weigh-in-motion systems costing ₹ 25 lakh each were procured (March 2007) by MORTH and allotted to Government of Karnataka for installation by the Public Works, Ports and Inland Water Transport Department (PWD) at Bachenahalli, Hassan district (NH 48) and the other at Halagere, Koppal district (NH 63). The administrative approval and technical sanction for civil works were obtained (November 2009) from MORTH and the contracts were awarded (December 2009/January 2010) by PWD on tender basis for completion in six months. However, the works were completed after a delay of two years due to dismantling and reconstruction of the work as per MORTH specification (NH 48) and delay in identifying the site (NH 63). The total expenditure on civil works including land acquisition was ₹ 4.10 crore as of March 2015.

The firm which had supplied the systems was responsible for providing technical assistance and commissioning the systems. Scrutiny of records (March 2013, March 2014) of the Executive Engineers (EE) of the NH Divisions at Mangaluru and Hubballi revealed that despite completion of civil works in January 2012, the systems at both the places had not been commissioned for the following reasons:

- The Transport Department (TD) was approached for operationalising the weigh-in-motion system at NH 48 as per MORTH directions. The Commissioner, TD after site inspection requested (December 2012 and February 2014) for arranging amenities/ infrastructure[45] facilities and had also stated (February 2014) that taking over of the facility or otherwise would be considered later since the department was facing shortage of staff. The PWD had prepared two estimates *i.e.,* ₹ 3.10 crore for approval by MORTH and ₹ 52 lakh under State fund to meet the urgent requirements for handing over the system. The works were yet to be taken up.
- The system was received at NH 63 during December 2007 and the warranty period had expired before installation. The system installed on NH 63 was not working as the Plaza server, monitor, key board, printer, *etc.*, were damaged. The PWD incurred additional expenditure of ₹ 90,274 towards repairs as the warranty period had expired. The calibration of the system has not yet been completed. Also, the issue of handing over the same to the TD had not been initiated.

Though it was within the knowledge of the department that the facilities constructed would have to be transferred to TD, no steps were taken for consultation with TD to take its inputs before finalising the project.

On this being pointed out, the Government stated (July 2015) that the equipment at NH 48 had been installed and tested but State RTO[46] (Transport Department) had not taken over it and PWD had no power to penalise overloaded vehicles. Further, Government stated that delay in acquisition of land was the reason for delayed installation of the equipment at NH 63.

[45] Widening the entry and exit road, sign boards, rooms, lighting, furniture & fixtures, computer, internet facility, godown, generator, crane, water supply, toilets, *etc*

[46] Regional Transport Officer

The Government reply is not acceptable as deficient planning, delay in acquisition of land and lack of coordination between PWD and TD resulted in non-commissioning of the equipment, rendering an expenditure of ₹ 4.60 crore[47] unfruitful. The objective of collecting traffic data on real time basis and prevention of overloading of vehicles could not be realised even after eight years of procurement of the required equipment, mainly because PWD had not involved TD in the project, which had the power to penalise overloaded vehicles.

3.8 Loss of revenue due to excess deduction of shrinkage

Deduction of shrinkage of sand for stacking at depots in excess of the norms prescribed by IRC resulted in loss of revenue of ₹ 3.35 crore.

Indian Road Congress (IRC) norms prescribe that "Coarse and fine aggregates supplied to site shall be paid for in cubic meters after deducting towards bulking. For aggregates up to 22.4 mm in size, the actual volume of aggregates shall be computed after deducting specified percentage of five *per cent* from the volume computed by stack measurement."

The Executive Engineer, Public Works, Ports and Inland Water Transport Division, Gadag (EE) awarded (November 2011 to January 2012) the work of "Extraction, loading, transportation and stacking of sand at notified depots" in each block to contractors on tender basis in respect of sand blocks under the jurisdiction of Mundargi sub-division. The sand stacked in the depot was subsequently sold to consumers.

On scrutiny of records (June 2014) of EE, Audit observed that instructions (March 2012) were issued by the EE to deduct 12.5 *per cent* of the stacked quantity towards shrinkage while making payments in violation of IRC norms. However, the same was not mentioned anywhere in the tender/agreement. Moreover, Audit could not find any reasons on record as to why the EE had issued instruction to deduct 12.5 *per cent* towards shrinkage against five *per cent* as per IRC norm.

Audit also observed that payments were made to contractors after deducting 20 *per cent* from stack measurements. The excess 15 *per cent*[48] deduction was irregular as it suppressed the quantity of sand available for sale by 86,984 cum, resulting in loss of revenue as shown in the below **Table.3.2:**

Table 3.2: Statement showing excess deduction of quantity

(Quantity in cum)

Quantity brought to stockyard	Quantity to be measured as per IRC norms	Quantity measured for payment	Excess deduction
5,76,374	5,47,555	4,60,571	86,984

The revenue loss on account of irregular deduction of shrinkage in sand works out to ₹ 3.35 crore.

[47] GoK - ₹ 4.10 crore and GoI - ₹ 0.50 crore

[48] 20 *per cent* actually allowed *minus* 5 *per cent* allowable as per norms

On this being pointed out, the EE replied (June 2015) that the sand stacked in Black Cotton soil land has characteristic of swelling and shrinkage during monsoon and summer seasons and the deductions were made as per provisions of Karnataka Public Works Departmental Code (KPWD Code).

The reply is not acceptable as no such provision exists in the KPWD Code. Thus, by violating the IRC norms which specified five *per cent* deduction when payments are made by taking stack measurement, the excess deduction allowed beyond the permissible limit resulted in loss of revenue of ₹ 3.35 crore to Government, which calls for fixing of responsibility.

The matter was referred to Government in June 2015, followed by reminder in September 2015; their reply is still awaited (December 2015).

3.9 Infructuous expenditure due to absence of due diligence in construction of a building

The construction of ITI college building in a site other than the earmarked site resulted in litigation and consequent stoppage of work after incurring an expenditure of ₹ 1.65 crore.

Government accorded (March 2011) administrative approval for the work of construction of ITI[49] college building at Wadi, in Chittapur taluk of Kalaburagi district for ₹ three crore. The Deputy Commissioner, Kalaburagi (DC) allotted (January 2010) four *acres* land out of 116-38 *acres* land in Survey (Sy) No. 117 in Gandhinagar village and the Principal, Government ITI, handed over the sketch of the said land to the Assistant Executive Engineer, Public Works, Ports and Inland Water Transport Department (PWD), Chittapur on 29 May 2012. The contract was awarded (October 2012) to an agency for ₹ 3.11 crore for completion in 12 months from the date of handing over of site.

Assistant Executive Engineer handed over the site to the contractor on 15 April 2013. However, on 1 May 2013, a police complaint was filed by some land owners alleging that the construction was being taken up on their land (Sy No. 56 and 57)[50]. This was received on 4 May 2013 by the Assistant Executive Engineer who in turn requested (May 2013) the Tahsildar, Chittapur taluk to hand over *pahani*[51], map, *checkbandi*[52] and other revenue records, and also inspect the site for giving suitable endorsement to the applicants. However, without settlement of the issue, the Assistant Executive Engineer/ Executive Engineer (EE) proceeded with the construction work without having received any endorsement of the correctness of the site from the Tahsildar. The contractor intimated to EE that a legal notice was served (5 May 2014) on him by land holders to stop the work as the construction was being undertaken by encroachment of private land, and that he had therefore

[49] Industrial Training Institute
[50] These survey numbers bounded Sy No. 117
[51] Survey & tax assessment statement showing old & new Sy No., land details, *etc*
[52] Boundary

stopped the work. The Tahsildar, Chittapur, informed (letter dated 20 June 2014) PWD that it had undertaken construction of building in Sy No. 56 and 57 instead of Sy No. 117 (the correct site), which was also confirmed (June 2014) by the Assistant Director of Land Records, Sedam.

The contractor had been paid ₹ 1.65 crore towards work executed up to April 2014 on the wrong site. Audit noticed during scrutiny (October 2014) of records of EE, PWD, Sedam, that failure on the part of the authorities had led to stoppage of work as brought out below:

- The construction of the building was to be taken up by PWD in Sy No. 117. However, PWD was constructing the building in Sy No. 56 and 57.
- A police complaint was received just within 20 days after handing over of the site to the contractor that construction was being carried out on the wrong site. As such, the matter should have been taken up with utmost urgency and the correctness of the site ascertained immediately. However, no such sense of urgency was shown and construction was continued on the private land, resulting in substantial expenditure being incurred before its stoppage after over a year.
- As a public servant holding responsible position, EE had neither waited for reply from the Tahsildar nor pursued the matter with the Tahsildar to get confirmation before proceeding with the construction.

On this being pointed out, the Secretary, PWD replied (July 2015) that there was no lapse on the part of PWD as the construction was taken up on land identified and handed over by the Revenue Department.

The reply is not acceptable as construction of building was taken up on wrong site. Moreover, the police complaint about construction on wrong site was ignored when the construction of work had just begun as the Department proceeded with construction without obtaining confirmation from the Revenue Authorities. However, the construction was stopped only after legal recourse was taken by the land owners. These lapses resulted in infructuous expenditure of ₹ 1.65 crore on an incomplete building for which responsibility needs to be fixed.

3.10 Excess expenditure

Adoption of incorrect item for levelling and lowering of ground, resulted in excess expenditure of ₹ 1.08 crore.

The Schedule of Rates (SR) of Public Works, Ports and Inland Water Transport Department (PWD) contains separate rates for excavation by manual means and mechanical means. The cost of excavation by mechanical means is lower when compared to excavation by manual means. Manual excavation is adopted only where quantity of excavation is meager or where excavators, dozers, *etc.*, cannot be deployed due to space constraints.

As per SR of 2010-11, the rate for surface excavation by manual means was ₹ 138 per cum, while the rate for excavation of foundation of structures by mechanical means was only ₹ 29 per cum. In the absence of specific item in the SR, either rate applicable for comparable item or data rate[53] should be adopted.

The Executive Engineer, PWD Special Division, Shivamogga (EE) awarded (February 2011) the contract for construction of district jail and staff quarters at Sogane village in Shivamogga district to a contractor for ₹ 51.96 crore[54]. The contract *inter-alia* included excavation in hard soil for land levelling by manual means involving a quantity of 1,13,256.25 cum for which the contractor had quoted ₹ 172.43 per cum for this item. As per Clause 35.2 of the agreement, the variation items are payable at the rate of SR prevailing at the time of acceptance of tender plus or minus tender percentage. As of March 2015, the contractor was paid ₹ 57.33 crore[55] and the work was under progress.

Scrutiny (January 2015) of records of EE showed the following lapses;

- EE had adopted the rate for manual excavation for the item "levelling and lowering the ground in hard soil" in the estimate though quantity of excavation involved was huge and for which mechanical excavation was economical.
- One of the conditions as per notice inviting tender was that the bidders should possess four hydraulic excavators which was specified considering the large quantity of earthwork excavation involved. This condition was incorporated due to involvement of huge quantity of excavation requiring use of mechanical means.
- Though the tender condition provided substituting/altering the tender item, the EE did not modify the item of levelling and lowering from manual means by mechanical means during execution as a variation item as per Clause 35.2 of the agreement. Accordingly, the rate for variation item through mechanical means, considering ₹ 29 per cum (rate for excavation of foundation of structures) as per SR 2010-11 works out to ₹ 36.09 per cum[56] against which the contractor had quoted as ₹ 172.43 per cum for excavation by manual means. Failure to revise the rate resulted in excess expenditure of ₹ 1.08 crore on 79,419.35 cum of earth work excavation carried out at ₹ 136.34 per cum (₹ 172.43 - ₹ 36.09).

On this being pointed out, the Government replied (July 2015) that SR for 2010-11 contained excavation in hard soil for levelling and lowering by manual means only and hence the same was adopted in the estimate.

[53] A data rate is prepared for any item not found in the sanctioned SR on the basis of actual cost of materials, labour, lead, lifts and weightage (Para 14.11 of Karnataka Public Works Departmental Code Volume I)

[54] At tender premium of +18.53 *per cent* of cost of work put to tender (₹ 43.83 crore)

[55] Including pending bills

[56] Basic rate (₹ 29) + Area weightage of 5% (₹ 1.45) + tender premium of 18.53% (₹ 5.64) = ₹ 36.09

The reply is not tenable as for items not found in the SR, data rates should be prepared and got approved from the competent authority as stipulated in the PWD Code. Failure to prepare data rate at the estimate stage or regularise the rate as variation item through mechanical means during execution resulted in excess expenditure of ₹ 1.08 crore, which calls for fixing of responsibility.

3.11 Misappropriation of Government money

Fraudulent payments made by preparation of fake work bills.

The rules and regulations for planning and execution of works, taking measurement of works and preparation of work bills are enumerated in the Karnataka Public Works Departmental (KPWD)/Accounts Code. As per rules, no work should be commenced without allotment of funds, estimate sanctioned by competent authority and orders for commencement of work. For maintenance and repairs works, bulk grants are allocated by the Government for further distribution to Divisions and works are taken up after approval of the programme of works by the Superintending Engineer.

The measurement books (MBs) are fundamental records and the rules for recording measurements of work are detailed in Appendix VII of KPWD Code. Against each set of measurements in the MB, details like name of the work, contractor, agreement number, date of work order, date of commencement, stipulated date for completion, date of recording of measurements, *etc.,* should be recorded. The rules also envisage that such measurements should be signed and dated by the officer recording the measurements and signature of the contractor be obtained in token of his acceptance. The measurements recorded in the MB by subordinates in charge of works should be checked by sub-divisional officers and test checked by divisional officers to detect errors in measurements and to prevent fraudulent entries. The Divisional Accountant, assisted by Accounts Clerks, should verify the quantities and rates claimed in work bills with reference to MBs, estimates, agreements, *etc.,* before submission of bills for payment. The entries in the MB should be crossed diagonally in red ink at the time of preparation of bills. A Control Register is required to be maintained in both the sub-division office and division office for recording bills and payments details against the bill entry. The details of payments *viz.,* voucher number, cheque number and date should be noted in the MB to avoid making double payments.

During test check of records (November 2014) of the Executive Engineer, Public Works, Ports and Inland Water Transport Department, Kalaburagi (EE) in respect of payment of bills of maintenance works during 2013-14, Audit noticed violation in taking up of works, MB recording, preparation and payment of bills, *etc.,* as discussed below:

- **Out of 729 vouchers scrutinised in audit, 678 vouchers did not bear SBR[57] numbers, 672 vouchers did not bear DBR[58] numbers. In 719 vouchers, reference to agreement numbers was not recorded. In 410 vouchers amounting to ₹ 4.08 crore, reference to MB numbers was not recorded and in 144 vouchers amounting to ₹ 1.39 crore, reference to MB page numbers was not recorded. In the absence of these crucial details, the genuineness of the bills could not be ensured in audit. The divisional officer (EE) did not produce 66 MBs to audit, out of 142 MBs requisitioned.**
- **Further, the Register of check measurements was not maintained and there was no evidence in the MBs about check measurements done by the EE, although he was required[59] to check measure final measurements of works costing more than ₹ 25,000 to the extent of 25 *per cent* of the total items of the work done, before payment of the bill.**
- **In respect of 80 vouchers scrutinised with reference to MBs involving payment of ₹ 77.05 lakh, the bills could be concluded as fake bills. The details recorded in the bills did not tally with the measurements recorded in MBs which either pertained to different works or referred to blank pages of MBs. The contractor's name differed from the one recorded in the MB, and also measurements were not cancelled after preparation of bills. The bills did not bear SBR/DBR numbers and DBR number was also not recorded in the MBs. Also, these works were not in the approved list of programme of works and there was no evidence of sanctioned estimates, invitation of tenders and issue of work orders to contractors for commencement of works. The various categories of irregularities are shown in Table 3.3:**

Table 3.3: Categories of irregularities

Payments made on bills paid earlier	**5 vouchers**	**₹ 4.99 lakh**
Payments made by referring to fictitious MB references	**54 vouchers**	**₹ 52.85 lakh**
Payments made for maintenance works; the measurements of which were recorded in Divisional Stores[60] MBs	**21 vouchers**	**₹ 19.21 lakh**

Audit observed that a large number of vouchers were not tallying with details recorded in MBs, double payments were made, there was absence of check measurements, execution of works were not backed by sanctioned estimates and agreement/work orders, thereby indicating that these were fake bills and payments were made on the basis of these fake bills. In a large number of vouchers, the genuineness of bills aggregating to ₹ 4.08 crore could not be ensured in audit due to absence of MB details in the vouchers. Besides, as 66 MBs were not produced to audit, the possibility of misappropriation in these cases could not be ruled out. This

[57] Sub-divisional Bill Register (Register of Bills received in sub-division - Form PWG 33)
[58] Divisional Bill Register (Register of Bills received in division - Form PWG 33)
[59] As per provisions of Appendix VII of KPWD Code
[60] Stores MBs should only record receipt of materials in divisional stores by suppliers

matter requires investigation by the Vigilance wing of the Government for initiating action against the officials at fault, as Government money has been misappropriated.

The matter was referred to Government in May 2015 and reminders issued in August and September 2015; their reply is awaited (December 2015).

3.12 Misappropriation of Government receipts

An amount of ₹ 34.16 lakh was misappropriated during a span of nearly six years by falsification of records, and failure in exercising basic checks resulted in defalcation remained undetected.

Karnataka Financial Code (KFC) stipulates[61] that all money received by a government servant in his official capacity should be brought to Cash Book immediately and paid in full into Government Treasury without undue delay. The Executive Engineer (EE) should obtain regular returns from his subordinates for the amounts realised by them and paid into a Treasury. The subordinate officers are required to send their accounts/ returns only after verification of credits shown therein, with those in the Treasury accounts.

Karnataka Public Works Accounts Code prescribes[62] that the Divisional Accountant should inspect the accounts of sub-divisional officers at least once a year and serious financial irregularities like defalcations or losses of public money noticed should be reported to the EE and also to Superintending Engineer (SE) or Chief Engineer without delay. The Disbursing Officer (AEE) should compare each entry of payment into Treasury with Treasury Officer's receipt on the challan or the Remittance Book. Statement of Remittances should be prepared (by AEE) each month with reference to the Remittance Book and the sub-divisional Cash Book and the items of credits included in the statement should be verified with the actual credits under the remittance heads in the Treasury Subsidiary Register.

Audit scrutiny (May 2015) of the records during test check of office of the Assistant Executive Engineer, No 3 Public Works, Ports and Inland Water Transport Sub-Division, Davanagere (AEE) revealed short/non-remittance of cash, though in Cash Book it was shown as remitted in full. Further, cases of non-accountal of cash receipts in Cash Book were also noticed while tracing the counterfoil of receipts with the Cash Book. The short/non-remittance of cash receipts amounts to misappropriation of government money, which worked out to ₹ 34.16 lakh for the period between May 2009 and March 2015. The *modus operandi* adopted for

[61] Article 4, Note 5 below Art 6 and Art 34
[62] Para 24(a) and (b), Para 80 and Note 1 below Para 507

misappropriation and failure to exercise prescribed mandatory checks by AEE and controlling officers, leading to misappropriation, are as detailed below:

- **The entire receipts of ₹ 34,53,054 accounted in Cash Book was shown as remitted in full but actual remittance made was to the extent of ₹ 1,40,899 only, as verified by Audit from Treasury schedules. The challan in duplicate with the signature of AEE for remitting money in designated bank was initially prepared for lesser amount and tallied with the entries of Remittance Register. The acknowledgement by bank in the Remittance Register serves as the proof of remittance. After the remittance was made, the figures in the Remittance Register were altered or interpolated so as to tally with the amount shown as remitted in the Cash Book.**
- **Though subordinate officers (AEE) are required to send their accounts/returns only after due verification of credits with reference to those in Treasury accounts, this was not done and thus misappropriation remained undetected.**
- **Every entry of cash receipt into Cash Book should be supported by details recorded in counterfoil of Receipt Book, the main portion of which is issued to the party from whom cash is received. Each entry in the Cash Book has to be attested by AEE by checking details with reference to counterfoils of the receipt book. An amount of ₹ 66,275 received in six receipts was not taken to Cash Book. As against ₹ 78,200 received in five receipts, only ₹ 40,365 were taken to Cash Book. Four receipts were not entered in Cash Book and amount received vide these receipts could not be assessed in Audit as the counterfoils of the receipts were missing. One used receipt book (No. 15492) was not produced to Audit and hence the correctness of the entries taken to Cash Book could not be ascertained. The Cash Book was closed every month and attested by the AEE as a token of correctness of the entries. Thus, it is evident that prescribed checks were not exercised while attesting the entries which resulted in non-accountal of cash receipts leading to misappropriation.**
- **The annual inspection of subdivision by SE/EE as prescribed under codal provisions was not conducted since 2009. The returns from subordinates (EE/AEE) for the amount realised by them and paid into the Treasury was also not insisted upon. Further, the schedule of settlement with Treasury which was required to be carried out every month was also in arrears from June 2005, *i.e.* over 10 years.**
- **The schedule (KTC 25) furnished by the Treasury shows the remittances pertaining to AEE, who should have verified the remittances every month. However, the verification had not been carried out by AEE.**

The lapses in exercising preliminary checks and internal control failure had resulted in misappropriation of government money amounting to ₹ 34.16 lakh.

On this being pointed out, the Government, while accepting the Audit contention, stated (December 2015) that the short remittances/non-remittances was noticed by the departmental staff during routine check of the accounts during April 2015 and the matter was in court.

The reply is not acceptable as the EE lodged (13 May 2015) a complaint with the police only after issue of Audit Note to EE earlier that day (13 May 2015). Though defalcation of Government money was stated to have been noticed by the EE, he had not reported the case of defalcation to the superior officers, Finance Department and Accountant General as required under Article 369 of KFC.

REVENUE DEPARTMENT AND COMMERCE & INDUSTRIES DEPARTMENT

3.13 Inadmissible payment of land compensation

3.13.1 Introduction

The Karnataka Land Reforms Act, 1961 (KLR Act) prescribes a ceiling on agricultural holdings by a person or family and Section 63 of the KLR Act prescribes the holding limits from 10 *acres* of 'A' class land to 108 *acres* of D class land and maximum of 20 *acres* of 'A' class land in respect of family comprising five members and above. As per Section 66 of the Act, every person who acquires land in excess of the extent specified/deemed to be in excess of the ceiling area should furnish a declaration to the Tahsildar within whose jurisdiction the holding of such person containing the particulars of all the lands, members of the family, *etc.* and after due verification of particulars, Tahsildar refers the issue to Land Tribunal for determination of extent of surplus land held by a person or family. The crucial date for determination of ceiling limit for person/family as per KLR Act was 1 March 1974.

3.13.2 Grant of land in violation of KLR Act

In pursuance of Section 66 of the KLR Act, the Mahanth of the Tripura Bhairava Mutt, Sri P. Krishnananda Giri Goswamy (declarant) filed (November 1969) a declaration in Form 11 with the Tahsildar, Nanjangud, and declared himself as individual, unmarried and holding 891-01 *acres* in different villages in Nanjangud taluk. The declarant had expired in September 1989. Upon the death of the declarant, dispute on succession arose between brother (Bhishma Pitamaha) and Mahanth of the Tripura Bhairava Mutt (Krishna Mohanananda Giri Goswamy). The brother claimed that holdings declared were inherited and belonged to the family comprising of eight members while the Mahanth claimed (October 1989) that the land holdings belonged to the Mutt.

On the matter being referred to Land Tribunal, Nanjangud, the Tribunal granted (6 August 1993) 40 units[63] of land to the declarant and family members as below:

- To the declarant – 10 units (53-24 *acres*)
- To the family of Satyabhama, sister of the declarant – 10 units (54 *acres*)
- To Bhishma Pitamaha, brother of the declarant & his family – 10 units (53-39 *acres*)
- To Kuldip Prakash, major son of Bhishma Pitamaha – 10 units (54 *acres*)

The Tribunal Order was challenged in a writ petition in the Hon'ble High Court of Karnataka by the Mahanth which directed (January 1995) re-examination by the Land Tribunal. The Second Tribunal passed order (22 May 1999) upholding the order passed by the previous Tribunal which was also challenged in Hon'ble High Court which ordered fresh hearing.

The third Land Tribunal, among others, took cognizance of Hon'ble Supreme Court judgment (SLP No. 20359/2005), concurring (March 2008) with the lower court's order declaring Bhishma Pitamaha as the legal heir. The third Land Tribunal passed order (14 September 2011) treating the lands as ancestral property and inherited by the declarant and granted 90 units to the family members as follows:

- P. Krishnananda Giri Goswamy, declarant – 10 units (53-24 *acres*)
- Satyabhama, sister of the declarant – 10 units (54 *acres*)
- To Bhishma Pitamaha, brother of the declarant & Kuldip Prakash and family – 20 units (107-39 *acres*)
- To five daughters of Bhishma Pitamaha – 10 units each – 50 units - granted as per Hindu Succession Act (HS Act), 1956

The Tahsildar, Nanjangud carried out changes in RTC[64] based on the applications received from the grantees/other family members. Karnataka Industrial Areas Development Board had paid land compensation of ₹ 100.57 crore to the family members of Bhishma Pitamaha based on RTC entries towards acquisition of 483-29 *acres* of land.

The order passed by the third Land Tribunal in granting 90 units of land was not in conformity with the provisions of KLR Act as discussed below:

- **Grant of land to deceased persons**: The Land Tribunal granted 10 units each to the deceased persons *i.e.,* declarant and late Satyabhama, who expired in 1960 which was irregular as:
  - The declarant was not married and had no family of his own. The share could be transferred to his family members as per Succession Act *i.e.,* Bhishma Pitamaha. But as the Land Tribunal had already granted 10 units to Bhishma Pitamaha, the declarant's share cannot be

[63] one unit = 5.40 *acre*
[64] Record of Rights, Tenancy & Crop Inspection Certificate

transferred since it would exceed the ceiling limit prescribed in the KLR Act *i.e.,* 10 units for a person.

- Satyabhama, sister of the declarant was not alive as on 1 March 1974 *i.e.,* the date of determination for ceiling limit. As the sister was unmarried, was not having a family of her own and further, had already expired on 1 March 1974, the grant of land to late Satyabhama was irregular.

- **Grant of 50 units of land to Bhishma Pitamaha's daughters:** The third land tribunal granted 10 units of land to each of the five daughters of Bhishma Pitamaha as per amended (September 2005) provision of HS Act, 1956 instead of determining of ceiling of land holding under KLR Act. As on 1 March 1974 *i.e.,* date prescribed for determining ceiling on holding of lands, five daughters of Bhishma Pitamaha were minors and unmarried and forms part of family of Bhishma Pitamaha. Hence, each daughter cannot be treated as a separate family.

- The provision of the Sub-section 4 of Section 63[65] of KLR Act was misconstrued. The proviso is applicable only in cases where a member of a joint family possessed land and such land would be clubbed with lands held by the joint family and such share would be allotted to that member as if the partition of entire land held by the joint family has taken place. The daughters of Bhishma Pitamaha were minors and formed part of his family and were also not holding lands separately to aggregate with the holdings of joint family. Hence, the proviso is not applicable in this case.

- Further, in the Land Tribunal Order, it was also recorded that genuineness of the succession certificate (6 October 1994) issued by the Assistant Commissioner, Nanjangud (AC) was doubtful but was taken as valid since no objections were received. Also, the claimants did not produce other supporting documents to prove that they were family members/successors.

On this being pointed out, the Tahsildar, Nanjangud reiterated (January 2015) the grounds adduced by the Land Tribunal and also stated that:

- The Land Tribunal relied on the Subsection 4 of Section 63 of KLR Act, treating each daughter as a separate family.

- Accepted that transfer of land granted to declarant and late Satyabhama to the grandsons of Bhishma Pitamaha was incorrect. Further, stated that the coparcenary property of Late Krishnananda Giri Goswamy (declarant) and Late Satyabhama (unmarried sister of declarant and had expired before declaration) devolves to surviving sons and daughters of Bhishma Pitamaha.

[65] In calculating the extent of land by a person who is not a member of a family but is a member of a joint family and also in calculating the extent of land held by a member of a family who is also a member of the joint family, the share of such member in the lands held by the joint family shall be taken into account and aggregated with the lands, if any, held by him separately and for the purpose such share shall be deemed to be extent of land which would be allotted to such person had there been partition of the lands held by the joint family.

The reply is not acceptable as:

- The Land Tribunal was required to determine ceiling as per KLR Act but 70 units of land granted was not as per the provisions of KLR Act. The Chairman of the Land Tribunal had expressly stated in the order that the amended provision of HS Act was not applicable and granting land to daughters would be erroneous. Thus, the order passed by Land tribunal was defective.
- The provision of the Sub-section 4 of Section 63 of KLR Act was misconstrued and not applicable for the reasons as stated earlier. Further, the fixing of ceiling limit of land cannot be determined based on assumptions.

As per the Act, the family was entitled for grant of 20 units[66] of land. Failure to challenge the defective Land Tribunal Order and passing mutation orders resulted in receiving compensation by family members of Bhishma Pitamaha for 90 units as against 20 units (377-24 *acres)* of land eligible as per KLR Act and resulted in receiving land compensation amount of ₹ 79.29 crore, which was not admissible.

Deputy Commissioner, Mysuru accepted (September 2015) the audit observation and intimated that permission from Government had been sought for filing writ petition in Hon'ble High Court to challenge the Land Tribunal Order to recover land compensation amount paid. The Government issued order (December 2015) to challenge the Land Tribunal Order by filing writ petition in the Hon'ble High Court of Karnataka.

3.13.3 Violations by Karnataka Industrial Areas Development Board while making payment of ₹ 79.29 crore towards land compensation

The land acquired by Karnataka Industrial Areas Development Board (KIADB) for setting up industrial areas comprises both Government and private lands. As land transactions involve scrutiny of complex revenue records, establishing the title of the land based on revenue and other records assumes a lot of significance. Persons whose lands were acquired were to submit a set of documents as per the list devised by the Special Land Acquisition Officers, KIADB (SLAOs) for claiming compensation. After scrutiny of the documents received from the claimants as per these lists, the SLAOs process the claims and disburse compensation to the claimants. KIADB had paid ₹ 79.29 crore as compensation to eight persons for acquisition of land in Sy nos. 390 to 400, 582 and 583-587 (377-24 *acres*) of Immav village.

Scrutiny of land compensation payments revealed that SLAO, KIADB, Mysuru had not exercised due checks and did not obtain original documents from claimants before making payments in respect of 377-24 *acres* of land which was granted by the Land Tribunal, Nanjangud. The details of lapses are shown in **Appendix 3.1**.

[66] 10 units each to Bhishma Pitamaha & Kuldip Prakash, who is the son of Bhishma Pitamaha

Thus, grant of excess land in violation of KLR Act by Revenue authorities and failure to exercise due diligence and to obtain prescribed documents by KIADB resulted in payment of land compensation of ₹ 79.29 crore to non-eligible persons. Necessary rectificatory action may be taken in this regard. No reply was furnished by KIADB.

The matter was referred to Government in May 2015, followed by reminder in September 2015; their reply is still awaited (December 2015).

WATER RESOURCES DEPARTMENT (MINOR IRRIGATION)

3.14 Implementation of Repair, Renovation and Restoration of water bodies

3.14.1 Introduction

Tanks, ponds and lakes have traditionally played an important role in irrigation, drinking water supply and, *etc*. Considering the importance of the water bodies, Government of India (GoI) launched (2009) a scheme for "Repair, Rejuvenation and Restoration (RRR) of water bodies" with the objective of improvement of selected tank systems including restoration and augmentation of storage capacities, community participation and self-supporting system for sustainable management, ground water recharge and increased availability of drinking water. Detailed guidelines on the scheme were issued in 2009. In Karnataka, 374 water bodies out of 3,437 under the jurisdiction of Minor Irrigation Department (Department) were taken up (September 2010 and May 2011) under the RRR scheme for targeted restoration of 20,698.54 hectares (ha) of lost irrigable area at an estimated cost of ₹ 227.77 crore with 90 *per cent* share being borne by GoI. The scheduled period of completion was two years after approval by GoI (March 2010). The Government of Karnataka (GoK) submitted progress report to GoI during March 2013 claiming that the works were completed and 19,888.78 ha of lost irrigated area as envisaged had totally been restored. An expenditure of ₹ 180.02 crore was incurred during 2010-15 against ₹ 199.02 crore released by GoI with ₹ 19 crore remaining unutilised.

The Audit was conducted to see whether the preparation of Detailed Project Report (DPR) and execution of repair, rejuvenation and restoration of the tanks were done as per the guidelines of the scheme approved by the GoI. Audit scrutinised records relating to 191 tanks in six[67] Minor Irrigation divisions selected through random sampling method. The findings are brought out below.

[67] Kalaburagi, Dharwad, Tumakuru, Hassan, Chitradurga and Mysuru

3.14.2 Identification and selection of water bodies

Guidelines stipulated that DPR of each tank, apart from cost estimate, should also contain the present status of the tank (in use or partially used or not in use), reasons for deterioration of the tank, rainfall data of last 10 years, availability of water in the catchment area for channelization into the tank, original/present/planned Culturable Command Area (CCA) and similar details for storage capacity of the tank, *etc*.

The DPRs prepared did not contain these basic information on the status of the tank, CCA, 10 years rainfall data and availability of water in the catchment area for channelization into the tank.

3.14.2.1 Non-involvement of stakeholders

The scheme envisaged involvement and capacity building of stakeholders like Water Users Association (WUAs) and Panchayats for identifying the tanks for restoration and for sustainable management with the involvement of District Level Implementation Agency (DLIA). The Department acted as DLIA in respect of tanks under their jurisdiction.

In six test checked divisions, Audit noticed that the identification of 191 tanks was made without involving stakeholders *viz.*, WUAs and Panchayats in violation of guidelines. The non-involvement of stakeholders hampered the achievement of the objectives of restoration and sustainable management of the water bodies.

3.14.2.2 Absence of database on tanks

As per instructions in vogue, for each tank, division(s) are required to maintain Tank Register to record rain fall data, storage level in the tank, number of fillings, overflowing details, gross CCA, area irrigated, *etc.* A comprehensive database of the MI tanks is necessary in planning and prioritising the activities and to achieve optimum results.

Audit scrutiny in six test checked divisions revealed that the Tank Register maintained in the divisions indicated the name of the tank, designed storage capacity of tank and gross CCA. However, details regarding annual rainfall data, water yield, maximum storage during *khariff* and *rabi* season, number of times the tank overflowed, area irrigated during each season, *etc.* were not recorded in the Tank Register. In the absence of these details, the condition of tanks for restoration could not be assessed.

3.14.2.3 Deviation from scheme guidelines in preparation of DPRs

It was noticed that DPRs were prepared as per the norms prescribed for construction of new minor irrigation tanks. The estimation of water yield to a new tank from the catchment area was calculated by adopting empirical formula from the rainfall data for 30 years considering 50 *per cent*

dependability factor[68] as per the guidelines applicable for construction of new tanks.

As the restoration works were for the existing tanks, the performance details for 10 years such as actual inflow of water into the tank, surplus water flow over waste-weir, extent of command area irrigated would have been the best indicators to take decision whether lost irrigation potential could be restored or not, instead of basing on empirical formula.

The Benefit Cost Ratio was to be minimum of 1.5:1 worked out with reference to the projected agricultural yield after restoration, whereas the DPRs were prepared as per norms for construction of new tanks. Thus, the deviation in preparing DPRs resulted in projecting non-productive work as productive work as indicated in Paragraph 3.14.3.1 *infra*.

3.14.2.4 Failure to conduct baseline survey

The guidelines also prescribed conducting baseline survey for each tank to ascertain the condition of the tank, rainfall in the catchment area, reasons for inadequate flow of water into the tank, remedial measures to be taken and condition of the canal system. The baseline survey of tank was to be conducted before the commencement of the project execution.

It was noticed that, however, the DPRs were prepared and Technical Advisory Committee approval was obtained (February 2010 and June 2010) before the baseline survey reports were obtained (March 2011).

If a water body has not recorded surplus (*i.e.,* water flowing over waste-weir) in previous years and is not providing any irrigation, it is unlikely to expect additional flow into water body in subsequent years with the same amount of rainfall. So data regarding overflowing of water in previous years would have been the best criteria/factor for selection of a water body for rejuvenation/rehabilitation particularly for increasing the capacity. However, the DPRs did not contain data about the water filling or surplusing. The problems and remedial measures should have been assessed through the baseline survey. As the DPRs were prepared without baseline survey and performance details of the tank, there was no justification for selection of tanks.

3.14.2.5 Approval of DPR with missing details by Technical Advisory Committee

The GoI guidelines stipulated that DPRs should be approved by the Technical Advisory Committee (TAC) before submitting them to the Ministry of Water Resources for release of funds. The DPRs pertaining to works under the Chief Engineer, North Zone and the Chief Engineer, South Zone were cleared by the

[68] It means that a project envisaged at 50 *per cent* dependability will be successful in two out of four years in providing irrigation

TAC during February 2010 and June 2010. Audit scrutiny showed that the TAC, while approving the DPRs, noted that certain baseline details were missing and opined that stereotype estimates had been prepared.

The TAC cleared the DPRs subject to the department completing the missing details on baseline data. However, that was not complied with as seen from the records. Hence, the approval of DPR by TAC was not done as per the GoI guidelines.

3.14.3 Execution of works

As of March 2015, 371 works were reported as completed against 374 works sanctioned with restoration of lost command area of 19,889 ha. Three works were dropped due to objection from farmers.

Audit scrutiny in respect of 191 works revealed the following:

- Silt removal to increase the storage capacity was the main remedial measure of the scheme to meet water requirements of the restored area. As per scheme guidelines, part of the silt removal should be taken up under MNREGA component which constituted 43 *per cent* of total silt removal quantity. However, increase of storage capacity in respect of 191 tanks by removal of silt under MNREGA component was not taken up by the divisions as shown in **Table 3.4.** As a result, the water impounding capacity was not restored to the extent required to meet the water requirement of the restorable command area, thereby defeating the very objective of the scheme, *i.e.* restoration of the lost command area.

Table 3.4: Removal of silt

(in cum.)

Sl No.	Name of the Division	No. of tanks	Quantity of silt to be removed			Actual quantity removed
			Planned	Through tender	Through NREGA	
1	Kalaburgi	32	12,88,248.91	11,45,529.07	1,42,719.84	9,61,098.24
2	Tumakuru	56	18,14,094.35	10,23,614.07	7,90,480.28	8,38,171.58
3	Mysuru	12	2,90,890.00	1,13,315.00	1,77,575.00	1,08,121.57
4	Chitradurga	31	10,10,361.31	5,05,759.69	5,04,601.62	9,74,845.87
5	Dharwad	30	3,34,336.88	1,57,600.13	1,76,736.75	1,10,800.66
6	Hassan	30	11,11,151.49	3,86,480.74	7,24,670.75	3,45,276.98
TOTAL		**191**	**58,49,082.94**	**33,32,298.70**	**25,16,784.24**	**33,38,314.90**

(Source: Information furnished by the Department)

- Improvement of canals in respect of 45 tanks was not completed and repairs/replacement to/of sluice gates in respect of 23 tanks was not tackled, as shown in **Table 3.5:**

Table 3.5: Incomplete tanks/sluices

(Amount in ₹ lakh)

Name of the Division	Canals				Sluices			
	No. of tanks canals	Cost of canal component in BOQ	Value of work executed	Shortfall (*per cent*)	No. of tanks sluices	Tender value	Executed value	Shortfall (*per cent*)
Kalaburgi	16	373.81	200.47	46.37	11	3.80	-	100.00
Tumakuru	3	30.06	18.36	38.94	8	2.89	0.11	96.22
Chitradurga	4	38.76	10.84	72.03	-	-	-	-
Hassan	6	66.56	37.06	44.32	1	2.18	0.12	95.00
Dharwad	13	252.68	113.73	54.99	3	8.40	4.97	40.84
Mysuru	3	42.04	5.27	87.46	-	-	-	-
TOTAL	**45**	**803.91**	**385.73**		**23**	**17.27**	**5.20**	

(Source: Information furnished by the Department)

The Department's claim of restoration of 19,889 ha was not factual as components like silt removal, improvement to canals and repairs to sluice gates were not completely executed as provided in the estimates.

3.14.3.1 Restoration of lost command area irrigated as reported vis-à-vis actual irrigation

As the restoration works were reported as completed by February 2013 to GoI, Audit obtained the rainfall data considered in the DPR for estimation of water yield, average rainfall actually recorded in two years (2013 and 2014) and the actual area irrigated. The details are as shown in **Table 3.6:**

Table 3.6: Details of irrigated area

(Area in hectares)

Year	No. of tanks which received rainfall as per DPRs	Existing potential as per DPRs	Area planned for restoration	Total Culturable Command Area	Actual area irrigated	Percentage of shortfall	No. of tanks providing irrigation
2013	116	14,757.31	6,389.74	21,147.05	1,989.45	90.59	20
2014	119	19,871.70	6,288.43	26,160.13	862.78	96.70	9

(Source: Information furnished by the Department)

Out of 191 tanks, the catchment areas of 116 tanks and 119 tanks registered rainfall during 2013 and 2014 respectively as envisaged in the DPRs. However, the tanks were not filling up despite receiving the quantum of rainfall as envisaged in the DPRs. As seen from the baseline study reports, there were water harvesting structures situated in the upstream side of the tanks harnessing the rainfall occurring in the catchment area. For each tank, the department was required to ascertain reasons for poor inflow into the tank for taking necessary remedial measures. However, none of the DPRs contained these details, as DPRs were prepared before conducting baseline survey as indicated in Paragraph 3.14.2.3. This impacted the water yield to the tanks and thereby affected the command area of the tanks.

The three EEs[69] in their reply attributed decline in area irrigated to deficient rainfall and also due to interceptions in catchment area. The EEs also stated

[69] Hassan, Mysuru and Chitradurga

that the full potential had been restored and would provide irrigation to command area in the event of normal rainfall.

The reply is not acceptable as audit had reckoned the tanks which had received the expected rainfall as envisaged in DPRs and full potential had not been restored. In fact during the year 2014, 119 tanks had received rainfall as per DPRs whereas only nine tanks provided irrigation facility which proved that the scheme implementation failed in *toto* to achieve the objective. Further, silt removal to the extent of 43 *per cent* of the estimated quantity was not executed, resulting in 10,072.19 ha not being restored in respect of 179 tanks. Hence the claim of restoration of full potential was incorrect.

The factors affecting inflow of water into tank was not ascertained for taking remedial measures since baseline studies were commissioned subsequent to approval to DPRs and their inputs could not be utilised to decide on viability for their restoration.

3.14.3.2 Monitoring and evaluation

The guidelines prescribed formation of a State Level Nodal Agency (SLNA) which was responsible for monitoring various activities envisaged under the scheme for their effective implementation. Details of formation and proceedings of SLNA were not furnished to Audit. The absence of monitoring mechanism affected the implementation of the restoration scheme on all fronts as brought out in the previous paragraphs.

The scheme guidelines also envisaged for conducting evaluation and impact assessment but the same was not got conducted by the Department. The Chief Engineer (South), Bengaluru replied (August 2015) that the impact assessment would be taken up in due course without furnishing reasons for not undertaking even after more than two years of completion of the scheme.

The observations were brought to the notice of Government in August 2015; their reply is awaited (December 2015).

3.15 Irregularities in construction of minor irrigation tank

Irregular addition of lead charges resulted in unintended benefit of ₹ 54.96 lakh to a contractor and expenditure of ₹ 7.81 crore incurred on irrigation tank rendered unfruitful due to non-completion of canal network.

The work of "Rehabilitation of Minor Irrigation (MI) Tank at Kamatanur in Hukkeri taluk, Belagavi district" was taken up by the Executive Engineer, Minor Irrigation Division, Belagavi (EE) during 2010-11 for providing irrigation to 600 hectares (ha). The contract was awarded to a contractor (December 2011) for ₹ 6.37 crore (14 *per cent* above the estimated cost of ₹ 5.58 crore) for completion within 18 months. The scope of work included excavation, foundation treatment, construction of canal, *etc*.

The work of rehabilitation of MI Tank excluding canals had been completed but the execution of canal work was stopped (March 2013) by the contractor due to objection by the farmers and land owners.

Scrutiny of records of the EE (October 2013 and February 2015) by Audit showed unintended benefit to contractor due to irregular loading towards lead charges and unfruitful expenditure due to non-completion of canals as discussed below:

- As per Minor Irrigation Schedule of Rates (SR) for 2010-11, the basic rate for excavation in all kinds of soil and disposing off with an initial lead of one km and all lifts was ₹ 61 per cum which included ₹ 37.30 per cum for one km lead. For every additional km up to five km lead, cumulative rate(s) are provided in the SR. The excavated soil was to be disposed off involving a distance of 1.80 km. For two km lead, the cumulative rate was ₹ 45.50 per cum which had to be added after deducting initial lead charges of one km (₹ 37.30 per cum). However, in the sanctioned estimate, the Department worked out the cost for this item as ₹ 99.52 per cum instead of ₹ 70.58 per cum[70] without deducting initial lead charges. Thus, the rate for this item had been inflated by ₹ 28.94 per cum and tenders invited on inflated rate resulted in unintended benefit to the contractors which works out to ₹ 32.99 per cum (₹ 28.94 × 114 *per cent*). For excavation of 1,66,598.23 cum[71] of soil executed under five of the six components of the work, the unintended benefit to the contractor works out to ₹ 54.96 lakh.
- The scope of work included construction of canals which was stopped after partial execution and the contractor was paid ₹ 60.48 lakh[72]. The contractor requested (March 2013) for closure of contract as the work could not be resumed. The Chief Engineer proposed (July 2013) MI tank be converted as percolation tank[73] as beneficiaries were against construction of canals on the ground that it would deplete the ground water levels in the surrounding wells/bore-wells and drinking water shortage during summer. Action on the request of the contractor to close the contract and final decision regarding converting MI tank into percolation tank has not yet been taken by the Government. The total payments made to contractor was ₹ 7.81 crore (March 2013). The irrigation benefit was not provided despite storage of water in the tank as canals were not completed.

On this being pointed out, the EE stated (February 2015) that though the letter of former irrigation Minister had sought to convert the tank as a percolation

[70] Includes two *per cent* area weightage - ₹ 61 + ₹ 45.50 - ₹ 37.30 = ₹ 69.20 × 1.02 = ₹ 70.58 per cum

[71] Includes quantity exceeding 125 *per cent* of tendered quantity

[72] ₹ 11.43 lakh (Sluice gate) + ₹ 49.05 lakh (irrigation canals) = ₹ 60.48 lakh

[73] A percolation tank is constructed at site where sub-soil is permeable (porous), to improve the water table in the surrounding areas

tank, in the absence of specific instructions from higher authorities, the work in respect of canals was carried out as per the approved estimate.

The indecision on the part of Government to complete the canal network defeated the very objective of providing irrigation to the 600 ha of the project on which ₹ 7.81 crore had already been spent. No reply was furnished in respect of undue benefit of ₹ 54.96 lakh to contractor on account of erroneous addition of lead charges.

The matter was referred to the Government in May 2015 and followed up in August and September 2015; their reply is still awaited (December 2015).

3.16 Overpayment to the contractor

The divisional officers made overpayment of ₹ 1.54 crore though materials were not handed over to the department and the contractor failed to complete the work despite the leniency extended for transfer of work at his request.

The contract for "Construction of Lift Irrigation Scheme (LIS)" near Devarahonnali in Honnali taluk, Davanagere district, intended to irrigate 580 hectares (ha) of land was awarded (March 2007) to a contractor by the Executive Engineer, Minor Irrigation (MI) Division, Chitradurga (EE) for ₹ 1.89 crore with a stipulation to complete the work in 12 months (March 2008). The scope of work included supply of pumping machinery, supply and erection of PSC pipes[74], construction of jack well, testing and commissioning of LIS. As per special conditions of the contract, the contractor was to be paid at staggered rates for pump sets and associated accessories based on the progress of work[75].

The work was not completed by March 2008. The contractor represented to the Chief Engineer that work of rising main could not be completed due to objections by farmers and also stated that there were disputes with engineer-in-charge of work with respect to depth of jack well, excavation in hard rock, *etc.* As per the request of the contractor, the execution of the work was entrusted to Shivamogga Division during February 2010 and the contractor was paid ₹ 92.67 lakh towards pump sets and accessories, laying of PSC pipes for length of 2,275 Rmtr. The contractor was paid another ₹ 70.27 lakh when the work was under jurisdiction of MI Division, Shivamogga primarily towards supply of pipes and "extra items" (supply of pumping accessories for which a supplementary agreement for ₹ 20.05 lakh was concluded during

[74] Pre-stressed concrete pipe

[75] Terms of payment - 70 *per cent* of the contract price after satisfactory testing and receipt at site, 10 *per cent* of the contract price after erection, 10 *per cent* after successful commissioning & handing over and 10 *per cent* after completion of the maintenance period

November 2011). The work was re-entrusted (August 2012) to MI Division, Chitradurga since a new sub-division at Honnali was established. The contractor did not commence the work despite issue of several notices after re-transfer of the work.

The contract was terminated (December 2014) at risk and cost of the contractor based on the final measurements of the work taken on 1 September 2014. The total payment made to the contractor worked out to ₹ 1.63 crore. The LIS targeted for completion in March 2008 has remained lingering for more than seven years now.

Though the tenders for the balance work had been invited (December 2014), the contract is yet to be awarded.

Audit scrutiny (October 2014) of records of the EE revealed the following lapses:

- The major portion of the cost of LIS relates to supply of manufactured or pre-fabricated items and also comprised of minor works of erection or installation and commissioning at site or sites and thus attains the characteristics of *lump-sum* contract which was invited as item rate contract, instead of finished item of work. However, MI department included "special conditions" to the item rate contract by providing stage payment and there was no justification for altering the basic structure of the item rate contract which adequately safeguards the interest of the exchequer as it is for completed item of work.
- The programme of work indicating prioritisation of various items of work should be approved by the department before commencement of the work. However, no programme of work was submitted by the contractor for approval by MI department. It was stated that the contractor supplied pump sets and its accessories soon after signing of the agreement though these materials were required only after completion of civil works. The warranty of the materials purchased would lapse (invoices not available for scrutiny) even before commissioning of the project. However, the EE allowed the contractor to retain the custody of materials. The absence of programme of works coupled with special conditions only resulted in contractor performing the contract to suit his convenience.
- As per agreement, 70 *per cent* of the value of supplies was payable to the contractor on receipt and testing of materials. However, the contractor was paid 85 *per cent* on the basis of supply invoices without taking actual delivery of materials, thereby causing financial loss to Government.

Even though there was inordinate delay in completion of the work, penalty for delay in completion of work was not levied. Performance security of ₹ 18.94 lakh was also not obtained from the contractor. The reasons for not enforcing contractual provisions were not on record and the purpose of transfer of work was also defeated.

Out of ₹ 1.63 crore paid to the contractor, the value of works aggregating to ₹ 49.50 lakh only was accepted (December 2014) by the EE as executed by the contractor. The remaining ₹ 1.13 crore was paid towards material though it was not delivered as per final measurements. Thus, due to departmental lapses, the LIS was lingering despite Government spending ₹ 1.63 crore for the same. The total amount recoverable from the contractor including extra cost for balance work and penalty amounted to ₹ 1.54 crore[76].

The matter was referred to Government in June 2015, followed by reminder in September 2015; their reply is awaited (December 2015).

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[76] Pumping machinery and electrical appliances: ₹ 79.18 lakh + Supply of PSC pipes: ₹ 34.25 lakh + Fine under tender clause 50.1: ₹ 40.86 lakh = ₹ 154.29 lakh