

CHAPTER-IV

COMPLIANCE AUDIT PARAGRAPHS

FORESTS AND WILDLIFE DEPARTMENT

4.1 Irregularities in procurement of boats for tourism activities by Forests and Wildlife Department

Lapses in adhering to the tender and agreement conditions, selection of incompetent suppliers, non-observance to provisions of Stores Purchase Manual and poor contract management resulted in non-delivery of two boats intended for tourism activities despite paying ₹68.34 lakh

The Forests and Wildlife Department (the Department) placed supply orders for procurement of two boats, with seating capacity of 25 and 15 from M/s Nautical Lines, Thiruvananthapuram and the Kerala Small Industries Development Corporation Limited (SIDCO)¹ respectively. Audit noticed several irregularities/deviations from tender/agreement conditions and provisions of Stores Purchase Manual 2013 in the purchase as discussed below.

1. Purchase of 25 seater Fibre Reinforced Plastic Boat for Neyyar Wildlife sanctuary

Wildlife Warden, Thiruvananthapuram (WLW) invited (December 2011) tenders under two-cover system for fabrication and supply of a 25 seater Fibre-Reinforced Plastic (FRP) boat for water safari programme in Neyyar Wildlife Sanctuary.

According to the tender notification, the vessel was to be designed and built under class of Indian Register of Shipping (IRS)². The tenderer was to have five years of experience in manufacturing/fabrication and supply of FRP boat and was required to have manufactured and supplied more than three FRP boats to various Government Departments (State and Central)/Public Sector Undertakings. The tender was cancelled as there was only one response to it.

The WLW retendered (January 2012) the work. Out of the three bids received, the Technical Evaluation Committee (TEC) disqualified one bidder on the ground that the dimensions were not compatible with the drawings provided. The work was awarded (June 2012) to M/s Nautical Lines, (the Supplier), being the lowest bidder, at their quoted rate of ₹62.50 lakh and the agreement was executed (June 2012). The boat, which was to be delivered within eight months from the date of agreement, was not delivered so far (November 2017).

Audit observed that the Department made the following significant deviations from the tender and agreement conditions:

¹A Government of Kerala owned Company.

²Indian Register of Shipping is an internationally recognised independent ship classification society in India and a member of the International Association of Classification Societies.

- The Supplier firm was registered as a manufacturer (a micro unit) only in 2011 and so, did not qualify the tender conditions regarding five years experience in manufacturing/fabrication and supply of FRP boats. The tender documents furnished by the supplier also did not show any previous experience. The TEC technically qualified the Supplier overlooking these facts.
- As per Clause 3 of the agreement, the article supplied should be as per the supply order attached to the agreement. But the Department did not issue any supply order specifying the item to be supplied, its price, etc.
- The Supplier requested (October 2014) the Department for an amendment in the agreement condition regarding 'IRS approval' to 'IRS or any International Association of Classification Societies member approval' eighteen months after the due date of supply, stating that the delay in supply was due to delay in getting IRS approval. The Department acceded to the request and extended the time of supply up to 10 September 2015 by executing (10 June 2015) a codicil (i.e. supplemental) agreement. The Supplier was aware of the requirement of IRS approval while agreeing to the original date of supply. Hence, the extension of time of supply by 31 months was unwarranted.
- The agreement conditions provided for a down payment of 30 *per cent*, 30 *per cent* on completion of hull, 20 *per cent* on engine installation and balance 20 *per cent* on delivery and acceptance of the boat. The down payment of ₹18.75 lakh was released in June 2013. Inspection was conducted (November 2013) and it was certified that only 30 *per cent* of the hull was constructed. Despite this the Department released subsequent instalment of ₹18.75 lakh in November 2013, which was an undue favour to the Supplier.
- The Department was yet (November 2017) to recover the amount of ₹37.50 lakh paid to the Supplier even after a lapse of more than 26 months from the expiry of the extended (September 2015) date of supply.

The WLW stated (November 2017) that a complaint against M/s Nautical Lines for cheating the Government was filed with the City Police Commissioner.

2. Purchase of 15 seater boat for Shendurney Eco Tourism Project

According to the Government of Kerala (Government), Stores Purchase Manual 2013 (SPM), all purchases exceeding ₹10 lakh must be made through open tender. The period of delivery of the ordered stores is to be properly specified in the contract with definite dates. Payments for supplies made should be released only after the supplies are made. Advance payments to firms are admissible only in the cases of maintenance contracts, fabrication contracts or turn-key contracts, when demanded by the firms, after obtaining adequate safeguards in the form of bank guarantee (BG), etc. from the supplier. Such advance should not exceed 40 *per cent* of the contract value if the supplier is a State or Public Sector Undertaking.

The Government accorded (31 March 2015) Administrative Sanction (AS) for the purchase of a 15 seater Double Hull³ boat with double engine at a cost not exceeding ₹38 lakh for Shendurney Eco Tourism Project. Principal Chief Conservator of Forests & Chief Wildlife Warden (PCCF&CWW) sanctioned (31 March 2015) an estimate of ₹38.25 lakh for the purchase. The Wildlife Warden, Shendurney Wildlife Division (Division) without inviting open tenders, issued (31 March 2015) two supply orders to SIDCO, one for the supply of a 15 seater boat and the second for supply of two 40 HP Engines for the 15 seater boat. The Department executed separate agreements for the supplies and paid an advance of ₹30.84 lakh to SIDCO. No date of delivery was mentioned either in the supply orders or agreements. But the Department unilaterally fixed (December 2015) the dates of delivery retrospectively as 23 May 2015 which was not confirmed by SIDCO. Audit noticed significant deviations from provisions of SPM and agreement conditions as below:

- There was undue haste in placing supply orders as could be seen from the fact that obtaining of AS, approval of estimate by PCCF&CWW, issue of supply orders, execution of agreement and release of advance payments were done on 31 March 2015 itself. Further, the supply orders, which were referred to in the agreements for detailed information on the supplies, did not contain essential details like the description/specification of the items, price, date of delivery and the terms of payment, necessary to safeguard the financial interest of the Government.
- According to para 7.20 of the SPM, purchase by obtaining quotation by issuing single tender is to be resorted to only in unavoidable situations such as when articles required are manufactured by only one manufacturer; when it can achieve substantial economy; in the case of emergency and for standardisation of machineries to be compatible with existing sets. This purchase of boats for eco-tourism project did not qualify any of the above conditions. Hence, placing of supply order worth ₹37.79 lakh with SIDCO without inviting open tenders lacked transparency and was not in the best financial interest of the Government.
- Para 12.17 of the SPM stipulated that while making advance payment, adequate safeguards in the form of BG, etc. should be obtained from the supplier. Further, such advance payments should be generally interest bearing. The agreements for supply of the boat provided for payments in three instalments of 40, 40 and 20 *per cent* of the cost on completion of various stages. Contrary to this, the Department released 71 *per cent* (₹16.87 lakh) of the total cost of the boat in advance along with the supply order itself. Similarly, in the case of the engines, the agreement stipulated 40 *per cent* advance payment but the Department paid the total

³Double hull is a ship hull design and construction method where the bottom and sides of the ship have two complete layers of watertight hull surface: one outer layer forming the normal hull of the ship, and a second inner hull which is some distance inboard, typically by a few feet, which forms a redundant barrier to water in case the outer hull is damaged and leaks.

cost (₹13.97 lakh) in advance. Both the payments were made without obtaining security in the form of BG. The action lacked financial propriety since the Department interests were not safe guarded.

- Further, SIDCO sub-contracted the work to a private contractor, M/s Nautical Lines, Thiruvananthapuram even though Clause 9 of the Agreement prohibited underletting or subletting the execution of the contract or any part thereof without the consent of the Government.
- Although due date of delivery was 23 May 2015, the boat remains undelivered even after a lapse of 30 months (November 2017) despite incurring ₹30.84 lakh.

The Department stated that a challan was issued to SIDCO for return of the paid amount with 18 *per cent* interest as penal interest.

Non-adherence to the tender and agreement conditions, lapses in selection of competent suppliers, non-observance to provisions of SPM and poor contract management resulted in non-delivery of two boats intended for tourism activities despite paying ₹68.34 lakh⁴.

The matter was referred to the Government in February 2018. The Government is yet to reply to the audit observations.

PUBLIC WORKS DEPARTMENT

4.2 Avoidable extra expenditure on three unwarranted works and payment on fictitious measurements

Non-exercise of propriety by departmental authorities in arranging road work resulted in execution of three unwarranted works costing ₹74.99 lakh. Besides, fictitious measurements and admission of irregular claims by departmental authorities resulted in payment of ₹15.78 lakh.

The Kerala Public Works Department Manual, Revised Edition 2012 (Manual) stipulates that a road once renewed with Chipping Carpet is to be taken up for renewal normally after three years. The Government of Kerala (Government) issued (August 2013) orders fixing the defect liability period (DLP) of different types of works in Public Works Department (Department), according to which, DLP of the work of surface renewal with 20 mm chipping carpet is 12 months.

1. The Government accorded (June 2014) Administrative Sanction (AS) to a work⁵ for ₹3.50 crore, which included providing 50 mm BM⁶ and 30 mm BC⁷ in two layers. The Chief Engineer (Roads & Bridges) (CE) issued (October 2014) Technical Sanction (TS) for ₹3.50 crore. Superintending Engineer (Roads & Bridges) Central Circle, Aluva (SE) tendered the work twice (October 2014 &

⁴₹37.50 lakh for Neyyar + ₹30.84 lakh for Shendurney.

⁵Budget work 2014-15: Improvements to Edappally-Muvattupuzha road from Kuzhivelipady to Pukkattupady chainage 8/000 to 11/020 km.

⁶Bituminous Macadam.

⁷Bituminous Concrete.

November 2014), but evoked no response from contractors. Subsequently SE invited (December 2014) limited quotations and received two offers. The lowest quotation was 39.80 *per cent* above estimate rate. Government accepted (June 2015) the tender at 17.07 *per cent* above estimate rate (₹3.88 crore⁸). The SE issued (September 2015) selection notice to the contractor⁹ and the contract agreement was executed (October 2015). The time of completion was nine months (by 10 June 2016). The contractor completed the work on 26 May 2016 and the final bill amounting to ₹3.50 crore was paid in October 2017.

On scrutiny of the records of the offices of R&B Central Circle, Aluva and Roads Division, Ernakulam and joint site verification conducted on 31 October 2017, it was observed that:

- The length of the reach on which BM and BC work were actually done was 3,030 m. But as per the measurement records 3,100 m was measured for payment. This resulted in excess payment of ₹4.87 lakh¹⁰ on account of the excess measurement of 70 m.
- The measurement of 3,100 m also included 301.60 m long road which was paved with 10 cm thick heavy duty interlocking tiles in place of bituminous surface. However, the Department paid contractor for executing BC over 3,100 m, without excluding tiled portion. This led to excess payment of ₹8.39 lakh.¹¹
- Eleven sign boards indicating direction and place were measured and ₹0.58 lakh paid to the contractor. But Audit was unable to find any of the sign boards during a joint physical verification conducted along with departmental officials.
- The Department permitted the contractor to discount (13 April 2017) a bill of ₹1.94 lakh relating to purchase of bitumen, stated to be for the work, made four months after completion of the work.

On these being pointed out, the Executive Engineer, Roads Division, Ernakulam (EE) replied (November 2017) that the exact amount of excess payment made would be calculated after obtaining clarification from the officers concerned.

Recording of fictitious measurements and admission of irregular claims amounting to ₹15.78¹² lakh indicate serious possibilities of fraud and malpractice.

2. While the tender process of the above work was underway, the EE, proposed (April 2015) three estimates of ₹24.99 lakh each under Renewal Programme, for rectification of damages in different chainages¹³ of the same reach of road mentioned above, on the plea that there was demand from the public and the local MLA to do the work urgently. The CE accorded (23 June 2015) AS

⁸This excludes tender variation on cost of bitumen.

⁹Shri Subin George.

¹⁰Approximate cost for 70 metre excluding tender excess.

¹¹Approximate cost for 301.60 metre excluding tender excess.

¹²₹4.87 lakh + ₹8.39 lakh + ₹0.58 lakh + ₹1.94 lakh.

¹³Ch.8/000 to 8/950, 9/210 to 10/000 and 10/150 to 11/020.

to the works which consisted of Bituminous levelling course with 36 mm metal and open graded premix¹⁴ surfacing of 20 mm thickness subject to the condition that the tendering authority should ensure that no part of the works should be duplicated with any of the works already sanctioned within the reach. EE issued (24 June 2015) TS and invited (24 June 2015) limited tenders for the works. Two tenders each were received (24 June 2015) and the lowest rate quoted (estimate rate) in all three works was by entities promoted by Shri Subin George. The EE awarded (July 2015) all three works at a total cost of ₹74.99 lakh¹⁵. The SE ratified (09 July 2015) the action of the EE in having arranged the works by waiving tender call although it was beyond his delegated powers. The site for the works were handed over (04 July 2015) to the contractor who completed the works (31 August 2015).

Scrutiny of the records at the offices of R&B Central Circle, Aluva and Roads Division, Ernakulam revealed the following:

- Proposals for the renewal works were submitted by the Division to the CE who accorded (23 June 2015) AS despite the fact that tender process of the Improvement work on the same stretch of road was under way. The proposal for renewal works was, therefore, unwarranted.
- The CE was aware that the tender approval of the improvement work was under consideration with Government. In spite of this, he accorded AS for the renewal works.
- The EE showed undue haste in awarding the three renewal works by not ascertaining the status of the improvement work which was already under tender process, thus contravening the CE's direction in the AS order that works should not be duplicated with any of the works already sanctioned.
- As per Section 2012 of the Manual, CE and SE were competent to waive tender calls of the value up to ₹25 lakh and up to ₹10 lakh respectively. Waiving tenders of more than ₹25 lakh by EE and ratification by SE were beyond their respective delegated financial powers, which were irregular as per the instructions issued by the Government.

Thus, awarding three renewal works on the same stretch of road when it was clearly evident that it would get submerged in the ensuing improvement works lacked financial propriety and caused the department to incur an avoidable expenditure of ₹74.99 lakh.

The matter was referred to the Government in December 2017. The Government is yet to reply to the audit observations.

¹⁴Material used for surfacing of roads which consists of small-sized aggregates pre-mixed with bitumen and laid on a previously prepared surface.

¹⁵₹24,99,989 + ₹24,99,256 + ₹24,99,990 = ₹74,99,235.

4.3 Extra liability of ₹70 lakh due to post contractual changes

Post contractual changes made to compensate a contractor for the price of bitumen resulted in extra liability of ₹70 lakh to the Government

As per Section 2104 of Kerala Public Works Department Manual, Revised Edition, 2012, departmental material would not be issued to contractors. This meant that the rates quoted by the contractors are to be inclusive of the cost of material including bitumen supplied by the contractor. Subsequently, Government issued directions (January 2014) to reimburse the actual cost of bitumen to the contractors as per original invoice subject to the condition that the total cost of work should be limited to the technical sanction (TS) amount.

The Superintending Engineer (Roads & Bridges), North Circle, Kozhikode (SE) awarded (December 2013) a work¹⁶ to a contractor¹⁷ for which the Chief Engineer (Roads & Bridges) (CE) issued TS for ₹7.60 crore.

During execution, the CE revised (September 2014) the estimate to ₹9.48 crore by deleting the items containing bitumen from the schedule of works and re-admitted the same in the estimate as extra items at enhanced rate. The rates of re-admitted bituminous items were arrived at reckoning the cost difference of bitumen between departmental rate and refinery cost. The SE subsequently executed (September 2014) a supplementary agreement with the contractor. The contractor completed (December 2014) the work and a total of ₹8.30 crore was paid to the contractor including final payment of ₹3.49 lakh (March 2017).

Audit observed the following:

- As per Government directions of January 2014, actual cost of bitumen as per original invoice was to be admitted limiting the total cost of work to the TS amount. Instead, the department paid the contractor ₹8.30 crore which was in excess of the TS amount by ₹70 lakh¹⁸. As such, execution of supplementary agreement to benefit the contractor was irregular.
- Further, revising the rates of items in the tender estimate after entering into a contract was a violation of the contract condition that rate once agreed shall not be varied on any account.

The action of the CE and SE was a post-contractual change benefitting the contractor, causing extra liability of ₹70 lakh to the Government.

The matter was referred to the Government in February 2018. The Government is yet to reply to the audit observations.

¹⁶Improvements to Mathurumba-Chapparpadavu-Perumbadavu-Kuttoor Road, km 0/000 to 10/285.

¹⁷M/s. Kerala State Construction Corporation Limited, Kochi.

¹⁸₹8.30 crore less TS amount of ₹7.60 crore.

4.4 Incorrect pledging of pending bill as security deposit and performance security deposit

Executive Engineer enabled a contractor to execute works of more than ₹4.56 crore without remitting security deposit and performance security deposit of ₹72.50 lakh, thus failing to indemnify the Government against future liabilities.

In terms of Section 2009.7 of the Kerala Public Works Department Manual, Revised Edition, 2012, read with Government of Kerala (Government) orders¹⁹, the selected bidder shall produce a Security Deposit (SD) equal to five *per cent* of the contract amount for executing contracts, which is to remain valid till the expiry of the Defect Liability Period (DLP) of the work. Earlier (March 2003), the Government permitted contractors through a circular²⁰ to adjust the amounts due to them on account of completed works as SD of new contracts awarded to them. Additionally, Section 2009.7 also stipulates that if the bid of the successful bidder is unbalanced²¹ in relation to an estimate, the difference in cost should be deposited as Performance Security Deposit²² (PSD) for unbalanced price and kept valid until the completion date of the work.

The Superintending Engineer, Public Works Department (PWD), Roads & Bridges, Central Circle, Aluva (SE) awarded (May 2016) two works²³ costing ₹2.90 crore and ₹1.66 crore to a contractor²⁴ at 23.50 *per cent* below estimate rate. While executing the contract, the contractor requested (May 2016) the SE to adjust the deposit amount stipulated in the Selection Notice from the pending bill due to him on account of another work²⁵. The Executive Engineer, PWD Roads Division, Ernakulam (EE) reported that (May 2016) the first and part bill of the contractor on the said work amounting to ₹73.35 lakh was pending payment with the Division, as stated in the contractor's request. Accordingly, the SE permitted (May 2016) the contractor to adjust ₹72.50 lakh, from the pending bill of ₹73.35 lakh as SD (₹22.84 lakh) and PSD (₹49.66 lakh)²⁶ towards the two newly awarded works.

¹⁹GO(P) No.104/2014/Fin dated 14/03/2014, GO(P) No.3/15/Fin dated 05/01/2015 and GO(P) No.429/15/Fin dated 28/09/2014.

²⁰No.4583/H3/2003 dated 07/03/2003.

²¹Unbalanced means works quoted below 10 *per cent* of the estimate rate vide GO(P) No. 429/15/Fin dated 28/09/2015.

²²Alternatively termed as Additional Performance Guarantee for unbalanced price, vide GO(P) No. 429/15/Fin dated 28/09/2015.

²³Budget work 2015-16: Improvements to Thadikkakadavu-Manjali road (Agreement No. 42/SECCA/2016-17 dated 27/05/2016) and Budget work 2015-16: Improvements to Shurakkad-Ayiroor church road (Agreement No. 45/SECCA/2016-17 dated 27/05/2016).

²⁴Shri Subin George, Edathala House, Neeleswaram PO, Kalady, Ernakulam District.

²⁵B/W 2013-14-Improvements to Edappally Muvattupuzha road from Kuzhivelipady to Pukkattupady ch. 8/000 to 11/020 (Agreement No. 109/SECCA/2015-16 dated 03/10/2015).

²⁶Both works awarded at the rate of 23.50 *per cent* below estimate rate, and hence PSD was required.

Audit scrutiny (October 2017) of the connected documents maintained at PWD Roads Division, Ernakulam and PWD Roads Sub division, Aluva, revealed the following:

- The Government did not permit pledging of pending bills in lieu of PSD for unbalanced price. Hence, it was irregular on the part of SE to permit the contractor to pledge the pending bill in lieu of PSD which led to the contractor escaping from remitting the PSD of ₹49.66 lakh, which he was supposed to provide before taking up the aforesaid new work.
- The newly awarded works were road improvement works costing ₹4.56 crore having a DLP of two years from the date of completion. The pledged bills were to be released only after completion of the DLP. But the EE allowed the contractor to discount the first and part bill pledged by him and all subsequent pending bills²⁷ due to him which were pending at the time of pledging (May 2016). Consequently, the contractor discounted those bills in October 2016 itself, although the works were incomplete (March 2018).

Thus, the EE enabled the contractor to execute works of more than ₹4.56 crore without depositing SD and PSD of ₹72.50 lakh. Further, as the works were incomplete as of March 2018, the Government was not indemnified against future liabilities in the absence of the mandatory deposits in its possession.

The matter was referred to the Government in January 2018. The Government is yet to reply to the audit observations.

WATER RESOURCES DEPARTMENT

4.5 Procurement of sub-standard dredgers resulted in their underutilisation

Failure of the departmental technical committee in ensuring that the dredgers supplied by the contractor matched the required specifications and configuration resulted in supply of sub-standard dredgers unfit for the intended purpose, making ₹7.58 crore spent on their purchase unfruitful.

The Government accorded (January 2008) administrative sanction for purchase of a cutter suction dredger (CSD) model 'IHC Beaver 300 C' for the use of the Irrigation Department at an estimated cost of rupees four crore. The Chief Engineer, Irrigation (Mechanical) (CE) invited (April 2008) tenders, against which only one response was received. The Technical Committee (TC) constituted by the Government (August 2008) to evaluate the tender, rejected (December 2008) the bid since the important parameter on dredger output "minimum 100 m³ of solids per hour at a distance of 500 meters with static head of 7.5 meters" was not met.

²⁷₹84,72,948 (First & Part Bill) + ₹3,17,982 (Hand Receipt) + ₹53,93,123 (Second and Part Bill) = ₹1,94,89,896.

Meanwhile, the Managing Director of Kerala Shipping and Inland Navigation Corporation Ltd (KSINC), a State owned Public Sector Undertaking, approached (November 2008) the Secretary to the Chief Minister, who also happened to be the Chairperson of KSINC, stating that KSINC was capable of constructing the dredger required by the Department and requested for award of the work to them. KSINC also made the same request to the Additional Chief Secretary, Water Resources Department, who forwarded it to the Irrigation Department for remarks (December 2008). The CE in his reply (February 2009) observed that KSINC did not have experience in the field of design or construction of CSD, but recommended the purchase directly from KSINC in relaxation of the provisions of Store Purchase Manual citing time constraints provided they made a tie-up with a firm having proven experience in the field.

The Government reconstituted (June 2009) the TC to evaluate the bid and allied matters regarding the purchase of CSD. The TC studied (August 2009) the proposal of KSINC and sought some clarifications regarding specifications.

After evaluation of the clarification furnished (September 2009) by KSINC, which was silent on the solid discharge per hour, TC unanimously recommended (September 2009) the proposal of KSINC for approval to the Government. The Government issued (February 2010) AS and TS for the purchase of two CSDs at an estimated cost of ₹3.79 crore each. The Irrigation Department issued (March 2010) supply order to KSINC and executed an agreement which also contained the following specifications.

- Main Engine – Caterpillar 3406C 298 KW (400 HP) @ 1800 RPM with fresh water cooling system with least fuel consumption.
- Dredge pump – METSO 2MM, Capacity 1500 m³/hour. Dredging capacity minimum 100 m³ of solids per hour at a distance of 500m with static head 7.5m.

KSINC requested (November 2010 and January 2011) departmental approval for changing the specification of the main engine and dredge pump citing recommendation of the manufacturers who stated that the engine as per the original specification was not suitable for dredging application and that the dredge pump mentioned in the original specification was meant for mining purpose only.

KSINC claimed (April 2011) that the alternate pump recommended was capable of discharging 1500 m³/hour. The TC recommended the alternatives suggested by KSINC and the Government accepted the recommendations and issued (June 2011) the order. Audit observed that there was no cost reduction despite change in specifications.

KSINC delivered the dredgers on 20 June 2012 and 30 June 2012 respectively after trial runs (22 March 2012 and 29 March 2012) by the Irrigation Department, without ascertaining their dredging capacity.

Following reports (January 2013) from the Executive Engineer, Irrigation Mechanical Division, Alappuzha on the under-performance of the new dredgers, the CE decided (February 2013) to conduct a performance trial and directed

(14/06/2013) that the same be conducted while the dredgers were working for any departmental works. Accordingly, the Department conducted the performance trial in February 2015 i.e. two years after the decision to do so was made by the CE, when a suitable site for testing was available. The test confirmed the dredge output to be 50 m³ of solid/hour at a distance of 250m, which was half the required capacity. Meanwhile, the warranty period of the dredgers already expired in June 2013.

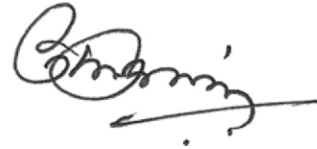
A Technical team constituted (October 2015) by the Government to evaluate the performance of the dredgers, in their report (August 2016) observed that the design configuration of components provided by KSINC was not satisfactory. They found the dredgers to be under-performing and stated that modifications were neither economical nor feasible.

Scrutiny of the relevant records revealed the following:

- The TC failed to critically examine the suitability of the design components proposed by KSINC. The clarification given by KSINC to the TC on the dredge pump did not contain any information on the “solid content of discharge per hour”, for want of which the same committee rejected the earlier single bid. Despite this, the TC unanimously recommended (September 2009) the proposal of KSINC to the Government.
- KSINC claimed that the pump recommended by it was capable of discharging 1500 m³/hour, while the manufacturer’s data sheet mentioned a capacity of only 790.10 m³/hour.
- As per Clause (b) of the agreement signed by KSINC, during the warranty period if the goods supplied by the contractor were discovered not to conform to the description and quantity specified in the order attached to the agreement, the Government was entitled to reject the goods at the contractor’s risk. The Irrigation Department did not conduct detailed performance trial covering the dredging capacity before accepting the dredgers and so failed to enforce the agreement clause to its advantage.
- Due to the reduced output, dredging works undertaken were found not to be economically viable. After confirmation of their reduced dredge output (March 2015), till 31 December 2017, the two dredgers were used only for 30 and 55 days respectively for dredging purpose as against the initial projection of 20 days per month.

The entrustment of work to KSINC with no proven capability is indicative of poor exercise of diligence in conducting technical evaluation and selection of supplier. Thus, failure of the TC in assessing the feasibility of the specifications proposed by KSINC resulted in supply of sub-standard dredgers at a cost of ₹7.58 crore which did not serve the intended purpose. The department forfeited the opportunity of rectifying defects of the dredgers at the expense of KSINC by not conducting their performance trial before taking them over from KSINC before expiry of the guarantee period.

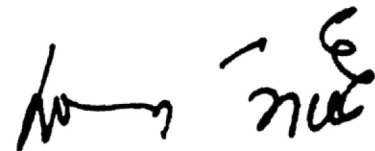
The matter was referred to the Government in December 2017. The Government is yet to reply to the audit observations.



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