

## CHAPTER III

### PERFORMANCE REVIEWS

This Chapter presents three reviews and two long paragraphs. The performance reviews include review on 'Implementation of Consumer Protection Act, 1986', review on 'Implementation of National Highways Project in Karnataka' and review on 'Infrastructural Development in Mega Cities'. Besides, there are long paragraphs on Karnataka Housing Board - Application and General Controls of Information Technology Systems and Incorrect Assessment of Demand under '100 Housing Scheme' and Maintenance of Irrigation Canals of Central Zone.

### FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

#### 3.1 Implementation of the Consumer Protection Act, 1986

##### Highlights

*Government of India enacted the Consumer Protection Act, 1986 to provide for simple, speedy and inexpensive redressal of consumer grievances. The implementation of the Act in the State suffered in the absence of a policy outlining the priorities for involvement of the State/District administration/ Non-Government Organisations for promotion of awareness and empowerment of consumers, inadequacy of infrastructure and monitoring. The Consumer Protection Councils aiming at promoting and protecting the consumer rights as envisaged in the Act were not set up at District level and the one set up at State level did not function effectively.*

**The State Government did not have any documented policy outlining the priorities for creation and strengthening of infrastructure of the adjudication mechanism and greater involvement of State/District administration/Non-Government Organisations for promotion of awareness and empowerment of consumers.**

**(Paragraph 3.1.9)**

**There were inordinate delays in framing rules and issuing notifications governing issues relating to implementation of the Act.**

**(Paragraphs 3.1.10 to 3.1.12)**

**There were delays ranging from two to four years in constitution of the Consumer Redressal Agencies.**

**(Paragraphs 3.1.13 to 3.1.15)**

**Large number of consumer disputes was pending disposal by the consumer fora. There were also delays beyond the time limits prescribed in the Act in deciding the cases.**

**(Paragraphs 3.1.18 and 3.1.19)**

**State Consumer Protection Council was established 14 years after the Act came into force. District Consumer Protection Councils were yet to be set up.**

**(Paragraph 3.1.24)**

**There were delays ranging from two to four years in providing basic infrastructure facilities for consumer fora despite availability of Government of India grant for the purpose.**

**(Paragraphs 3.1.28 to 3.1.30)**

**The staff sanctioned to consumer fora was inadequate compared to the minimum staff recommended by the Bagla committee, which adversely affected the functioning of the fora.**

**(Paragraph 3.1.31)**

**The State Government failed to make use of the financial assistance available from Central Consumer Welfare Fund to implement various schemes for generation of consumer awareness.**

**(Paragraphs 3.1.35 to 3.1.38)**

**No follow up action was taken on the recommendations of the external agency engaged to undertake evaluation of functioning and continued utility of the consumer fora.**

**(Paragraph 3.1.42)**

## **Introduction**

**3.1.1** The Consumer Protection Act, 1986 (Act) was enacted by the Parliament to provide for simple, speedy and inexpensive redressal to the consumers' grievances. The Act came into force from 1 July 1987. The Act envisaged establishment of separate three-tier quasi-judicial consumer dispute redressal agencies (consumer fora) at the National, State and District level. These agencies have been empowered to give relief of specific nature and to award compensation to the consumers. The provisions of the Act give the consumer an additional remedy besides those available under other existing laws. The Act was amended in 2002 to facilitate quicker disposal of the complaints. The Act applies to all goods and services and covers all sectors whether private, public or co-operative. Prevention of Food Adulteration Act, 1954 (PFA) and

Standards of Weights and Measures (Enforcement) Act, 1985 (SW&MA) had also been enacted by the Parliament for protection of the interest of the consumers and taking appropriate action against the offenders. The implementation of these Acts, however, has not been covered in this review.

### **Organisational set-up**

**3.1.2** The Food and Civil Supplies and Consumer Affairs Department, the nodal department in the field of consumer protection, is responsible for promoting consumer awareness and empowerment of consumers and consumer organisations. It is headed by the Commissioner who is assisted by the Joint Director. The Deputy Director of Food and Civil Supplies is in-charge of Consumer Affairs at the District level. The Consumer Disputes Redressal Commission is functioning at the State level while each district of the State has a Consumer Disputes Redressal Forum.

### **Audit objectives**

**3.1.3** Audit review on the implementation of the Act and the Rules framed thereunder was conducted to assess whether:

- the Government formulated its policy outlining the priorities in order to achieve the intended objectives of the Act.
- adjudication mechanism had been created as prescribed in the Act.
- Consumer Protection Councils were constituted and functioning at the State and District level.
- the infrastructure created for disposal of complaints met the expectation of consumers and fulfilled their requirements.
- various measures initiated by the Government were effective in creation of awareness and empowerment of consumers.
- adequate system of monitoring mechanism of consumers' grievances existed.
- the efficiency of adjudication mechanism was got evaluated by an independent agency and its recommendations considered.

### **Audit criteria**

**3.1.4** The Audit criteria were:

- provisions of the Act and Rules relating to consumer protection,
- notification issued by the Government for setting up Consumer Protection Councils,
- norms fixed and orders issued by the Government/State Commission for staff and other infrastructure requirements.

### Scope of audit

**3.1.5** The records of State Commission and six<sup>▯</sup> out of 27 District fora for the years 2000-2005 were reviewed apart from scrutiny of those in the Food, Civil Supplies and Consumer Affairs Department.

Districts for test-check were selected applying Stratified Unistage sampling and Random sampling techniques, the sample size being 22 *per cent* of the total districts (27) in the State.

**3.1.6** The Comptroller and Auditor General of India had engaged ORG – Centre for Social Research (a division of AC Nielsen ORG-Marg Pvt. Ltd.) for a nationwide survey among consumers, manufactures, traders *etc.*, to capture ground realities concerning the actual implementation of the Act and ascertain whether the benefits reached the people. The survey in Karnataka was conducted in July/August 2005 for the period 2000-2004 in seven districts<sup>†</sup> covering 1,995 consumers and 450 complainants. The State Government was informed (September 2005) of the engagement of ORG-Marg for the survey. The survey findings have been incorporated in the review at appropriate places. The executive summary of the findings is given as **Appendix 3.1** to this review.

### Audit methodology

**3.1.7** The audit plan including the audit objectives relating to various aspects of implementation of the Act was discussed in a workshop jointly organised (July 2005) by Audit and the State Department of Consumer Affairs. During the course of audit, memoranda containing audit observations were issued to the Department, the State Commission and the District fora. While the co-operation of the Department, State Commission and the District fora is acknowledged, there was delay in getting response by way of written communication to the observations communicated; response to certain observations was not received from the Department. During the exit conference the President, State Commission stated (November 2005) that the action on many of the audit findings was required to be taken by the State Government. The President also expressed that the flow of funds for strengthening infrastructure of the adjudication mechanism was not timely and regular.

### Audit findings

<sup>▯</sup> Bangalore (Urban), Belgaum, Bellary, Gulbarga, Koppal and Mysore

<sup>†</sup> Bangalore, Belgaum, Davanagere, Dharwad, Gulbarga, Haveri and Mysore

### **Financial arrangement**

**3.1.8** The expenditure on salaries of judicial and non-judicial members and other recurring expenditure of the consumer fora was met from the State's budget during 2001-05 as detailed below:

(Rupees in crore)

Year	Budget Provision	Expenditure	Excess (+) Savings (-)
2000-01	2.57	2.57	-
2001-02	2.75	2.75	-
2002-03	5.55	4.37	(-) 1.18
2003-04	3.07	3.47	(+) 0.40
2004-05	4.15	4.66	(+) 0.51

The unspent provision during 2002-03 was due to non-setting up of consumer fora in the newly created districts. The excess during 2003-04 and 2004-05 was due to expenditure on the newly created District fora and revision of salary and allowances of the judicial members.

The Government of India (GOI) provided one time grant of Rs.2.50 crore for non-recurring expenditure. Also, financial assistance from Central Consumer Welfare Fund was provided for implementation of consumer welfare schemes such as Jagrith Shivir Yojana (Rs.3 lakh), Setting up of Consumer Clubs (Rs.15 lakh), Establishment of Consumer Information Centre (Rs.9 lakh) and Empowerment of Consumers through Non-Government Organisations (NGOs) (Rs.96.17 lakh).

### **Formulation of Policy and Notification of Rules**

**3.1.9** The State Government did not have any documented policy outlining the priorities for creation and strengthening of infrastructure of the adjudication mechanism and greater involvement of State/District administration/NGOs for promotion of awareness and empowerment of consumers.

**3.1.10** The State Government was responsible for framing rules and issuing notifications governing issues relating to implementation of the Act as amended from time to time. The Karnataka Consumer Protection Rules (Rules) were issued (November 1988) two years after the Act came into force. The Rules were amended (November 2001) to provide for constitution of the State Consumer Protection Council. There was also delay of more than one year to amend (April 2004) the Rules to make provision for setting up of District Consumer Protection Councils.

**3.1.11** The Consumer Protection Rules, 1987 notified by GOI required all the State Governments to notify the "appropriate laboratories" to facilitate the consumer fora to refer the samples of the goods requiring test or analysis. The State Government had not notified so far (September 2005), the laboratories to ensure uniformity in procedures to be followed in this regard.

**Appropriate laboratories not notified for sample tests/analysis**

**Rules for governing the Consumer Welfare Fund not framed**

**3.1.12** As per GOI directions, the State Government was required to set up a Consumer Welfare Fund at the State level to strengthen the voluntary efforts for promoting the consumer movement through financial support. Though the fund was set up belatedly in August 2005, the rules governing the fund were yet (September 2005) to be framed.

### Creation of adjudication mechanism

**Delay in establishing the State Commission**

In terms of the Act, the State Government was responsible for establishment of a Consumer Disputes Redressal Commission to be known as State Commission and a Consumer Disputes Redressal Forum in each district of the State to be known as District Forum to provide speedy and simple redressal to consumer disputes.

**3.1.13** The State Commission was established (September 1989) more than two years after the Act came into force.

**3.1.14** Though the statute required that every district must have its own forum, only four redressal fora, one in each divisional headquarters, were set up (September 1989) along with the State Commission. The Supreme Court on a writ petition filed before it, ordered (August 1991) every State to constitute a District Forum in every district in two months time, otherwise to face contempt action. The State Government set up (November 1991) District fora in 16 other districts in compliance to the Supreme Court order. Delay of more than four years was also noticed in setting up of the fora in seven districts newly formed in August 1997.

In view of registration of large number of complaints, three additional fora for Bangalore urban district were set up, one in October 1996 and two in February 2003.

**Delay in constitution of District fora**

Time gap ranging from three months to more than one year was also noticed (in 14 cases) ♦ between the dates of issue of notification to constitute District fora and the dates of commencement of their functioning.

**3.1.15** The State Commission put forth (August 2003) the proposal regarding urgent need for setting up of circuit benches for quick disposal of large number of pending complaints and appeals. The State Government initiated (March 2005) action after more than two years to direct the Deputy Commissioners of Gulbarga, Belgaum and Dakshina Kannada districts to make provision for space and infrastructure. The circuit benches were yet to be constituted (September 2005).

**3.1.16** The State Government did not furnish reasons for the inordinate delays in setting up of the adjudication mechanism.

♦ Bagalkote, Bangalore (Urban) Additional-II, III & IV, Chamarajanagar, Dakshina Kannada, Davanagere, Gadag, Haveri, Koppal, Mysore, Raichur, Shimoga and Udipi

**3.1.17** According to ORG-MARG survey, nearly 80 per cent of the respondents opined that the efforts of the Government in safeguarding the consumer rights were not adequate. The inordinate delay in creation of adjudication mechanism gave credence to the findings of the survey.

**Pendency of complaint cases with State Commission and District fora**

**3.1.18** The periodical returns relating to registration and disposal of complaints sent by the District fora to the State Commission and by the State Commission, in turn, to the National Commission, State Government and GOI revealed a large number of cases pending disposal as detailed in the table below:

Year	State Commission				District fora			
	Number of complaints				Number of complaints			
	Received (including opening balance)	Disposed	Pending Disposal	Percentage of disposal	Received (including opening balance)	Disposed	Pending Disposal	Percentage of disposal
2000	3,944	1,267	2,677	32	7,701	1,441	6,260	19
2001	3,755	1,421	2,334	38	10,842	4,305	6,537	40
2002	3,580	1,198	2,382	33	11,264	4,769	6,495	42
2003	4,093	1,367	2,726	33	12,832	7,274	5,558	57
2004	4,700	2,446	2,254	52	11,618	7,274	4,344	63
2005 (Up to 8/05)	3,729	1,904	1,825	51	8,372	5,585	2,787	67

The percentage of disposal of cases by the State Commission ranged between 32 and 52, while in District fora it ranged between 19 and 67 during the period 2000-2005.

**3.1.19** As per the amended provisions of the Act, the consumer fora were required to decide complaints, as far as possible, within a period of 90 days from the date of notice received by the opposite party, where complaint did not require analysis or testing of the commodities and within 150 days, if it required analysis/testing of commodities.

The periodical reports disclosed the time-wise disposal of cases by the consumer fora as under:

Number of cases disposed off	State Commission	Percentage	District fora	Percentage
Total (up to August 2005)	15,426		82,801	
Within 90 days	2,232	15	14,077	17
Between 90 days and 150 days	627	4	13,493	16
Beyond 150 days	12,567	81	55,231	67

In the test-checked District fora, 98 cases were pending for more than five years, of which two cases were pending for more than 10 years.

The State Commission and the District fora attributed (July 2005) the delay in disposal of cases to lack of adequate infrastructure, insufficient staff, delay in filing affidavits by the parties, seeking of frequent adjournments by the advocates, delay in service of notices and lack of awareness of the provisions of the Act among the complainants.

The State Government was aware of the alarming position of pending cases with the consumer fora through the periodical returns received. Nevertheless, it did not take corrective action by providing adequate staff and proper infrastructure facilities to the fora.

**3.1.20** In the periodical returns, 14,120 complaints were reported to have been disposed of between 90 days and 150 days by the State Commission (627) and District fora (13,493). However, the returns did not reveal whether all these complaints required analysis or testing of the commodities.

**3.1.21** According to directions (May 2004) of the National Commission, the complaints of widows / senior citizens were to be settled on priority basis and disposed of preferably within six months. In the District fora test-checked, 134 such cases were pending for more than six months.

**3.1.22** Where an interim order made under the Act was not complied with, State Commission or the District forum, as the case may be, was empowered to order the attachment of the property of the person not complying with such order. Besides, where any amount was due from any person by an order made under the Act, the consumer forum may, on an application made by the person entitled to receive the amount, issue a certificate for the said amount to the Deputy Commissioner of the district concerned to recover the amount as arrears of land revenue. In the test-checked districts, there were no cases where the attachment of properties was ordered. In the case of five test-checked districts, 588 cases involving Rs.1.99 crore were referred to the Deputy Commissioners, of which, Rs.0.35 crore (18 *per cent*) only were recovered. The poor recovery was attributed (August 2005) by the District fora to laxity in taking certificate action by the revenue authorities.

**3.1.23** According to ORG-MARG survey,

On an average three days were spent for registering a case and 23 days for serving the notice. First hearing was held after 24 days of serving the notice. Around four hearings were required to resolve the case.

There were 47.2 *per cent* (74) cases where the decree was passed and compensation was yet to be received. The mean time taken for receipt of compensation was about four months after the decree was passed.

These findings also laid emphasis on the need for the State Government to initiate corrective action.



### Functioning of Consumer Protection Councils

The Act envisaged establishment of a State Consumer Protection Council (State Council) in pursuance of its objective to promote and protect the rights of the consumers. The Act as amended in 2002 provided for setting up of the District Consumer Protection Council (District Council) in every district.

Expired State Council not reconstituted and district councils not constituted

**3.1.24** The State Government constituted the State Council in March 2002 more than 14 years after the Act came into force. Its tenure expired in March 2005. The proposal (July 2005) to re-constitute it was pending with the State Government as of September 2005. The notifications for constitution of councils in 17 out of 27 districts of the State were issued only in July/August 2005. The State Government did not state the reasons for the delay in setting up of the consumer protection councils.

**3.1.25** The State Council held only two meetings (August 2002 and February 2004) as against a minimum of six meetings (twice every year) required to be held in its tenure of three years. Of the eight legislators (notified as members of the Council), three attended the first meeting and only one member attended the second meeting.

Though, certain issues like need for creation of separate Department of Consumer Affairs, constitution of Price Commission to look into the fixation of maximum retail price of the goods, formation of working groups/advisory committees within the Council as required under Rules were discussed in the meetings, no definite recommendations were made by the Council.

### Infrastructure

**3.1.26** In order to strengthen the infrastructure of the State Commission and the District fora for their effective functioning, GOI sanctioned a one time grant of Rs.2.50 crore during 1995-96 (Rs.1.21 crore) and 1996-97 (Rs.1.29 crore). The State Government released the first instalment of grant (Rs.1.21 crore) to the State Commission in November 1996. The second instalment (Rs.1.29 crore) was released after five years in November 2002. There was delay on the part of the State Commission also in utilising the grant as discussed below:

**3.1.27** The essential items like photocopiers, fax machines, franking machines, typewriters, intercom, library books and furniture were procured by the State Commission between April 1999 and February 2000. The State Commission was equipped with computer systems and other networking items from June 2002 to December 2002, while computer systems were supplied to the District fora only in March/April 2004. As a result, the State Commission and 20 District fora functioned without the basic infrastructure facilities for the periods ranging from two to four years, despite availability of funds.

The special software developed by the National Informatics Centre (NIC) for the District fora was yet to be installed and the District fora employees were yet to be trained by the NIC as of September 2005.

**State Commission and 21 District fora were functioning in hired buildings**

**3.1.28** The State Commission and 21 District fora had been functioning in hired premises. The State Commission and four District fora had received notices from the building owners to vacate the premises. The State Government except requesting GOI (January 2005) for additional assistance (Rs.53.50 crore) did not take any initiative by providing funds through annual budget to equip these fora with buildings of their own. Inadequate provision of funds towards rent led to accumulation of arrears of rent (Rs.14.62 lakh) in respect of Bangalore Urban District Consumer Forum.

**3.1.29** Sites for three District fora were purchased at a cost of Rs.6.22 lakh out of GOI grant. Sites to two more fora were allotted free of cost by the Government. The construction of buildings was taken up only at three places, out of which construction of one building was completed as of September 2005. The construction of buildings at two other places was not taken up due to paucity of funds.

**The District fora lacked infrastructure facilities**

**3.1.30** Audit noticed lack of basic amenities in three out of six District fora (Belgaum, Koppal and Gulbarga). Belgaum district forum lacked library, fax machine, computer hardware and sufficient office furniture. Koppal District forum also did not have fax machine and sufficient office furniture. All the three District fora were not having drinking water facility. No action had been taken to provide the facilities to these consumer fora, though the State Commission was having unspent GOI grant (Rs.9.11 lakh) including unspent balances with NIC (Rs.1.87 lakh).

#### **Staff in Consumer Fora**

**Adequate staff not posted to State Commission/ District fora**

**3.1.31** A committee was constituted (October 1999) with Shri S.P.Bagla, member of the National Commission, as Chairman, for assessing the minimum staff requirements of the consumer fora. The State Government was required to comply with the recommendations of the committee forwarded (May 2000) by GOI. Despite a proposal from the State Commission giving justification for sanction of the recommended posts, the State Government did not create the posts of Assistant Registrar-cum-Assistant Administrative Officer (AR-cum-AAO), Librarian and Despatch Rider to the State Commission and the posts of Private Secretary cum Judgment Writer, Court Officer and Despatch Rider to the District fora. The Government also did not enhance the sanctioned strength of various other cadres to the level recommended by the committee (**Appendix 3.2**). On the contrary, there were cases of non-filling up of vacancies of the sanctioned posts (**Appendix 3.3**).

The State Commission and the District fora of the test-checked districts cited the non-sanctioning of the required posts and non-filling up of the sanctioned posts as the major reason for large number of complaints pending disposal.

**3.1.32** The post of AR-cum-AAO though not recommended by the committee for the Districts fora was sanctioned to all the 30 District fora and the posts were filled up in 10 districts. As per the Cadre and Recruitment Rules, the posts could be filled up by appointment on deputation, of an officer of equivalent cadre from any State civil service. Need to modify the recruitment rules to provide for appointment of officers of judicial department cadre only as AR-cum-AAO was put forth (January 2004) before the State Commission by the President, District Forum, Bellary. The President had stated that appointment of such officers not having knowledge of law and procedures caused avoidable delays in disposal of complaints, as the cases were posted for hearing without proper scrutiny regarding their territorial jurisdiction and cause of action *etc.* The issue needed corrective action by the State Government.

**3.1.33** Failure of the State Government to create the posts of Despatch Rider (Process Server) recommended by the committee was another factor contributing to the avoidable delay in disposal of complaints as felt by the State Commission and all the test-checked District fora. According to them, summons to parties got served through postal department were returned undelivered in some cases, while in many cases, the acknowledgments of the parties were not received. Hearings were to be adjourned for want of acknowledgments, as the cases could not be decided *ex-parte* in such circumstances. Repeated serving of summons by post also caused increased expenditure on postage.

Need for creation of the post of Attender for calling out the parties and advocates sitting outside the court hall (as in the case of other civil courts) was also felt by some District fora.

**3.1.34** As per the provisions of the Act, each District forum should consist of a President and two other members, one of whom should be a woman. During the period 1999-2005, the posts of President of 13 District fora were vacant for durations ranging over two to 15 months on 16 occasions. No arrangements were made on two occasions in two District fora, though the duration of vacancies was more than six months. Though on 14 occasions arrangements were made, the progress in disposal of complaints ranged from nil to 39 *per cent* in seven districts (**Appendix 3.4**).

The posts of both male and female members in Raichur and Tumkur District fora were vacant during January 2002 to May/June 2002 due to delay in issue of appointment orders by the Government to the selected (January 2002) members resulting in non-disposal of cases during that period.

### **Awareness and empowerment of consumers**

**3.1.35** The Ministry of Consumer Affairs, GOI introduced various schemes for spreading awareness amongst consumers about their rights. States were expected to take the best advantage of these measures in their endeavour to make consumers, particularly the rural populace, aware of their rights by

availing of grants to be released from the Consumer Welfare Fund of the Central Government. Extent of utilisation of the grant by the State Department of Consumer Affairs was found to be inadequate as discussed below:

### **Jagrati Shivir Yojana**

**3.1.36** The objective of the scheme was to generate awareness among the rural populace, particularly poorer sections of the society, about various welfare schemes and measures undertaken by the Central and State Governments, including the facilities extended for settlement of the disputes under Consumer Protection Act. The State Government received (March 2002) grant of Rs.3 lakh under the Jagrati Shivir Yojana to organize suitable public programmes and functions for the purpose in six identified districts at Rs.0.50 lakh per district. In Kolar, Gulbarga and Chamrajanagar districts, the entire grant was remaining unutilised (September 2005), even after a lapse of more than three years. The grant was partly utilised in Bijapur (Rs.0.35 lakh), Koppal (Rs.0.13 lakh) and Chitradurga (Rs.0.12 lakh) districts. Rupees 0.85 lakh, out of unspent grant (Rs.0.90 lakh), refunded by the district authorities was stated to have been utilised for printing publicity materials by the Department of Consumer Affairs, details of which were, however, not furnished (September 2005).

### **Setting up of Consumer Clubs**

**3.1.37** The scheme aimed to extend non-formal pro-active system of imparting education to the school children about consumer rights as provided in the Act by setting up of consumer clubs in Government recognised schools. The activities of the clubs were to be coordinated by an agency such as NGO, which was to be provided with financial assistance of Rs.10,000 per annum per club. Though GOI desired (December 2003) to launch the scheme in the State in a big way, the belated response from the State Government resulted in getting sanction of the grant of Rs.15 lakh only in March 2005 after lapse of more than one year. Though consumer clubs were reported to have been set up in 37 schools between July 2004 and April 2005 in one of the test-checked districts (Koppal), Audit noticed that the grants were yet to be released due to non-completion of formalities and execution of the bond for getting the grant released. Proposals from the other districts for setting up of such clubs were yet to be received (September 2005).

### **Scheme of promoting involvement of Research Institutions/Universities/Colleges / NGOs**

**3.1.38** GOI introduced (October 2003) a scheme for providing financial assistance to research institutions/universities/colleges/NGOs to undertake research and evaluation studies to provide solution to the practical problems faced by the consumers. The range of assistance to be provided was between Rs.0.20 lakh and Rs. one lakh depending upon the nature of study. The State Government did not take any action at its level except writing to the Deputy Commissioners of the districts to get the proposals from colleges and other

institutions and organisations. No proposals had been received so far (September 2005).

### **State Consumer Welfare Fund**

**3.1.39** GOI sanctioned (March 2005) a one time financial assistance of Rs.50 lakh as seed money to the State Government to set up a Consumer Welfare Fund at the State level to strengthen the voluntary efforts for promoting the consumer movement through financial support. The State Government was required to contribute an equal amount as its matching share to the fund within a period of one month of release of GOI share. The State Government contributed (August 2005) Rs.10 lakh only as its share. The rules governing the fund were yet to be framed (September 2005).

**3.1.40** ORG-MARG survey findings (detailed below) also revealed that:

- Seventy six *per cent* of the respondents were not aware of the consumer rights and 84 *per cent* were still unaware of Consumer Protection Act. Only 10 *per cent* of the rural population had heard about it.
- Only 1.1 *per cent* of the aware consumers came to know about the Act from the NGOs, while only 10 *per cent* of the consumers reported to be aware of the existence of any redressal agency.

### **Monitoring mechanism**

**3.1.41** Adequate system of monitoring to watch registration, investigation and disposal of consumer grievances was essential at both State and District level to guide the consumers to save them from exploitation by the traders and to take follow-up action with respect to complaints about delays in redressal of their grievances. While there had been no such mechanism at District level, a guidance cell was set up only in March 2004 at the State level in the Consumer Affairs Department.

### **Impact evaluation**

**3.1.42** The external agency engaged by the State Government to evaluate the functioning and continued utility of the consumer fora made (March 2002) the following recommendations for improving the efficiency of the consumer fora.

- Adequate staffing of the consumer fora.
- Restriction of number of adjournments of cases by imposing stiff penalties on parties seeking adjournments.
- Imparting training to non-judicial members of the consumer fora.
- Ensuring uniformity in maintenance of registers and case diaries in all the fora.

The State Government was yet to consider the report and decide (September 2005) on the recommendations.

## **Conclusion**

**3.1.43** The implementation of the Act in the State suffered in the absence of a policy outlining the priorities for involvement of the State/District administration/NGOs for promotion of awareness and empowerment of the consumers, inadequacy of infrastructure and monitoring. The Consumer Protection Councils were not set up at the Districts level and the one established at State level did not function effectively. The State Government also did not notify the appropriate laboratories for the purpose of the Act. The percentage of disposal of complaints by the State Commission ranged between 32 and 52 and that by the District fora 19 to 67 *per cent* only during the period 2000-05. The recommendations (March 2002) of the external agency to evaluate the functioning and continued utility of District fora had not yet been considered by the Government.

## **3.1.44 Recommendations**

- The Government should consider framing of a policy for involvement of State/District administration and NGOs for promotion of awareness and empowerment of consumers.
- The Consumer Protection Councils should be set up in the districts and that at the State level made more effective.
- Necessary infrastructure including staff needs to be provided to the State and District fora for their effective functioning.
- Laboratories should be set up in every district to avoid high cost and delay in testing of goods, ordered by the consumer fora.
- Circuit benches should be constituted to ensure speedy disposal of consumer cases at the least cost to consumers.

**3.1.45** The above points were referred to Government in October 2005; their reply had not been received (December 2005).

## **PUBLIC WORKS DEPARTMENT-NATIONAL HIGHWAYS**

### **3.2 Implementation of National Highways Project in Karnataka<sup>2</sup>**

#### **Highlights**

*The Karnataka State Public Works Department is vested with the responsibility of developing and maintaining the National Highways in the State on behalf of the Ministry of Road Transport and Highways, Government of India. Out of the total length of 3,973 kms of National Highways in the State, the Department was in charge of 3,218 kms. During the period 2001-05 the Department had planned to execute 300 development/maintenance works such as widening the existing carriageway, improving the riding quality of the roads and periodical renewals. As against this, 266 works had been completed as at the end of March 2005 and the remaining works were in progress. Due to lack of proper planning and non-utilisation of the available data on traffic volume, the road designs were unrealistic leading to premature failures. This also led to improper prioritisation of works resulting in unjustified allocation of financial resources. Non-synchronisation of road works with cross drainage and bridge works resulted in hindrance to smooth flow of traffic. Inadequate survey and investigation resulted in variations in quantities and items of work leading to cost and time over run. Works were executed in disregard to technical specifications and terms of contract resulting in avoidable extra expenditure. Quality control measures were lax.*

**Injudicious selection of nine widening works on four National Highways without reckoning the available traffic data despite growing volume of traffic on selected stretches of two other National Highways led to unjustified allocation of Rs.24.90 crore of which Rs.11.77 crore was incurred.**

**(Paragraph 3.2.11)**

**Inadequate survey and investigation of seven works resulted in execution of additional items of work aggregating Rs.4.21 crore.**

**(Paragraph 3.2.19)**

**Non-adherence to Ministry of Road Transport and Highways specifications on execution of works resulted in unjustified expenditure of Rs.9.63 crore.**

**(Paragraphs 3.2.25 and 3.2.26)**

<sup>2</sup> Technical terms used in this review are explained in the Glossary at page 202

**Execution of 9,227 works costing Rs.41.29 crore under piecework system deprived the Department of benefit of competitive rates, quality control checks and rectification of defects by the contractors without extra cost to the Department.**

**(Paragraph 3.2.30)**

### **Introduction**

**3.2.1** The development and maintenance works of National Highways (NH) are undertaken by NH Zone of State Public Works Department (PWD) as an executing agency on behalf of Ministry of Road Transport and Highways (MORTH), Government of India. NH network in Karnataka consists of 14<sup>#</sup> National Highways totalling to 3,973 kms. Out of this length, 755 kms were taken over (April 2000) by National Highways Authority of India and remaining length of 3,218 kms is maintained and developed by MORTH through State PWD (Department).

The Department is vested with the responsibility of development and maintenance activities of NH. The development works (Plan) are executed under the categories of Original Works of Roads and Bridges and Improvements to Riding Quality Programme (IRQP), whereas the Maintenance works (Non-Plan) are executed under the categories of Periodical Renewals (PR), Maintenance and Repairs (M&R) and Flood Damage Repairs (FDR).

During the period 2001-05, the Department had planned to execute 300 development/maintenance works such as widening the existing carriageway, improving the riding quality of the roads and periodical renewals at an estimated cost of Rs.588.71 crore. As against this, 266 works were completed as at the end of March 2005 at a cost of Rs.506.43 crore and the remaining 34 works were in progress.

### **Organisational set-up**

**3.2.2** The administrative control of NH works is vested with the Principal Secretary, PWD, Government of Karnataka. The Chief Engineer (CE), NH is primarily entrusted with the responsibility of carrying out development and maintenance works. He is assisted by two Superintending Engineers (SE) at Circle level *viz.*, Bangalore and Dharwad and by a SE (Design). SE, Bangalore Circle is assisted by four Executive Engineers (EEs) at Bangalore (two Divisions), Mangalore and Chitradurga. SE, Dharwad Circle is assisted by three EEs at Karwar, Hubli and Bijapur. At Divisional level, EEs are responsible for actual execution of development and maintenance works, enforcement of quality norms and processing the claims for payments. SE (Design) is assisted by three AEEs, at Bangalore, Chitradurga and Hubli in discharging the functions of development of designs, Quality Assurance and Quality Control in execution of works.

<sup>#</sup> NH No.4, 4-A, 7, 9, 13, 17, 48, 63, 67, 206, 207, 209, 212 and 218



MORTH is represented in the State by a Regional Officer (RO). He is vested with the responsibility of coordinating with the Department in planning, investigation, project preparation and execution of original and maintenance works of NHs. He is also responsible for monitoring the progress as well as quality of works. RO is designated as the Drawing Officer with effect from 1 April 2004 to meet the expenditure on execution of all works other than Ordinary Repairs (ORs) and Flood Damage Repairs (FDRs).

### **Audit objectives**

**3.2.3** The main objectives were to ascertain whether:

- Planning ensured proper prioritisation in selection of works,
- Survey, investigation, estimation and execution ensured economy and efficiency in project implementation,
- Contract management facilitated enforcement of the terms of contract to ensure economic and efficient execution of works, and
- Quality assurance/control complied with norms.

### **Audit criteria**

**3.2.4** The audit criteria were:

- Programme objectives and targets,
- Compendium of Notifications issued by MORTH,
- Relevant publications of Indian Roads Congress (IRC),
- Report of Committee of MORTH on 'Norms for Maintenance of Roads in India', and
- Road Traffic Census data available in the divisions and with CE (Communication and Buildings), PWD, Government of Karnataka during February 2003.

### **Scope of audit**

**3.2.5** The review on 'Implementation of NH Projects in Karnataka by State PWD' for the period 2000-05 was conducted during February 2005–August 2005 by test-check of records in the offices of RO, CE, SE and six EEs at Bangalore, Mangalore, Chitradurga, Karwar, Hubli and Bijapur besides one AEE (QC) at Bangalore.

Of the total expenditure of Rs.732.16 crore during the period 2001-05, an expenditure of Rs.217.36 crore on 77 works\* (out of 329 works) was test-checked in Audit with reference to the category of works and the magnitude of expenditure involved.

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\* The audit coverage was 89 works under paragraph 3.2.19, 166 works under paragraph 3.2.25 and 84 works under paragraph 3.2.26 to ensure adequacy of sample size

### Audit methodology

**3.2.6** The Audit findings relating to the implementation of NH projects were based on the examination of records at the divisional level such as sanctioned estimates, tenders, agreements, vouchers and completion reports. The planning, monitoring, evaluation and coordination aspects of implementation of NH projects were reviewed in the offices of SE, CE and RO.

The Audit objectives and the Audit criteria were also discussed (January 2005) with RO and the Audit findings were discussed (October 2005) with CE. The draft review was forwarded (October 2005) to the Principal Secretary, PWD and reply thereon is awaited.

### Audit findings

### Financial management

#### Flow of funds

**3.2.7** The expenditure on development and maintenance of NH Projects is borne by MORTH, which includes agency charges of nine *per cent* payable to the State Government.

Up to 31 March 2004, based on the allotment of grants by MORTH, expenditure incurred by the Department on NH works was reimbursed by the Regional Pay and Accounts Officer (RPAO), MORTH through the Accountant General (Accounts and Entitlement).

With effect from 1 April 2004, the system of Direct Payment Procedure (DPP) was introduced by MORTH where by the claims for all works other than ORs and FDRs were paid directly by the RPAO. However, the existing reimbursement procedure was continued for works executed under ORs and FDRs.

#### Grant and outlay

**3.2.8** The position of grants allocated by MORTH, expenditure there against and reimbursement for the period from 2000-01 to 2004-05 is given in Table 1.

**Table 1: Grant and outlay statement**

(Rupees in crore)

Year	Plan		Non-Plan		Total		Reimbursement by MORTH
	Grant allocated by MORTH	Expenditure by Department	Grant allocated by MORTH	Expenditure by Department	Grant allocated by MORTH	Expenditure by Department	
2000-01	82.09	79.34	47.66	46.13	129.75	125.47	122.04
2001-02	107.50	107.62	39.43	40.26	146.93	147.88	143.00
2002-03	89.56	95.04	45.82	46.45	135.38	141.49	136.20
2003-04	150.35	166.13	40.33	38.07	190.68	204.20	183.63
2004-05	76.90	76.91	34.40	36.21	111.30	113.12	13.46 <sup>v</sup>
<b>Total</b>	<b>506.40</b>	<b>525.04</b>	<b>207.64</b>	<b>207.12</b>	<b>714.04</b>	<b>732.16</b>	<b>598.33</b>

<sup>v</sup> Being the amount of expenditure and reimbursement on ORs and FDRs

**State Government funds of Rs.15.52 crore blocked up due to non-reimbursement by the Central Government**

As against the expenditure of Rs.619.04 crore incurred by the Department up to the end of March 2004 under the reimbursement system, Rs.584.87 crore were reimbursed by RPAO. Of the balance amount of Rs.34.17 crore, Rs.15.52 crore were withheld by RPAO for want of sanctions from MORTH to revised estimates, stamped receipts from the payees in land acquisition cases and for reasons such as absence of signatures of contractors, arithmetical inaccuracies, etc. The remaining amount of Rs.18.65 crore was under examination of RPAO for reimbursement.

No expeditious action was taken by the Department to get the withheld amounts released, which resulted in blocking up of State Government funds of Rs.15.52 crore.

### ***Inadequacy of maintenance grants***

**3.2.9** According to the Report (October 2000) of the Committee of MORTH on 'Norms for Maintenance of Roads in India' the minimum cost requirement for annual M&R of NH roads was Rs.2.77 lakh for single lane (3.75 metres width), Rs.3.36 lakh for intermediate lane (5.50 metres width) and Rs.4.44 lakh for two lane (seven metres width).

The requirement of funds for the period from 2001-02 to 2004-05 for normal maintenance of 3,218 kms of NH network as per norms was Rs.534.84 crore. Against this, the actual allocation by MORTH was Rs.159.98 crore. The shortfall in allocation during the period was Rs.374.86 crore. Reasons for inadequate allocation of maintenance grants by Government of India and action taken by the State Government for increasing the allocations were not on record.

## **Planning**

**Designed life assessed was unrealistic due to adoption of incorrect traffic growth rate and crust thickness**

**3.2.10** Annual Plans were drawn up by MORTH based on proposals submitted by CE. However, prioritisation/selection of works for execution was required to be finalised by CE in consultation with the Regional Officer, MORTH. Determination of the needs and priority for development and maintenance of roads and bridges was required to be assessed with reference to inventory of roads and bridges, trends in traffic growth, traffic volume and traffic capacity.

According to instructions issued (May 1980) by MORTH, the inventory of roads and bridges was to be maintained in the form of Road Registers providing information on traffic volume and deficiency in roads, bridges and cross drainages (CDs). The inventory of roads and bridges was not maintained by any division. A comprehensive database on these was also not available with the Department. Though traffic census was conducted during the months of January and July every year by the divisions, the data was not used as an input for the planning of works. Further, the traffic census data available with the Chief Engineer, Communication and Buildings (South), PWD was also not utilised by the Department in planning. In the absence of the information on actual annual traffic growth rate, an annual traffic growth

rate of 7.5 per cent was recommended for designing the crust thickness of the road. In 30 works of widening on selected stretches of 5 NHs<sup>▼</sup> a traffic growth rate of 7.5 per cent was uniformly adopted despite availability of actual traffic data with the divisions. Failure to reckon the actual data rendered the designed thickness unrealistic. Actual shortfall or excess in crust thickness by not reckoning traffic growth rate could not be assessed in Audit due to non-production of traffic census data.

The overall traffic growth rate however, ranged between 14.3 and 39.62 per cent on these NHs.

### Prioritisation of works

#### Widening works

**3.2.11** IRC norms lay down volume of traffic expressed in terms of Passenger Car Units (PCUs)<sup>◊</sup> and traffic growth rate as factors for determination of carriageway width. Reckoning traffic growth rate and required carriageway width as factors for prioritisation, the following inconsistencies in planning execution of widening works were noticed:

With reference to the volume of traffic and norms, 1,136 kms out of 1,452 kms pertaining to eleven NHs for which traffic census data was available, did not have the required carriageway as detailed in **Appendix 3.5**. NH 4-A registered annual growth rate of 17.53 per cent over 1970-71. The PCUs were in the range of 11,324 to 13,620 (February 2003) warranting widening to Two-Lane for 35 kms out of a total length of 84 kms. Similarly, NH 48 registered annual growth rate of 44.91 per cent over 1970-71. The PCUs were in the range of 15,798 to 55,187 (February 2003) warranting widening to Four Lane for 212 kms out of a total length of 320 kms. However, widening works on these highways had not been taken up (August 2005).

In contrast to the above, nine widening works were taken up for execution though not required as per norms, as detailed in Table 2.

**Table 2: Unjustified allocation**

(Rupees in crore)

Year	NH No.	Widening to Two-Lane from	PCUs <sup>▲</sup>	Sanctioned Estimated Cost	Expenditure incurred
2001-02	218	km 22.500 to km 39.650	1,111	4.95	4.46
2002-03	218	km 18 to km 22.500		1.62	1.20
2003-04	218	km 115 to km 123	3,829	2.66	2.30
	212	km 156.500 and km 170.00	5,025	0.78	0.78
	206	km 364 to km 370.630	1,685	3.33	3.03
2004-05	218	km 87 to km 92	4,257	2.57	Works under progress
	218	km 10 to km 18	2,021	3.24	
	209	km 335 to km 345	4,765	3.50	
	212	km 126 to km 133	2,157	2.25	
<b>TOTAL</b>				<b>24.90</b>	<b>11.77</b>

<sup>▼</sup> NH 13, 63, 206, 209 and 212

<sup>◊</sup> PCUs up to 2,000 – Single lane; PCUs between 2,000 and 6,000 – Intermediate Lane; PCUs between 6,000 and 15,000 – Two-Lane and PCUs more than 15,000 – Four-Lane Divided Carriageway

<sup>▲</sup> The PCUs are based on surveys conducted during July 2002 (Sl. Nos.1 & 2) and July 2004 (Sl. Nos. 6 to 9) by the respective NH Divisions

Improper prioritisation also resulted in unjustified allocation of Rs.24.90 crore, out of which Rs.11.77 crore was incurred on five works executed during 2001-04.

***Improvements to Riding Quality Programme (IRQP) works***

**3.2.12** MORTH guidelines (October 2000/September 2002) prescribed *inter alia*, in respect of Two-Lane stretches, that Roughness Measurement (RM) should be more than 3,500 mm per km for selecting the works under IRQP. RM-tests were neither conducted regularly at prescribed periodicity of at least twice a year nor on completion of each work of IRQP as was required. Test data available on RM was not taken into account while proposing stretches for IRQP.

Results of RM-tests conducted (March 2002 and October 2003) by QC sub-division, Bangalore revealed wide ranging inconsistencies in prioritisation of IRQP works. This is evidenced by the fact that 18 IRQP works on 4 NHs for a stretch of 181 km having RM less than 3,500 mm per km were executed (2002-04). This resulted in unjustified expenditure of Rs.29.97 crore.

On the contrary, a length of 470 km of seven NHs with RM between 3,502 and 10,039 mm per km had not been selected for execution under IRQP. As these stretches had not been selected for IRQP works, RM would have increased considerably due to passage of time and continuous flow of traffic leading to disintegration of the crust thickness. Further additional recurring liability in maintenance and repairs of these stretches due to persistent degradation could not be ruled out.

***Design life of roads***

**3.2.13** According to the IRC norms, the total crust thickness of the pavement is decided including thickness of its Base and Sub-Base layers. Sub-Base is a vital and critical component of the pavement as it represents the bottom most layer of the pavement. Hence even under Stage Construction (construction in phased manner to achieve the designed crust thickness of the carriageway), the thickness of the Sub-Base is required to be provided for the ultimate pavement section for full design life of ten years.

Though, the total crust thickness and the corresponding thickness of the Sub-Base of 30 works of Widening of Single/Intermediate Lane to Two-Lane taken up at an estimated cost of Rs.106.90 crore based initially on design life of ten years, was correspondingly reduced to design life of five years under 'Stage Construction'. Finally, the thickness of the Sub-Base was further reduced and restricted to that of the existing carriageway (Single/Intermediate Lane). This resulted in shortfall between 10 mm and 275 mm in the thickness of the Sub-Base provided with reference to the prescribed norms (**Appendix 3.6**).

As a result the actual design life in all these cases would be less than even five years. This is also evidenced by the fact that 15 IRQP works were executed (2003-04) on NH-63, NH 13 and NH-206 at a total expenditure of Rs.28.75 crore before the completion of five years though MORTH prescribed a periodicity of five years for execution of works under IRQP. The Divisional Officers attributed (July 2005) overloading as a major factor for premature failures. Since design specification did not conform to design life projected, deficiency in thickness of Sub-Base was also a significant reason for such premature failures.

### ***Synchronisation of road works with Cross Drainages (CDs)***

**3.2.14** MORTH (March 1979) emphasized on synchronisation of widening of intervening CDs with that of roads to avoid inconvenience to the flow of traffic and also to prevent accidents. In the absence of comprehensive data on CDs, Audit could not verify the extent of implementation of the instructions of MORTH.

However, information on CDs in respect of NH-207 available with RO revealed that 61 out of 209 intervening CDs had a width ranging between five and 8.50 metres. The entire stretch had Two-Lane formation width of 12 metres with Average Daily Traffic of 4,765 PCUs to 17,726 PCUs (February 2003), thus creating a bottleneck for smooth flow of traffic.

### ***Major/Minor bridges***

**3.2.15** MORTH commissioned (April/May 2003) a 'Condition Survey of Major and Minor Bridges' along selected chainages in NH-9, NH-13 and NH-207 for evaluation of levels of distress to assess the requirements of re-construction/re-habilitation. Out of 53 bridges surveyed, 18 were recommended for urgent repairs and 35 for routine repairs. However, 14 requiring urgent repairs and 31 requiring routine repairs were not included in the proposals for annual plans for re-construction/re-habilitation. The reasons, for not according due priority based on the results of condition survey, were not on record. Further the shortfall in carriageway width in respect of these 53 bridges as compared to the width of adjoining roads ranged between 1.50 metres and 6.20 metres, adversely affecting smooth flow of traffic.

### ***Right of Way (ROW)***

**3.2.16** According to IRC norms for Rural/Non-Urban Highways, the range for the maintenance of land width for ROW is 30-60 metres. Based on the information made available in respect of NH 9, 13 and 207, the shortfall in maintenance of ROW ranged between five and 22 metres for 536 kms out of a total length of 912 kms.

Further, IRC recommended maintenance of desired land width of 45 metres for ROW to facilitate future upgradation of roads based on traffic intensity. It was observed that NH-9 recorded a traffic volume of more than 15,000 PCUs

in January 2001 itself in the reach from km 364 and km 422 warranting upgradation to Four Lane<sup>⊗</sup>. Further, the average annual growth of traffic was significantly high and the entire stretch of NH-9 qualified for upgradation to Four-Lane as of July 2004. The existing ROW was short by 22.50 metres compared to desired ROW. Similarly, NH-13 recorded more than 15,000 PCUs from km 295 to km 539 and from km 730 to km 742 warranting upgradation to Four Lane. However, the shortfall in ROW ranged between 20 and 37 metres. Obviously, immediate requirement for upgradation was ignored.

On the contrary, in 30 road widening works (**Appendix 3.6**), the available ROW was used for widening. However, no action was taken to acquire the required land to maintain the ROW as per norms.

### ***Land acquisition for the proposed Sakleshpur bypass***

**3.2.17** Construction of Sakleshpur bypass was taken up (1989) without assessing actual requirement based on traffic census. An expenditure of Rs.1.54 crore was incurred on land acquisition (November 2002). However, the construction of bypass did not materialise (August 2005) as the traffic intensity did not justify its execution. Thus, omission to reckon the actual average daily traffic resulted in an idle investment of Rs.1.54 crore on land acquisition.

## **Survey, investigation and estimation**

### ***Survey and investigation***

**Inadequate survey and investigation caused revision in scope of work leading to cost and time overrun**

**3.2.18** Scrutiny of records revealed several deficiencies in survey and investigation such as omission to reckon submergence of road in rainy season, presence of black cotton soil requiring special treatments, severe damages to the existing carriage way and roads passing through incessant rainfall areas. Consequently, execution of additional quantities and extra items of work was found necessary which led to cost and time overrun besides enlarging the scope of contract. Test-check of records revealed the following:

### ***Extra items***

**3.2.19** In 18 out of 89 works, extra items (101 numbers) such as providing Seal Coat, providing Surface Dressing, construction of Side Drains, Water Bound Macadam (WBM) *etc.*, were executed. The total cost of such extra items amounted to Rs.6.68 crore (16.69 *per cent* of the total estimated cost of Rs.40.01 crore). In respect of two works, reconstruction of CDs and Widening to Four Lane for a length of two kms at a cost of Rs.0.30 crore and Rs.2.38 crore respectively were executed as 'Extra items'. Though the site conditions warranted providing these items in the original estimates, defective survey and investigation necessitated their inclusion as 'Extra items' during execution.

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<sup>⊗</sup> Four Lane Carriageway has 25 metres Formation width

In respect of seven works, the cost increase due to additional items aggregated to Rs.4.21 crore (**Appendix 3.7**). The necessity for execution of additional items came to light only during site inspections conducted by higher authorities. Thus site condition had not been factually reckoned in preparation of estimates.

Similarly, in the case of widening of NH 4-A from km 50 to 76, it was decided (August 2000) after commencement (June 2000) of the work to provide a sand blanket in the sub-base layer and to strengthen the base layer in view of the reach running in intensive rainfall area and heavy traffic zone. The failure of the Department to conduct proper survey and investigation resulted in executing extra items at an extra cost of Rs.2.22 crore of which Rs.0.63 crore was avoidable, besides time over run in the completion of work by more than one and half year.

***Necessary item of work not provided in the sanctioned estimate***

**3.2.20** In two works of widening from km 158 to 178 and km 178 to 200 of NH 63 (March 2000), the site conditions warranted as per MORTH specifications, providing sand blanket, which was not in original sanctioned estimate. Apprehending serious objection from MORTH for providing sand blanket as extra item (at an additional cost Rs.2.70 crore), the thickness of sub-base was increased from 150 mm to 300 mm at a cost of Rs.0.83 crore as an alternative to sand blanket. Further to accommodate this additional cost, the scope of work was reduced and restricted to widening work by deleting the work of rebuilding the existing carriageway for a length of 14 km (out of total 42 km, which was in distressed condition). Thus, failure of the Department in conducting proper survey and investigation resulted in change in scope of work. The Department stated (July 2005) that the provisions in the original estimates were based on the availability of funds and subsequent changes were based on the actual site condition. The reply was not tenable as the Department failed to conduct proper survey and investigation and to make suitable provisions in the estimate.

**Estimation of the cost of the work**

***Schedule of Rates (SR)***

**3.2.21** Karwar Division adopted PWD SR for road protection works even though rates for similar items of work were available in the NH SR. The rates as per PWD SR were higher than that of NH SR. This resulted in extra expenditure of Rs.0.16 crore in 130 pieceworks. The Divisional Officer admitted (April 2005) the mistake and stated that the Division is now adopting only rates as per NH SR.

Similarly, in Mangalore Division, the rates for de-silting of road side drains were adopted as per the SR of Minor Irrigation Circle, though a rate for similar item was available in NH SR. This resulted in extra expenditure of



Rs.0.17 crore in 100 pieceworks. The Divisional Officer contended (May 2005) that NH SR could not be adopted due to manual labour involved in clearing the roadside drains where machineries cannot be used. The reply is not acceptable, as the rates in NH SR have been fixed after considering the site conditions and manual operations involved.

***Benefit of competitive rates***

**3.2.22** In Hubli and Bijapur Divisions, in respect of 26 road works provision for repairs to carriageway, road safety measures and allied items of work had not been made in the sanctioned estimate. In all these cases, the contractors quoted minus tender percentage ranging from 45.9 to 7.7.

These items of work were subsequently executed on piecework basis at higher rates through different agencies. This resulted in avoidable extra expenditure of Rs.1.09 crore.

In reply, the Divisional Officers stated (July 2005) that entrustment on piecework basis was necessitated due to emergent nature of works. The reply, however, is not relevant as the need for these items could be foreseen and incorporated in the estimates.

***Sanctions to revised estimates***

**3.2.23** According to directives (January 2000) of MORTH, sanctions to revised estimates are required to be obtained in all cases involving variations in cost of work on account of additional quantity executed/extra items. Revised estimates were required to be proposed for sanction on completion of 50 per cent of the work, if warranted.

The Department however, did not prepare the revised estimates in 84 of 89 works<sup>⊗</sup> despite significant variations in the quantities/items of work on the ground that the total cost was well within the estimated cost due to savings under other items of the sanctioned estimate.

**Execution of works**

**3.2.24** The details of works taken up during the period 2001-05, the works completed and those in progress as at the end of March 2005 are detailed in Table 3.

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<sup>⊗</sup> Discussed in Paragraph 3.2.19

**Table 3: Details of works executed/under progress during 2001-05**

(Rupees in crore)

Year <sup>¶</sup>	Number of works			Sanctioned estimated cost	Total expenditure on		
	Taken up	Completed	In progress		Completed works	Works in progress	Total
2001-02	94	94	-	139.27	132.25	-	132.25
2002-03	69	69	-	187.39	178.29	-	178.29
2003-04	79	76	3	151.22	143.46	0.63	144.09
2004-05	58	27	31	110.83	52.43	10.54	62.97
<b>Total</b>	<b>300</b>	<b>266</b>	<b>34</b>	<b>588.71</b>	<b>506.43</b>	<b>11.17</b>	<b>517.60</b>

Review of records revealed that the works were not executed in accordance with MORTH specifications and terms of contract resulting in avoidable extra expenditure and unintended benefits to contractors as detailed in the following paragraphs.

#### *Extra expenditure on providing tack coat*

**Non-adherence to prescribed specifications resulted in an unjustified expenditure of Rs.9.63 crore**

**3.2.25** MORTH specifications provide that in the works relating to improvements to existing road surface and road widening works, a single layer of tack coat is applied to the existing road surface to ensure thorough bonding between the existing surface and the new construction. The specifications further provide that where the new bituminous course is laid over the freshly laid bituminous course within forty-eight hours, tack coat is not necessary. These specifications are incorporated in the tender agreements of these works.

It was, however, observed in Audit that in 166 such road works executed at a cost of Rs.326.76 crore during 2000-05 the Department delayed the laying of second bituminous course by more than forty-eight hours entailing application of an additional layer of tack coat. This was stated (July 2005) to be due to difficulties in regulating the traffic along the reaches under construction. The contention of the Department was not tenable, as MORTH specifications provide that the contractor shall provide and maintain at his own cost, during execution of the work, a passage for the traffic without hindrance to the work in progress. As these conditions are embodied into the agreement and the contractor would have quoted his rates accordingly, the Divisional Officers were bound to enforce the contractual obligations to ensure the completion of works within forty-eight hours.

Failure to ensure execution of works according to specifications and the terms of contract resulted in an avoidable extra expenditure of Rs.4.80 crore for providing an additional layer of tack coat in these works (**Appendix 3.8**).

<sup>¶</sup> Details of works in the year 2000-01 are not available on records. Excludes M&R works and FDRs executed under piecemeal system

***Excavated earth was not utilised on embankment / shoulders***

**3.2.26** MORTH specification stipulates that materials are to be obtained from approved sources, with preference given to available earth. The contractors are required to segregate the soil based on suitability. Borrow areas are required to be resorted to only if the available material is found unsuitable, i.e., not conforming to standards as per QC tests.

Out of 84 works test-checked, 30,535 cubic metres (cum) of available/excavated earth in respect of four works only was utilised for formation of embankment/shoulders. In the remaining 80 works, no part of 5,93,020 cum of earth available was utilised for formation of embankments and shoulders (**Appendix 3.9**). Instead the material was obtained from borrow areas by incurring an expenditure of Rs.4.83 crore on account of cost paid for earth excavation in borrow areas and its transport. In all these cases, QC tests had not been conducted to confirm the unsuitability of available earth. In reply (July 2005), the Divisional Officers stated that QC tests were conducted only in cases where the available earth was found suitable. The reply was not acceptable for the reason that as per the norms, the available earth was to be subjected to QC tests to decide its suitability or otherwise.

***Maintenance of roads during contract period and rectification during Defect Liability Period (DLP)***

**Extra expenditure of Rs.2.78 crore arose on account of not enforcing conditions of the contract**

**3.2.27** Review of records revealed that five divisions incurred (September 2000 to January 2005) an expenditure of Rs.1.87 crore on maintenance of roads during the subsistence of contract for widening/improvements. This was in violation of the terms of contract which provided that the contractor was liable to maintain the roads during the tenure of contract at his own cost. Further, an expenditure of Rs.0.91 crore was also incurred (December 2000 to March 2005) to rectify the defects occurring within one year from the date of the completion of the work (DLP), although the contractor was liable to rectify such defects within DLP according to the terms of contract. Failure of the Department to enforce contractual obligations resulted in an unintended benefit of Rs.2.78 crore (**Appendix 3.10**) which was recoverable from the contractors.

***Enhanced defect liability period not enforced***

**3.2.28** The Defect Liability Period of one year was enhanced (October 2002) to three years by CE in respect of Road Works and that from one year to five years in respect of Bridge Works, considering that these works did not require repairs for 3/5 years after their completion. The enhanced DLP was incorporated into all the agreements executed after October 2002.

It was however, observed that the DLP was reduced (April-June 2005) to one year by the CE in respect of 22 road and bridge works executed by four divisions based on the representations received from the contractors despite the enhanced DLP being included in the agreements. The injudicious action of CE facilitated the contractors to get the Security Deposit of Rs.0.57 crore

released (May 2005) prematurely in respect of four works besides absolving themselves of the liability to rectify the defects. The remarks of the CE in the matter were awaited (December 2005).

### ***Diversion of savings under contingency and QC provisions***

**3.2.29** The sanctioned estimates of works provide for 2.8 *per cent* contingency charges to be utilised on unforeseen items of works incidental/ relating to that particular work as per MORTH norms.

However, in violation of the said norms, expenditure of Rs.12.91 crore was incurred (2000-05) on maintenance and repair works by diverting savings under contingency / quality control provisions and other savings under the sanctioned works. This also included an expenditure of Rs.0.73 crore incurred on construction of office building, seminar hall, library room, rest room, *etc.*, not provided in the estimates.

### ***Execution of Maintenance & Repair (M&R) works under piecework system***

**3.2.30** In the six Divisions test-checked, 9,227 M&R works costing Rs.41.29 crore were executed (out of 12,989 works costing Rs.83.30 crore) under piecework system, which envisaged entrustment of works costing not more than Rupees one lakh to petty contractors for execution at rates not exceeding the current schedule of rates. The estimates were restricted to Rs.50,000/Rupees one lakh keeping in tune with delegated financial powers at the Divisional level. Entrustment of these works on piecework system deprived the Department of the benefits of competitive rates. Further, the agreements for these pieceworks did not provide for DLP and hence, recoveries on account of rectification of damages were also not enforceable. M&R works were not subject to QC checks due to entrustment on piecework system.

### **Quality Control (QC)**

**Quality control measures were lax**

**3.2.31** MORTH specifications prescribe in detail the methods as well as the frequency of QC tests to be conducted at each level of execution. The contractors are required to set up field laboratories and equip the same with the prescribed testing equipment, which shall be approved by the Engineer in advance. In 77 works test-checked by Audit there was nothing on record to establish that the contractors had set up field laboratories in accordance with MORTH specifications. Information regarding details of methods as well as frequency of QC tests called for was not furnished (December 2005).

QC test Registers were not made available to Audit by any division. However, Bijapur Division produced the test registers of six works only. A test-check of these registers revealed that quality assurance tests for

construction materials were not conducted in respect of four works<sup>ϕ</sup> and quality control tests to ensure density of compacted layers were not conducted in respect of two other works<sup>δ</sup>.

The omissions/shortfall pointed out by Audit were admitted by the Divisional Officer citing the reason that the number of field laboratories was insufficient to conduct all the necessary tests as per the prescribed frequency.

### **Conclusion**

**3.2.32** Due to lack of proper planning and non-utilisation of the available data on traffic volume, the road designs were unrealistic leading to premature failures. This also led to improper prioritisation of works resulting in unjustified allocation of financial resources. Non-synchronisation of road works with cross drainage and bridge works resulted in hindrance to smooth flow of traffic. Inadequate survey and investigation resulted in variations in quantities and items of work leading to cost and time overrun. Works were executed in disregard to technical specifications and terms of contract resulting in avoidable extra expenditure. Quality control measures were lax.

### **3.2.33 Recommendations**

- Maintenance of an inventory on roads and bridges as prescribed by MORTH and utilisation of data on traffic volume and traffic growth should be ensured to prioritise execution of works.
- Adequate survey and investigation should precede execution of works to avoid cost and time overrun as well as extra contractual obligations.
- Execution of works strictly in accordance with MORTH specifications should be enforced to ensure the quality of works.

**3.2.34** The above points were referred to Government in October 2005; their replies had not been received (November 2005).

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<sup>ϕ</sup> NH-13 – Parking Lay bye @ km 160; NH-13 – IRQP @ km 180 to 199; NH-218 – Widening @ km 22.500 to 39.650 and NH-13 – IRQP @ km 103 to 121

<sup>δ</sup> IRQP from km 408 to 423.75 of NH-9 and Improvements to Junction at km 96 and 99.5 of NH-13

## URBAN DEVELOPMENT DEPARTMENT

### 3.3 Infrastructural Development in Mega Cities

#### Highlights

*The Bangalore Development Authority implemented the Centrally Sponsored Scheme on 'Infrastructural Development in Mega Cities' in Bangalore City from May 1993. The Scheme mainly aimed at upgrading infrastructure in selected cities to enhance quality of life. Two of the six test-checked projects were not completed causing inconvenience to the public. There were slippages in initial investigation leading to modification in scope and design of projects. Contractual conditions were disregarded to extend undue favours and make extra contractual payments. Audit review of six projects implemented by the Bangalore Development Authority under the Scheme during 2000-05 disclosed inadequacies in planning, funding, execution and monitoring.*

**The Bangalore Development Authority had to bear cost escalation of Rs.16.35 crore in the absence of agreement to share the same with the State Government and the Railways, who were the other stakeholders, besides Rs.8.57 crore due for recovery from them. Due to non-conclusion of formal agreement, share of Rs.15.96 crore could not be collected from National Highways Authority of India for construction of flyover near Central Silk Board.**

(Paragraph 3.3.9)

**The Bangalore Development Authority floated bonds to mobilise funds for execution of projects injudiciously.**

(Paragraph 3.3.10)

**Projects were designed without taking into account soil investigation results, causing material changes in designs and scope of works, which resulted in avoidable extra expenditure of Rs.1.16 crore.**

(Paragraph 3.3.12)

**The Bangalore Development Authority did not strictly enforce the conditions of the contracts and there were instances of undue favours to contractors (Rs.6.31 crore) and extra contractual payments (Rs.two crore).**

(Paragraphs 3.3.15, 3.3.17 to 3.3.19)

**Quality control measures were inadequate resulting in not ensuring prescribed quality standards and monitoring was ineffective in the absence of effective follow-up of inspections and deficient management information system.**

(Paragraphs 3.3.22 and 3.3.23)

## Introduction

**3.3.1** With a view to tackling problems arising out of traffic congestion, migration from rural and smaller towns, environmental degradation, *etc.*, the Government of India (GOI) approved (May 1993), the scheme on “Infrastructural Development in Mega Cities”, covering five cities including Bangalore.

## Organisational structure and scheme operation

**3.3.2** The Bangalore Development Authority (BDA) responsible for city planning and development is an implementing agency for the scheme. It functions under the Urban Development Department headed by the Principal Secretary. The BDA is an authority headed by a Chairman assisted by a Commissioner, Secretary and members for Engineering, Town Planning and Finance, Deputy Commissioner (Land acquisition) and Superintendent of Police and a few nominated non-official members.

The Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) is the nodal agency vested with the powers of financial appraisal, funding 50 *per cent* of the project cost and monitoring the project. It evaluates the project proposals made by the BDA. On clearance by KUIDFC, a State Level Sanctioning Committee<sup>z</sup> (SLSC) scrutinises the proposals with regard to guidelines of GOI and make recommendations through State Government for Central assistance. The SLSC is to monitor project implementation also.

## Audit objectives

**3.3.3** Audit objectives were to assess whether:

- The planning process ensured proper identification, prioritisation, *etc.*
- Prudent financial management system existed for funding the projects.
- The survey and investigation conducted were reliable and based on norms.
- The contract management had adequate provisions to ensure economic and efficient execution of the project.
- The appointment of consultants for the projects yielded the desired results.

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<sup>z</sup> The SLSC comprised:

- (1) Secretary to the State Urban Development/Municipal Administration Department dealing with the Scheme
- (2) Secretary to State Finance Department
- (3) Chief Executive of nodal agency
- (4) Joint Secretary (Urban Development), Ministry of Urban Affairs and Employment, GOI
- (5) Representative of Planning Commission

### Audit criteria

**3.3.4** For the purpose of review, audit considered the following as criteria:

- The guidelines for the scheme 'Infrastructural Development in Mega Cities'.
- The BDA Manual, Karnataka Public Works Departmental Code and the Karnataka Transparency in Public Procurement Act, 1999.
- Indian Road Congress specifications.

### Scope of audit

**3.3.5** Audit reviewed (February to July 2005) implementation of the scheme for the period 2000-05 by test-checking records pertaining to six projects {construction of grade separator/flyover near Hebbal, Central Silk Board (CSB), Dairy Circle, Airport, Jayadeva Institute of Cardiology (JIC) and Integrated Development of Agara lake} of the nine projects. The nine projects consisted of the above six projects and grade separator/flyover at Ananda Rao Circle and Benniganahalli and land acquisition for construction of Outer Ring Road implemented by the BDA. Test-checked expenditure was Rs.147.53 crore (64 *per cent*) out of Rs.231.23 crore incurred on the nine projects. Of the six selected projects, four were completed and two were ongoing.

### Audit methodology

**3.3.6** The Audit methodology adopted for the review involved examination of documents relating to estimation, design and drawings, agreements, Memorandum of Understanding (MoU), *etc.*, site visits, discussion with the functionaries and issue of audit enquiries. Entry conference was held (May 2005) with the BDA during which audit objectives, criteria and methodology were discussed. Exit conference was also held (November 2005) during which the draft review report was discussed. The co-operation extended by BDA and KUIDFC to Audit for the conduct of the review is acknowledged. The Commissioner, BDA acknowledged (November 2005) that the Audit helped BDA in taking many corrective and preventive measures.

### Audit findings

#### *Financial outlay*

**3.3.7** The Central Government contributed 25 *per cent* of the estimated cost of the projects. The State Government made a matching contribution. The contribution of the Governments is released to the nodal agency, which in turn, releases it to the implementing agency in the form of a loan. The balance of 50 *per cent* of the project cost is to be provided by the implementing agency or to be funded by raising institutional finance.



**3.3.8** The BDA took up the nine projects during 1998-2005, at a total estimated cost of Rs.255.26 crore and incurred a total expenditure of Rs.231.23 crore. Six projects were completed involving time overrun of 2 to 20 months. Three projects (construction of grade separator/flyover near Airport, JIC and at Ananda Rao Circle) were still in progress (November 2005). The details of project cost, sources of funding and expenditure on the nine projects are given in **Appendix 3.11**.

**Dues of Rs.24.53 crore were not collected and there was no provision for collection of escalation cost of Rs.16.35 crore**

**3.3.9** For the construction of grade separator near Hebbal, according to Government order (September 2001), based on project cost estimates current then, Rs.8.57 crore was yet to be received from stakeholders (State Government-Rs.four crore and Railways-Rs.4.57 crore) as of July 2005. Further, the BDA did not discuss the issue of sharing cost escalations with the stakeholders and bind them by an agreement with the result that it had to bear the entire cost escalation of Rs.16.35 crore on the work. The National Highways Authority of India (NHAI) agreed during the discussion (May 2002) to share 75 *per cent* of the cost of construction of grade separator near CSB. But the BDA did not conclude any formal agreement and as a result, could not collect share of Rs.15.96 crore from NHAI, even as of July 2005.

#### ***Injudicious borrowing***

**The BDA borrowed funds injudiciously**

**3.3.10** Based on approval accorded (December 2001) by the State Government to borrow funds, the BDA borrowed (August 2002) Rs.100 crore by floating 'BDA Bonds-2007 Series' mainly to fund the projects taken up under the scheme. The bonds, with a face value of Rs.10 lakh per bond were for five years and carried interest of 8.5 *per cent* per annum. The issue was subscribed (August 2002) by Canara Bank and Indian Overseas Bank at Rs.50 crore each. The BDA pre-paid (December 2003) the entire amount and paid interest of Rs.11.07 crore on the bonds for the period August 2002 to December 2003.

The BDA utilised only Rs.55.46 crore (March 2003) on the infrastructure projects and did not utilise Rs.44.54 crore at all. The interest paid at 8.5 *per cent* per annum on this amount worked out to Rs.4.73 crore. In view of the premature repayment and part utilisation of Rs.55.46 crore for nine months, the borrowing of Rs.100 crore was injudicious.

#### ***Project planning, survey and investigation***

**3.3.11** The primary objective of the scheme was to upgrade the infrastructure in the selected cities to provide impetus to further economic growth and upgrade the quality of life. Projects relating to traffic, city decongestion, commercial activities, environment, *etc.*, were taken up under the scheme. The project planning involved feasibility study with regard to necessity of the project, cost-benefit appraisal, *etc.*, and designing of the project in conformity with the feasibility report.

### Soil investigation

**3.3.12** With a view to ascertaining the profile of sub-soil to arrive at the parameters of design of foundation, the norms prescribed by NHAI laid down that trial bores be taken at 30 metres along the alignment of flyover and loops<sup>⊕</sup>. In three out of six projects test-checked, trial bores were not taken according to these norms and in two of these three projects (last two projects in the Table 1 below), tenders were invited even before the receipt of soil investigation reports, as detailed below:

**Table 1: Details of soil investigation and tender notices**

Project	Length of flyover/loops (in metres)	Number of trial bores		Date of receipt of soil report	Date of notice inviting tenders	Nature of contract and terms fixed for designing the project
		based on norms	actually taken			
Flyover near CSB	529.06	18	10	14 June 2002	1 July 2002	Lumpsum contract. The BDA was to supply the design based on soil investigation report
Grade separator near Dairy Circle	543.50	18	5	7 December 2002	4 November 2002	Lumpsum contract. The contractor was to design the project and the BDA was to supply the design parameters based on soil investigation report
Flyover near Airport	1,658.82	55	17	13 December 2002	4 November 2002	Lumpsum contract. The contractor was to design the project and the BDA was to supply the design parameters based on soil investigation report

**Inadequate soil investigation led to change in design and increase in scope of work after entrustment resulting in loss of competitive rates.**

As a result of inadequate soil investigation, the designs of the project in flyover near CSB had to be modified, resulting in execution of extra items/quantities costing Rs.1.96 crore<sup>♦</sup>. As the contract was on lumpsum basis, by inclusion of extra items after entrustment of work, the BDA lost the benefit of competitive rates. The BDA replied (November 2005) that only rough estimates were prepared for these works as they were entrusted on lumpsum contract basis. The BDA, however, did not furnish reasons justifying the inadequate investigation.

**Non-reckoning of results of soil investigation led to avoidable expenditure of Rs.1.16 crore**

The soil investigation report prepared by the BDA for the project on grade separator near Hebbal indicated that the soil was sandy, clayey and water table at shallow depth. This contract was awarded by the BDA on item rate basis and thereupon making evaluation of soil conditions and the design, BDA's responsibility. The BDA while designing the project did not take care of these conditions, with the result the designs and scope of the work underwent significant changes to tackle the situations brought out in the investigation report. The changes made during execution resulted in execution of excess quantities of certain items of work by more than 125 *per cent* of the initially estimated quantity, by paying higher rates in terms of the contract. This involved avoidable extra expenditure of Rs.1.16 crore. The BDA replied (November 2005) that execution of excess quantities were not only due to site

<sup>⊕</sup> Curved alignment of flyover

<sup>♦</sup> Revised contract value - Rs.19.60 crore  
Original contract value - Rs.17.64 crore  
Increase in cost - Rs.1.96 crore

conditions but also due to increasing the length of the flyover. The reply is not acceptable, as the decision to increase the length of the flyover was taken (August 2003) by the BDA only after entrustment (October 2001) and this was also due to not taking into account the soil conditions.

### ***Avoidable expenditure***

**The BDA incurred avoidable expenditure of Rs.16.08 lakh on restoration work of Agara lake**

**3.3.13** The work of restoration of Agara lake was executed (February 2003 to February 2004) through a contractor. While preparing estimates for the project, the BDA excluded (January 2003) certain items of work like construction of pump house, borewell, jetty, *etc.*, on the recommendations of the Technical Advisor of the BDA, in order to reduce the project cost from Rs.5.73 crore to Rs.4.33 crore. The BDA, however, got the excluded items executed as extra items, which involved execution of extra quantities of earthwork excavation, masonry work, *etc.*, in excess of 125 *per cent* of the originally agreed quantities. The excess quantities executed were paid at higher rates in terms of the contract and this involved a net extra expenditure of Rs.16.08 lakh. This could have been avoided, had the works been included initially. The BDA replied (November 2005) that the excess quantities executed were inevitable. The reply is not acceptable, as even the excess quantities would have been executed at the tendered rates, had they been incorporated initially.

## **Contract management**

### ***Tendering procedure***

**The BDA did not formulate any rules for publication of NIT though the Transparency Act required it**

**3.3.14** The Karnataka Transparency in Public Procurement (KTPP) Act, 1999 and the Rules framed there under were applicable to the BDA also. According to the provisions of the Act, the Notice Inviting Tenders (NIT) was to be given publicity in two or more news papers based on the value of service, in terms of departmental rules. The BDA did not formulate any rules for publication of NIT. For the six projects test-checked, the BDA published NITs in varied manner for works as well as for the consultancy service. The BDA did not publish the NIT of four traffic-related projects in the State Tender Bulletin and of all the five test-checked traffic-related projects in the Indian Trade Journal, as required under KTPP Rules. There is, thus, a need for formulating uniform rules so that services could be procured at a competitive price in a transparent manner. The BDA replied (November 2005) that publishing of NIT in the State Tender Bulletin and Indian Trade Journal would be ensured in future.

Further, in tenders for four of the six projects test-checked, as against the minimum time of 60 days allowable for submission of tenders from date of publication of NIT, the time allowed fell short by 10 days to 27 days. Similarly, for the consultancy service for the project on grade separator near Hebbal, as against the minimum time of 30 days allowable, only 15 days were given for submission of tenders. The BDA, without furnishing reasons for reduction in time allowed, replied (November 2005) that the necessary approval of the competent authority for reducing the prescribed time limit for submission of tenders had been obtained.

### ***Selection of contractor***

**The BDA awarded three contracts to a single agency, though it did not fulfill all the criteria. Besides, it extended undue favours amounting to Rs.6.31 crore to the contractor**

**3.3.15** The BDA invited separate tenders on lumpsum contract basis for three traffic-related projects (grade separators/flyovers near Dairy circle, JIC and Airport), fixing identical technical and financial criteria (possession of one hydraulic rig, net block of assets of Rs.10 crore and bank solvency of Rs.five crore for each work).

The BDA awarded (February 2003) these three projects to the Uttar Pradesh State Bridge Corporation Limited (UPSBCL) whose tendered rates were the lowest, for completion by April 2004 on lumpsum contract basis. Though the UPSBCL fulfilled the criteria individually, the BDA did not ensure that it fulfilled the aggregate of the criteria before award of all the three works to it. The UPSBCL did not complete the work on two projects (grade separators/flyovers near JIC and Airport) even by the extended dates of completion (February 2005 and June 2005) due to its cash flow problems and forced the BDA to further extend the time (May 2006 and June 2006).

Besides, for the project near Airport, the BDA terminated (February 2005) the contract on account of slow progress in work. The UPSBCL contested the termination in the State High Court. Under the directions of the High Court, the BDA executed a supplementary agreement (August 2005) for the balance work with the UPSBCL recasting the estimate based on the Schedule of Rates of 2003-04. Thus, the BDA agreed to pay a cost overrun of Rs.9.11 crore<sup>3</sup> to the UPSBCL though there was no change in the design/specifications/scope of the work involving execution of extra items/quantities warranting the cost overrun.

Though the supplementary agreement was executed under the directions of the Court, non-compliance with the selection criteria and ineffective monitoring of the progress of work (UPSBCL completed only 33 *per cent* of the work by the stipulated date of completion in April 2004) by the BDA were apparent on records. The BDA replied (November 2005) that the UPSBCL was selected in relaxation of the eligibility criteria considering that the agency was owned by the Government of Uttar Pradesh. The BDA, however, agreed that the selection was a mistake.

Besides, the following undue favours not envisaged in the contracts were extended to the contractor:

➤ The BDA did not recover Rs.22.14 lakh representing the cost of incomplete portion from the lumpsum bill paid to the contractor. The extra cost of Rs.16.66 lakh involved in getting the left-over work completed by another contractor was also not recovered from him. The BDA stated (July 2005) that the necessary recoveries would be effected at the time of settling the final bill.

<sup>3</sup> Revised contract value - Rs.35.80 crore  
Original contract value - Rs.26.69 crore  
Increase in cost - Rs.9.11 crore

- Further Security Deposit (FSD) of Rs. two crore recovered under three contracts was released prematurely in violation of contractual conditions to the contractor against bank guarantee for the same amount.
- Advance payment of Rs.1.80 crore was made (September 2004 to February 2005) to the contractor for procurement of steel to be recovered from his future bills for JIC and Airport projects, even though not contemplated in the agreement. Of this, Rs.25.76 lakh was yet to be recovered (November 2005).
- The BDA approved (August 2004) and paid Rs.1.91 crore (September-December 2004) to the agency on account of reimbursement of differential cost of reinforcement steel. This was not required to be paid in terms of the contract and as also clarified in the pre-bid conference.
- Under the terms of contract, for slow progress of work due to the fault of the contractor, one *per cent* of the estimated cost of balance work per day up to a maximum of 7.5 *per cent* of total contract value was leviable. Audit, however, noticed that though there were shortfalls in progress at 77 and 59 *per cent* in works relating to flyovers near JIC and Airport respectively, the BDA had not levied even the minimum penalty of Rs.26.70 lakh due (November 2005). The BDA replied (November 2005) that nominal penalty of Rs.4.15 lakh and Rs.1.10 lakh for the projects near Airport and JIC respectively had since been levied. The reply is not tenable as penalty levied was not commensurate with the shortfall in the progress of works and thus violative of contractual conditions.

### ***Selection of consultant***

**Selection of consultant was not transparent**

**3.3.16** The BDA awarded (April 2002 to February 2003) the work of providing consultancy service for four out of five traffic-related projects to a consultant after calling<sup>♥</sup> separate tenders for each project. Even for the fifth project, where the original consultancy contract was prematurely terminated, the balance consultancy service was entrusted to this consultant only. Though, on an average five consultants participated in each bid based on the eligibility conditions specified in the notice inviting applications, the BDA put forth<sup>α</sup> additional conditions subsequently in the request for proposal/draft tender papers. As a result, all the other bidders got disqualified at the stage of evaluating technical bids and the BDA accepted the lone bid of the consultant. The tender process, thus, lacked transparency and also led to loss of competitive rates. The BDA replied (November 2005) that if all the eligibility criteria were mentioned in the notice inviting applications itself, no one would have participated in the bids. The reply substantiates the point that the tender process was not transparent.

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<sup>♥</sup> Flyover near CSB: 18 February 2002

Flyovers near Dairy Circle, Airport, JIC: 28 November 2002

<sup>α</sup> Flyover near CSB: 28 February 2002

Flyovers near Dairy Circle, Airport, JIC: 2 December 2002

***Extra contractual payments***

**The BDA made extra contractual payments of Rs.two crore**

**3.3.17** The BDA paid (August 2003) Rs.1.70 crore towards expenditure incurred by the contractor for construction of grade separator near Hebbal, towards handling cost of trailer, crane, additional supporting arrangement, *etc.*, even though such a payment was not contemplated in the agreement.

**3.3.18** The BDA did not recover Rs.12 lakh representing the cost of consultancy services not rendered by the consultant for preparation of designs for the project of grade separator near Hebbal and also the extra cost of Rs.7.75 lakh involved in getting the balance of consultancy work completed by another consultant. The second consultant was also paid, in disregard of the contract, Rs.10.44 lakh in excess of the agreed consultancy fee, towards lodging and other expenses of the Chief Consultant.

**3.3.19** The BDA, though not required, undertook construction of the compound wall and room for security guard of a private college following acquisition of its land for the flyover near Dairy Circle, at a cost of Rs.13.80 lakh of which Rs.10.35 lakh had already been paid (July 2005).

***Consultancy charges***

**Payment of consultancy charges of Rs.29.96 lakh was not commensurate with the physical progress of work**

**3.3.20** For the projects relating to flyovers near Airport and JIC, the contracts concluded (February 2003) with UPSBCL were terminated (January and March 2005) and balance works entrusted afresh (August 2005) to the same agency under the directions of the Karnataka High Court. The project management consultancy service relating to these projects entrusted (February 2003) to a consultant also came to a standstill (March 2005). At the time of stoppage, the physical progress of the two projects was 35 and 63 *per cent* respectively. According to the agreement, consultancy fee was payable in equal instalments during the scheduled construction period of the project.

As project management consultancy service was to be commensurate with the physical progress of the work, payment schedule for consultancy was to be invariably linked with the physical progress of the project. As this was not done, the consultant was paid a fee of Rs.67.21 lakh as of February 2005 as against the proportionate amount of Rs.37.25 lakh. This resulted in disproportionate payment of Rs.29.96 lakh. The BDA in its reply (November 2005) accepted the lapse and stated that the necessary clause to release payments for consultancy commensurate with the physical progress would be incorporated in its future projects.

***Liability towards land compensation***

**The BDA created avoidable liability towards interest payment of Rs.11.55 lakh**

**3.3.21** For the lands acquired and possession taken (February 2002) for the project on grade separator near Hebbal, the BDA passed land awards for a total compensation of Rs.69.78 lakh. The awardees did not, however, turn up to receive the compensation. In such a situation, the compensation was to be deposited in the Civil Court in terms of the Land Acquisition Act. Failure to do so would entail payment of interest at nine *per cent* for first year and 15 *per cent* for the subsequent period. The BDA had not deposited the award

amount in the Court and this resulted in avoidable liability towards interest payment of Rs.11.55 lakh as of June 2005. The BDA, though admitted (November 2005) the lapse, did not take remedial action (November 2005).

### ***Quality control measures***

**Quality control tests were inadequate**

**3.3.22** The BDA furnished only 55 out of 103 monthly progress/quality control reports relating to the five test-checked traffic-related projects pertaining to the execution period, to Audit. No quality control reports on the environmental project were furnished.

Scrutiny of the reports made available disclosed following omissions in conducting tests, which were specified in the contracts (**Appendix 3.12**).

- Independent test of every consignment of cement used was not conducted either at site or in approved laboratories in three<sup>Φ</sup> projects.
- There was no evidence of independent tests of every consignment of steel utilised in the work relating to five test-checked traffic-related projects.
- Adequacy of cube test conducted for determining the strength of the concrete used could not be ascertained as quantity of concrete casting work executed every day on three test-checked traffic-related projects was not indicated in the monthly reports. In two<sup>∞</sup> projects where details of quantity of concrete were available, there were shortfalls in drawal of samples for testing.
- As against the minimum of six load tests to be carried out, only three tests were carried out in three<sup>Φ</sup> projects.
- No independent sieve analysis test was conducted for the ready mix concrete used in three<sup>Φ</sup> projects.
- Permeability test required to be conducted in terms of the contract agreement was not conducted in the case of all the five traffic-related projects.

### **Monitoring and evaluation**

**Monitoring of the projects was ineffective**

**3.3.23** Though the BDA stated (July 2005) that frequent inspections of the work were carried out, inspection reports were not issued for watching compliance. The monitoring was ineffective as evidenced by delay of six to eight months in completion of three projects<sup>λ</sup> and the slow progress in two other uncompleted projects\*.

The monthly progress reports forming part of management information system prepared by the consultant to enable the BDA monitor the progress of works,

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<sup>Φ</sup> Construction of flyovers near Dairy Circle, JIC and Airport

<sup>∞</sup> Construction of flyovers near JIC and Dairy Circle

<sup>λ</sup> Construction of flyovers near Dairy Circle and Hebbal and restoration of Agara lake

\* Construction of flyovers near JIC and Airport

did not provide scope for ascertaining physical and financial achievements, number of time extension granted, details and reasons for delay in execution and initiating suitable corrective action.

The KUIDFC as the nodal agency also did not insist for furnishing of monthly and half-yearly progress reports, though envisaged in the scheme agreement.

The BDA stated (November 2005) that evaluation of the projects was being undertaken as and when the projects got completed. Four\* of the six test-checked projects had already been completed (October 2003 to February 2005) and aggregate expenditure of Rs.117.09 crore was incurred on them (July 2005). It would be prudent to conduct evaluation of these completed projects.

### **Conclusion**

**3.3.24** Out of six projects test-checked by Audit, two projects were incomplete for more than three years causing traffic inconvenience to the general public. The BDA injudiciously ventured to float bonds to mobilise funds for the projects despite availability of sufficient funds with it. Soil investigation was not conducted properly and the results of investigation were also not reckoned while designing projects resulting in avoidable expenditure of Rs.1.16 crore. Tender process was defective and lacked transparency. Contracts were not managed efficiently, with the result there were instances of undue favours and extra contractual payments aggregating Rs.8.31 crore. Quality control tests were inadequate and monitoring was ineffective.

### **3.3.25 Recommendations**

- Realistic assessment of funds for projects should be made before resorting to borrowings for future projects.
- Soil and other initial investigations should be done in order to avoid extra expenditure on account of material changes in design and scope of works.
- Contract management should be strengthened to be strictly in tune with agreements concluded to avoid losses/excess payments.
- Monitoring should be more efficient and effective to prevent time and cost overruns.

**3.3.26** The above points were referred to Government in October 2005; reply had not been received (November 2005).

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\* Construction of flyovers near Hebbal, CSB, Dairy Circle and restoration of Agara lake



## HOUSING DEPARTMENT

### 3.4 Karnataka Housing Board – Application and General Controls of Information Technology Systems and Incorrect Assessment of Demand under ‘100 Housing Scheme’

#### Introduction

**3.4.1** The Government established (1965) the Karnataka Housing Board (KHB) for making such schemes and carrying out such works as are necessary for catering to the need of residential accommodation in the State.

The KHB had two important computer applications running. They were Customer Information System (CIS) and the Chief Minister’s Model Town Housing Plan (CMTHP). The CIS was intended to handle the processing of applications, registrations, and allotments/exchanges/cancellations, maintain data of properties, record the collection of registration fees, cost of allotted properties, *etc.*, and to provide up to date information to the management regarding status of housing schemes, sites, *etc.* The CMTHP was intended to handle monitoring/implementation and maintenance of the CMTH Project, which was started, with the objective of developing smaller towns with a population of 10,000-20,000 to cater to low-income groups.

The KHB formulated (July 2000) the ‘100 Housing Scheme’ with the primary objective of providing 13,500 houses affordable to various income groups<sup>Y</sup> and 15,000 developed sites of various dimensions at affordable prices, at 100 locations covering all districts in the State.

Audit review (September 2004 to November 2004 and April 2005 to June 2005) of the acquisition and utilisation of the two computer applications and assessment of demand and allotment of houses/sites under ‘100 Housing Scheme’ during 2000-05 disclosed the following:

#### Application and General Controls of Information Technology Systems

##### *Software development*

**3.4.2** The KHB decided (2001) to computerise its activities regarding handling of applications for sites/houses. This was felt necessary due to receipt of large number of applications during the year 2000. Thus, the computerisation of the functions relating to the housing schemes was initiated as a response to the large volume of applications received for the housing schemes rather than a part of a conscious Information Technology (IT) strategy with long term goals. It was seen that while going ahead for computerisation, no cost-benefit analysis or feasibility study was carried out. Audit observed that KHB awarded the work of computerisation to Canbank Computer Services Limited, Bangalore (CCSL) on a single tender basis.

The KHB did not ascertain competitiveness of rates agreed for software development. Terms for payment for processing/maintenance of database were vague

<sup>Y</sup> HIG-High Income Group, MIG-Middle Income Group and LIG-Low Income Group

Though the KHB replied that this was done so, as CCSL is a public sector unit, it was seen that no efforts were made to obtain competitive rates at least from other public sector organisations in the field of software development. Thus, the KHB had no benchmark with which to compare the rates offered by CCSL for computerisation. Moreover, the rates of payment for processing/maintenance of databases were agreed upon arbitrarily and the terms and conditions were drafted in an ambiguous manner. The observations regarding the system acquisition and implementation are detailed below:

### **Customer Information System**

**For carrying out routine functions, KHB paid high prices**

**3.4.3** The KHB entered into two Memoranda of Understanding (MoU) in 2001 with CCSL for setting up a CIS, which contained information of all the divisions of the KHB. The system was operated on Windows NT operating systems with SQL Server 2000 as back-end and Visual Basic as front-end. CCSL had been paid Rs.2.32 crore (November 2005) for designing, implementing and running the system. The KHB had no privilege over the source code of the package.

In May 2001, an MoU was entered into with CCSL for providing consultancy services for data capture/maintenance of sale of sites/ houses (May 2001) at the rate of Rs.50 per application for data capture and Rs.170 per allotment handled. The amount payable (Rs.50) per application entailed many activities like printing acknowledgements, photograph and signature scanning of applicants, capturing the details regarding organisation issuing loans, further repayments in lease-cum-sale, sale deed, possession certificate, *etc.* Audit, however, observed that 13,188 applications relating to old housing schemes were merely ported by CCSL from an earlier database only for the purpose of providing information. The payment amounting to Rs.6.59 lakh made on this account was unjustified since none of the activities envisaged in the MoU except porting was performed by CCSL. Further, it was noticed that the payment for data entry was released based on invoices presented by CCSL, without checking the same with the database. Audit also observed that for the year 2004-05, KHB paid Rs.55.84 lakh to CCSL, which employed 15 persons to man the operations at KHB. Thus, KHB was paying at an average rate of Rs.31,027 per man month for such routine functions as data entry and maintenance of database.

### **Chief Minister's Model Town Housing Plan Package**

**New software developed was underutilised**

**3.4.4** Though the CIS had been developed by CCSL in 2001, the KHB in 2002 instructed the same company to develop a separate software on the same Relational Data Base Management System (RDBMS) and operating systems for the CMTHP scheme having largely similar functionalities. No thought was given to explore the possibility of modification/customisation of the existing software. The KHB hired CCSL for developing a package for monitoring/implementation and maintenance of the project, at a cost of Rs.12,900 per month per division with the data entry, taking backup, *etc.*, to be carried out by the KHB staff in all divisions. They were paid Rs.27.99 lakh for the period of ten months from September 2002 to June 2003; their services were terminated in July 2003.

Audit observed that the new software developed was grossly underutilised. This was evident as the number of entries made was very low. To cite an example, in two divisions, for ten months, only one entry was made. Similarly, in 13 divisions no entry was made during that period. Apart from data entry, the KHB did not get any other services from CCSL for activities of updating property details, handling allotments, lease-cum-sale details, updating the website, *etc.*, contemplated in the MoU. It was calculated that CCSL were paid Rs.27.99 lakh for the period from September 2002 to June 2003 to maintain an average of just 376 records per division. The KHB replied that the demand was very meagre as against their expectations and hence sufficient data were not available. The reply is not tenable, as the development of the package was not justified even on the basis of the expected number of applicants (800 per division) pointing to lack of a thorough analysis. Thus, had the KHB conducted a proper feasibility study and need analysis before embarking on an advanced RDBMS package, the expenditure to the tune of Rs.27.99 lakh for such a small volume of data, could have been avoided. This showed that the KHB lacked a proper IT strategy but still went ahead with costly investment on IT.

**System documentation**

Data generated were not dovetailed with the financial accounts of KHB

**3.4.5** The system developer had not adopted a standard System Development Life Cycle Methodology, with the result the design and the development were made without a thorough study of user needs with regard to input formats and output report formats including their frequency. Even the issue of how the data generated would be dovetailed with accounts of the KHB was not addressed. Neither the design/development was properly documented and approved by the KHB beforehand nor were the acceptances of the users test-signed-off indicating their approval.

**Audit trails**

The IVRS was inconsistent and incomplete

**3.4.6** The Interactive Voice Response System (IVRS) was meant to assist the KHB in providing information to the customers without human intervention, giving out details of vacancy, cost, area/project check of application, *etc.* The system had not incorporated audit trails with fields like ‘updated by’, ‘updated on’ and ‘updated from’ and a test-check brought out differences between the information regarding vacancy position of sites/houses as derived from IVRS and the data available in CIS, as detailed below:

**Table 1: Details of differences between IVRS and CIS data**

	Kelakote (Chitradurga) Sites		Haliyal (Karwar) Sites		Gopishetty Koppa (Shimoga)			
	IVRS	CIS	IVRS	CIS	Sites		Houses	
					IVRS	CIS	IVRS	CIS
HIG	23	26	0	0	55	61	05	01
MIG	48	42	48	40	128	133	20	15
LIG	142	145	0	0	81	81	61	66

Thus, the IVRS being inconsistent and incomplete was unreliable and had the potential of adversely affecting the customer confidence in the system, making the expenditure of Rs.9.37 lakh incurred on it unfruitful.

### Analytical review of data

**3.4.7** The data of the CIS package, analysed using the software – IDEA, indicated that the package lacked adequate input controls leading to data entry errors and process controls, resulting in inaccurate reports, making it unreliable for management decision making.

### Data for annual accounts

Information on database did not help in decision making

**3.4.8** The balance sheet of the KHB for the year 2003-04 projected, under current assets, the value of house property in hand at Rs.56.82 crore and land in possession at Rs.44.37 crore totalling to Rs.101.19 crore. The value of assets in hand, as shown in the computerised database was, however, Rs.115.82 crore. Thus, the figures compiled from the records maintained manually differed from the computerised records by Rs.14.63 crore. Moreover, out of 11,373 un-allotted cases in the database, 8,764 records were blank for the value of the asset. The omission was stated to be due to delay in communication from the Allotment and Finance Departments in furnishing the requisite information to the IT Wing. This made the information contained in the database outdated and of limited use for decision making.

### Database for exchange of allotted houses

The database was deficient

**3.4.9** According to the rule of KHB, the applicants were given the option to seek an exchange of the allotted house/site by payment of an exchange fee. It was noticed in 141 cases, that the exchange fee levied was recorded as zero in the database. It was replied (December 2004) that the omission was due to non-receipt of the advice from the Allotment and Finance Departments. This clearly showed that though the KHB had gone ahead with computerisation, proper procedures were not in place to ensure that IT is made full use of for management support functions. Moreover, as this levy is statutory in nature, timely updation of the same should have been ensured by the management.

Various other deficiencies noticed in IT enabled analysis, using IDEA, of the database are given below:

- The same property was found allotted twice, to two applicants with different registration numbers. This showed lack of process controls with the risk of the database being misused. The KHB replied (December 2004) that to accommodate multiple allotments the alteration was made manually.
- As against the rules of the KHB, a single applicant was found to have been allotted two different properties.
- Details of payment of initial deposit and registration fee were not recorded in many cases. Out of 8,142 allotments, no payment was recorded for initial deposit in 2,404 cases and for registration fee in 695 cases. It was replied (December 2004) that in some cases the initial deposits and registration fees were not charged. The database, however, did not indicate this status of the allottees.

- The table pertaining to property details contained 8,172 cases shown as allotted while another table in the same database containing allotment details showed 8,143 allotments. The difference was attributed to multiple allotments. The database, however, did not contain any check boxes or flags to indicate case of multiple allotments for management information.
- The field depicting basis for sale of property by sale or lease-cum-sale was indicated as 'NA' in 80 cases. This indicated lack of input controls making database incomplete. The KHB agreed to rectify the error.
- IT enabled analysis revealed that the date of birth of applicants was not recorded in 1,336 cases besides presence of minor applicants in 1,467 cases.
- Out of 18,640 applicants recorded as unmarried, spouse names were recorded in 3,033 cases.

These observations indicated that in spite of paying substantial costs to CCSL for data maintenance, the database was neither integral nor reliable.

#### **Utilisation of the application as a tool for Management Information System**

**3.4.10** One of the major advantages envisaged by the CIS, was its ability to aid the KHB in decision making by timely generation of reports based on data analysis and generation of various Management Information System (MIS) reports for taking decisions aimed at reducing arrears due from allottees. During the course of review, it was observed that even though the allotment table allowed the recording of provisional cost, amounts paid and balance due from allottees, and action taken to levy penalty or cancellation of allotment or non-payment, the same was not on record. In fact, in 2,129 cases the 'provisional cost to pay by date' was omitted to be recorded which rendered the data incomplete for follow-up.

#### **General Information Technology controls**

**3.4.11** Though the KHB had implemented major IT applications, it was yet to formulate and document a formal IT policy and a long term/medium term IT strategy incorporating the time frame, key performance indicators and cost-benefit analysis for development and integration of various systems. No planning/steering committee with clear roles and responsibilities existed to monitor the software for each functional area in a systematic manner. CCSL, an outside agency, was functioning as manager of the data in all the three packages, while the Systems Department functioning under the Commissioner of the KHB was involved merely in providing facilities and acquisition of hardware/software. The KHB had also not formulated and documented an IT security policy for the security of its IT assets and software including its data. The CIS package is an important system for KHB as its business and revenue earning capacity is dependant on the decisions based upon the information contained in the system. There was, however, no documented 'Disaster Recovery and Business Continuity Plan' outlining the action to be undertaken immediately on the occurrence of a disaster.

**IT policy, strategy and disaster management plans were absent**

### Incorrect Assessment of Demand under '100 Housing Scheme'

**3.4.12** The Government approved (January 2001) the Scheme at an estimated cost of Rs.850 crore for completion by December 2002. Of this, Rs.720 crore was to be in the form of loan from Housing and Urban Development Corporation (HUDCO) without Government guarantee and Rs.100 crore in the form of loan on Government guarantee and balance from the self-financing scheme by KHB. The KHB availed of a total credit of Rs.188.07 crore from the HUDCO (Rs.83.07 crore) and nationalised banks (Rs.105 crore) during 2002-05 for funding the Scheme. The KHB incurred a total expenditure of Rs.218.86 crore (Rs.124.06 crore in 2003-04 and Rs.94.80 crore in 2004-05).

**Incorrect assessment of demand led to improper planning**

**3.4.13** The KHB did not conduct a proper survey for assessing the demand for houses and sites so as to ensure proper identification of the beneficiaries and to prioritise funding. The KHB, instead, considered the applications received for registration as the demand. The registration forms did not contain details of annual income of the applicant and his family, mode of payment including the option for refund, proof of domicile, other property ownership, *etc.* The information obtained was also not cross verified with other sources like census reports, *etc.* In the absence of details and cross check, the assessment of demand adopted by the KHB was fraught with the risk of extending assistance to those who had not even applied. Such an assessment was thus reduced to a mere formality aimed solely at selling the houses constructed, instead of providing houses to those who had applied.

**Developed properties remained un-allotted**

**3.4.14** The position of construction/development and allotment of houses/sites as of July 2005 was as indicated below:

**Table 2: Position of construction/development and allotment of houses/sites**

Number of locations in which the Scheme was to be implemented	100
Number of locations in which execution was actually taken up	70
Number of locations in which execution was completed	44
Total number of houses envisaged	13,500
Number of houses completed	1,579 (12 <i>per cent</i> )
Number of houses allotted	849 (54 <i>per cent</i> )
Number of sites to be developed	15,000
Number of sites actually developed	8,228 (55 <i>per cent</i> )
Number of sites allotted	2,934 (36 <i>per cent</i> )

Thus, even after two and a half years of the originally scheduled date of completion (December 2002) only 12 *per cent* of the houses were completed and 55 *per cent* of the sites were developed. This was attributed by KHB to land litigation, heavy monsoon, change in foundation design, *etc.* Further, only 54 *per cent* (849) of the houses completed and 36 *per cent* (2,934) of the sites developed were allotted. In 14 locations, the KHB developed land/constructed houses in excess of demand and could allot only 21 *per cent* (**Appendix 3.13**). In three\* project units test-checked, the KHB developed 2,123 sites/houses, adjacent to projects for distribution of sites by local Urban Development Authority. Consequently, 963 sites/houses developed during

\* Chickmandya/Mandya - 1,349, Kanbargi/Belgaum - 558, Kankanady/Mangalore - 216

2002-05 remained unallotted as of July 2005. The inability of the KHB to allot the property indicated incorrect initial survey and lack of demand.

## Conclusion

### *Computer applications*

**3.4.15** The KHB made large investments in IT without having a clear IT strategy, resulting in heavy expenditure on development and maintenance of applications with limited utility. The CIS had poor general IT controls and contained incomplete information which was not completely reliable and thus of limited use as a tool for MIS. The flow of data from the Finance/Allotment department to the IT system was tardy making the data in the system outdated. The KHB was heavily dependent on CCSL and making heavy payments for routine functions like database maintenance, *etc.*

### *Incorrect assessment of demand under '100 Housing Scheme'*

**3.4.16** The assessment of demand for houses and sites was improper, resulting in 46 *per cent* of the houses constructed and 64 *per cent* of sites developed remaining unallotted.

## Recommendations

### **3.4.17** *Computer applications*

- The KHB should define a clear IT strategy with well defined goals before making further investments to harness IT.
- The deficiencies in the existing package should be rectified so as to ensure reliability of the output data for its MIS.
- The KHB should develop in-house expertise to lessen its dependence on the outside service provider and avoid heavy outgo on maintenance charges.
- The IVRS should be updated so as to provide authentic and timely information to the customers.

### **3.4.18** *Incorrect assessment of demand under '100 Housing Scheme'*

- Proper assessment of demand for houses and sites should be conducted before venturing into schemes, that too with borrowed capital.
- Measures should be taken to allot the remaining houses/sites constructed/developed expeditiously.

**3.4.19** The above points were referred to Government in August/September 2005; reply had not been received (November 2005).

## WATER RESOURCES DEPARTMENT

### 3.5 Maintenance of Irrigation Canals of Central Zone

**3.5.1** Tungabhadra Irrigation Zone comprising the Tungabhadra Irrigation Project (TBP) and five other subsidiary irrigation projects<sup>#</sup> set up in the year 1974 covers a command area of 3.83 lakh hectares. The irrigation zone was renamed (1987) as Irrigation Central Zone (ICZ), with its headquarters at Munirabad (Raichur district). The management and maintenance of the zone is carried on by the Chief Engineer (CE) who is assisted by two Superintending Engineers, one each at circle level and six Executive Engineers, one each at divisional level. The dam of TBP is, however, managed by a separate Board.

The expenditure on maintenance of the canals in the six divisions of ICZ for the five year period 2000-05 was reviewed (March-April 2005) in audit and the results thereof are brought out in the succeeding paragraphs.

#### Budget allotment and expenditure

**3.5.2** The year-wise position of funds allotted for the maintenance of irrigation canals and expenditure incurred thereagainst during the period 2000-05 was as under:

**Table 1: Grant and outlay statement**

(Rupees in crore)

Year	Budget allotment	Expenditure	Excess (+)/ Savings (-) (percentage)	Amount of pending bills at the end of the year
2000-01	8.68	13.34	(+) 4.66 (53.7)	0.64
2001-02	11.36	12.47	(+) 1.11 (9.8)	2.51
2002-03	12.86	10.84	(-) 2.02 (15.7)	5.45
2003-04	6.19	8.52	(+) 2.33 (37.6)	10.06
2004-05	9.57	12.17	(+) 2.60 (27.2)	14.34 <sup>W</sup>
<b>Total</b>	<b>48.66</b>	<b>57.34</b>	<b>(+) 8.68 (17.8)</b>	<b>-</b>

**Expenditure incurred on maintenance exceeded the budget allocations and pending bills accumulated**

It can be seen from the preceding table that the amount of pending bills increased year after year, despite directions from the CE that fresh works should be sanctioned only after clearing pending bills of the previous years. A Test-check of records of four divisions\* revealed that fresh works costing Rs.30.59 crore were sanctioned by the Superintending Engineers during the

<sup>#</sup> Narihalla Project, Hagaribommanahalli Project, Kankanala Project, Vijayanagara Canal and Rajolibanda Diversion Canal Project

<sup>W</sup> Up to 2000: Rs.0.10 crore, 2000-01: Rs.0.54 crore, 2001-02: Rs.1.87 crore, 2002-03: Rs.2.94 crore, 2003-04: Rs.4.61 crore, 2004-05: Rs.4.28 crore

\* No. 1 Tungabhadra Reservoir Division, Munirabad; No. 2 Canal Division, Oddarahatti; No. 4 Canal Division, Sirwar and No. 6 Canal Division, Bellary



period 2000-05 without clearing pending bills of Rs.10.06 crore. Further, the expenditure except for the year 2002-03 exceeded the budget allocations by 10 to 54 *per cent*. Provision of funds inconsistent with the requirements and execution of works for amounts in excess of that envisaged in the budget indicated defective estimation and lack of budgetary control in execution of maintenance works.

### Diversion of funds

Expenses on annual maintenance of canals and repairs of vehicles amounting to Rs.1.97 crore irregularly charged to capital account of the project

**3.5.3** According to the codal provisions, all expenditure incurred on creation of new assets and additions to previously created assets are to be treated as capital expenditure while expenditure incurred on their maintenance is to be treated as revenue expenditure. However, in violation of these codal provisions, expenditure of Rs.1.97 crore was incurred by two divisions<sup>♥</sup> on annual maintenance of canals and on repairs of vehicles by debit to the capital account of the project during 2001-05, thereby understating the maintenance expenditure.

### Splitting up of works

Works estimated to cost Rs.10.63 crore were executed by splitting the estimates and allotting more than one work to the same contractor

**3.5.4** Government in its circular instructions of December 1999 reiterated that estimates of individual works shall not be split up so as to avoid sanction from competent authorities<sup>♦</sup> and works should be allotted only after inviting tenders. The instructions also reiterated that in case of works entrusted on piecework basis<sup>⇔</sup>, not more than one work shall be entrusted to a single contractor at a time. As an exception, the Divisional Officers were delegated the powers to allot works either with or without invitation of public tenders each costing not more than Rs.50,000. However, the Divisional Officers in test-checked divisions split up the works costing Rs.10.63 crore in to 3,295 smaller works each costing less than Rs.50,000 and allotted more than one work on piecework basis to the same contractor in violation of the extant instructions. The splitting up of works and their allotment to the contractors at the prevailing Schedule of Rates deprived the Department of the benefit of competitive rates through tendering.

### Engagement of excess sowdies for water management

36 to 484 sowdies were deployed in excess of the norms prescribed for water management

**3.5.5** The irrigation Manual of the Department prescribes engagement of one sowdy for managing distribution of water, according to the fixed schedules, over a command area of 243 hectares and for bringing the irrigation offences to the notice of higher authorities.

<sup>♥</sup> No. 5 Canal Division, Yermarus and No. 3 Canal Division, Sindhanoor

<sup>♦</sup> Superintending Engineer: Rs.15 lakh; Chief Engineer: Full powers

<sup>⇔</sup> It envisages entrustment of work costing not more than Rs. one lakh to petty contractors for execution at rates not exceeding the current schedule of rates

Out of six divisions test-checked, scrutiny in three<sup>▲</sup> divisions, for which information was made available to audit, covering a command area of 1.77 lakh hectares revealed that additional sowdies were engaged by the respective Divisional Officers in excess of the prescribed norms. Against 206 to 292 sowdies required to be engaged, the number of sowdies actually engaged ranged from 242 to 776 during 2000-05. The additional sowdies were engaged by the Divisional Officers through contractors by making payment at current Schedule of Rates without obtaining approval to their engagement and provision of funds. This resulted in an irregular expenditure of Rs.6.65 crore during 2000-05 as indicated in **Appendix 3.14**. While the respective Divisional Officers contended that deployment of excess sowdies was inevitable for effective water management, the Government in reply to an audit query stated (September 2005) that the matter would be referred to a committee of technical experts, which is being constituted for studying and reporting the various aspects of maintenance of irrigation projects.

### Other topics

#### *Non-recovery of dues from the Andhra Pradesh Government*

**Rs.13.86 crore were outstanding from Andhra Pradesh Government as at the end of March 2004**

**3.5.6** A mention was made in Paragraph 4.2.6 (vi) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil) - Government of Karnataka, on the non-recovery of dues (Rs.8.30 crore) from Andhra Pradesh Government towards maintenance of Rajolibanda Diversion Scheme, an inter-state medium irrigation project. The amount due for recovery at the end of March 2004 was Rs.13.86 crore. Action taken to realise the dues was not forthcoming (March 2005).

#### *Locking up of funds with Water Users Co-operative Societies*

**Rs.26.25 lakh locked up with Water Users Co-operative Societies for over two years**

**3.5.7** For implementing participatory irrigation management by involving the Water Users Co-operative Societies (WUCS), the Government decided (March 2003) to hand over the completed irrigation projects to WUCS after carrying out necessary repairs and improvements, as a one-time measure. Accordingly, repairs and improvement works were entrusted (March 2003) to 18 WUCS in two test-checked divisions<sup>⊗</sup>. An advance payment of Rs.26.25 lakh (40 per cent of the estimated cost of Rs.65.62 lakh) was made (March 2003) to these Societies for completing the works in 90 days. The works were not executed by them and the advance of Rs.26.25 lakh paid to them was also not recovered (March 2005) resulting in locking up of Government funds.

<sup>▲</sup> No.1 Tungabhadra Reservoir Division, Munirabad, No.2. Canal Division, Oddarahatti and No.4 Canal Division, Sirwar

<sup>⊗</sup> No.2 Canal Division, Oddarahatti and No.6 Canal Division, Bellary

### ***Unfruitful outlay on wireless network***

**Rs.19.33 lakh spent on wireless network equipment proved unfruitful in the absence of required licence**

**3.5.8** Purchase of wireless network equipment at an estimated cost of Rs.25.80 lakh was sanctioned (December 2000) by the CE for effective water management in the project area. An expenditure of Rs.19.33 lakh was incurred (December 2000) by three divisions on procurement of equipment of the wireless network such as bi-directional link repeater, slim grim base antenna, tripod masts, *etc.*, even before obtaining the required licence from the Telegraph Department and the clearance from the Forest Department which were still awaited (March 2005). No expeditious action was taken to obtain licence/clearance and install the wireless network. Consequently, the expenditure of Rs.19.33 lakh incurred on the equipment proved unfruitful for the past four years.

### **Conclusion**

**3.5.9** Allocation of funds and incurring of expenditure on maintenance of the irrigation canals was not regulated according to the requirements, which resulted in excess over budget allotments and accumulation of pending bills. The maintenance works were undertaken in many cases, by splitting up of the works to avoid sanction of the competent authority. Sowdies were engaged for management of water in excess of the prescribed norms.

### **3.5.10 Recommendations**

- The funds for maintenance should be allocated consistent with the actual requirements and expenditure regulated accordingly.
- A control mechanism needs to be put in place to prevent splitting up of works.
- Engagement of sowdies needs to be regulated according to laid down norms.

**3.5.11** The above points were referred to Government in September 2005; reply had not been received (November 2005).

