



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2014-2016)**

HUNDRED AND SIXTH REPORT
(Presented on 18-2-2016)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2016

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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ON
PUBLIC UNDERTAKINGS
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HUNDRED AND SIXTH REPORT

On

**Roads and Bridges Development Corporation of Kerala
Limited based on the Report of the Comptroller and
Auditor General of India for the years ended on
31st March, 2010 and 2011 (Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS

(2014-2016)

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Smt. P. K. Girija, Additional Secretary

Smt. M. R. Maheswary, Deputy Secretary

Shri P. S. Selvarajan, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings 2014-2016 having been authorised by the Committee to present the Report on their behalf, present this Hundred and Sixth Report on Roads and Bridges Development Corporation of Kerala Limited based on the Reports of the Comptroller and Auditor General of India for the years ended 31st March, 2010 and 2011 (Commercial) relating to the Government of Kerala.

The Reports of the Comptroller and Auditor General of India for the years ended on 31st March, 2010 and 2011, were laid on the Table of the House on 28-6-2011 and 23-3-2012 respectively. The consideration of the audit paragraphs included in this Report and the examination of the departmental witness in connection thereto was made by the Committee on Public Undertakings constituted for the year 2014-2016.

This Report was considered and approved by the Committee at the meeting held on 17-2-2016.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit Paragraphs included in this Report.

The Committee wish to express their thanks to the officials of the Public Works Department of the Secretariat and Roads and Bridges Development Corporation of Kerala Limited for placing before them the materials and information they wanted in connection with the examination of the subject. They also wish to thank in particular the Secretaries to Government, Public Works and Finance Department and the officials of Roads and Bridges Development Corporation of Kerala Limited who appeared for evidence and assisted the Committee by placing their concerned views before the Committee.

Thiruvananthapuram,
18th February, 2016.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.

REPORT

ON

ROADS AND BRIDGES DEVELOPMENT CORPORATION OF KERALA LIMITED

AUDIT PARAGRAPH

Blocking of funds and unproductive interest

The Company is engaged in the construction of highways, overbridges and roads on behalf of the Government of Kerala (GoK) and other Government agencies. The GoK entrusted (April 2000-February 2003) the Company with construction of 50 Railway Overbridges (ROBs) in lieu of level crossings. Out of this, 19 ROBs were under Memorandum of Understanding (MoU) with Railways and five ROBs were entrusted by the GoK (non-MoU). In the case of MoU works, the entire work (bridge as well as approach road portion) had to be carried out by the Company whereas for non-MoU works approach road portion only had to be carried out by the Company.

The MoU signed between the GoK and Railways, provided that the cost of ROBs will be shared equally between GoK and Railways. The prior approval of the Railways was to be obtained for commencing the Railway portion work and for designs of the ROB.

The Company took up (May 2001-November 2003), the construction of 24 ROBs (19 MoU, 5 non-MoU) and completed (June 2003-June 2009) 15 ROBs (14 MoU, 1 non-MoU) incurring an expenditure of ₹ 97.65 crore (March 2010) against the estimated cost of ₹ 59.76 crore resulting in cost overrun of ₹ 37.89 crore. One ROB was completed in February 2010 and civil work of remaining eight ROBs was yet to be completed (May 2010).

Deficiencies noticed in planning, execution and contract management of nine projects (including one completed in February 2010) are discussed below:

Planning, Execution and Contract Management

The Company did not have a definite plan of action for making available the land required for ROB, awarding of civil work, shifting of utilities, obtaining requisite approval for design and structure of ROB from Railways and other designated authorities. KITCO was appointed as consultants for carrying out the civil works who were responsible for conducting preliminary investigations, preparation of land acquisition and shifting of utilities plan, preparation of drawings, designs and estimates, tendering, cost evaluation of bids and recommendation, supervision of work and checking of bills for passing. Based on the tender evaluation, the civil works were awarded by the Company with a completion period of 12 months. As the completion period of one ROB was very short, it was the duty of the Company/Government to make available requisite land free of encumbrances before the commencement of work.

We observed (June 2010) inordinate delay by Revenue Department in making available the requisite land. Non-availability of land and hasty decision to award works before acquiring required land (including shifting of electric, telephone and water supply utilities) affected the smooth execution of works. As a consequence of this, three works were retendered and eight works remained incomplete (September 2010). Failure to complete land acquisition proceedings within the allotted time, led to conversion of notifications for land acquisition de nova in two cases. In eight out of nine ROB, the work was awarded before acquiring land and the delay in acquisition ranged between 15 months to eight years. In the case of three ROB, there was delay in shifting utilities by two to seven years (Annexure 22).

MoU with Railways invariably stated that no construction activity should be commenced before obtaining sanction from Railways. We observed that there was no effective mechanism to follow-up the matter with Railways for getting the necessary approvals in time. In respect of two works there was delay in getting approval from Railways ranging from six to eight years. In the case of four non-MoU works even though the overbridge portion was to be carried out by Railways, the contracts were awarded for works including Railway portion also by oversight resulting in subsequent stoppage of works, abandonment, etc., causing

compensation claims and loss of profit. This was due to lack of co-ordination with Railways for expediting execution of their portion also simultaneously. The workwise delay, causes of delay and status of work are given in Annexure 22.

Financial Management

The Government issued (April 2000) orders entrusting work of ROBs with the Company on cost sharing basis with Railways and adequate budgetary support was not made available. Therefore, the Company was constrained to avail term loan from HUDCO (₹ 54 crore) at 13.75 per cent and through issue of bonds (₹ 25 crore) at 12.25 per cent. The repayment of the loan was proposed to be met out of contribution from Railways and budgetary support. As the reimbursement from Railways did not come in time due to delayed completion of works and there was no other available source of income, the Government allowed the Company to collect user fee for bridges for a period of 15 years from the date of direct toll collection agreement, in the case of eight incomplete projects. This also did not fructify due to delay in completion of ROBs. The Company was not even able to repay the HUDCO loan and bonds causing additional interest burden.

Slow progress in implementation of projects resulted in enormous increase in cost of civil works, borrowing cost and overheads. In two cases the Company had to undertake balance works at 156 per cent and 140 per cent more than original rate involving additional commitment of ₹ 4.08 crore.

Thus, deficiencies in planning, execution and contract management, absence of effective follow-up with Railways and inadequate budgetary support from Government resulted in (March 2009) cost overrun of ₹ 16.17 crore (Annexure 23). As the entire activities were financed through borrowed funds, the progress of work was very poor which resulted in blocking of funds of ₹ 31.42 crore and unproductive interest of ₹ 13.31 crore on the nine projects including one project completed in February 2010 (April 2007-March 2010) (Annexure 24). As a consequence of persistent delays in finalisation of accounts of the Company, receipt of funds from Railways (20 per cent of 50 per cent share) was also delayed. This delay further compounded by delay in completion of works, the working of the Company was severely affected, resulting in accumulated losses of ₹ 34.30 crore (March 2009).

Management stated (August 2010) that the works of ROB's were entrusted to the Company on condition that the funds for land acquisition would be provided by the Government. Since funds for land acquisition were not received and a portion of land was already available, the Company had proceeded with tendering of work on the expectation that balance land could also be acquired as works progressed. Further, due to involvement of several Governmental agencies in land acquisition, shifting of utilities and obtaining approval from Railways, the expected co-ordination could not be achieved. Although there were delays in completion of ROB's, tendering of work before completion of land acquisition when rates were lower, has proved beneficial to the Company.

The reply of the management was contrary to facts since delay in land acquisition has subsequently necessitated retendering and enhancement of rates resulting in time overrun and overall cost overrun of ₹ 16.17 crore. The management should have ensured the availability of land before inviting tenders for the works. The social cost associated with delayed completion of ROB's was beyond quantification.

We suggest that the Government should evolve a mechanism, on the lines of single window clearance system, for fast track acquisition of land and provision of budgetary support for ROB projects.

The matter was reported to Government (June 2010); its reply is awaited (October 2010).

[The Audit Paragraph 4.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2010]

The Notes furnished by Government on the Audit Paragraph is given in Appendix II.

1. The Committee questioned the hasty decision of the Company to award the works for the construction of Railway Overbridges before acquiring the required land and also enquired the reason for contracting the works including Railway portion without obtaining prior approval from Railways. The witness responded that the RBDCK had been entrusted the works of construction of ROB's and RBDCK availed long-term loan from HUDCO to meet the cost of

construction. As the cost of works were proposed to be met through borrowed funds, Company had to complete the work entrusted to them as early as possible. Therefore, RBDCK was forced to tender the work without waiting for completion of land acquisition proceedings in expectation that the balance portion of required land could be made available and the utilities at site could be shifted as and when the work was in progress.

2. The Committee observed that the lack of proper planning in ensuring the availability of required land and the hasty decision of the Company to tender the work before acquiring the land were the main reason for the cost overrun. Moreover the failure to complete the land acquisition procedure within the allotted time proves that the swift decision of the company was absolutely wrong.

3. The witness informed that land acquisition procedures could normally be completed within 7 to 8 months and in the case of 19 ROB's the required land had been obtained before the commencement of work. Due to unexpected reasons the land acquisition for the remaining ROB's were delayed which also adversely affected the entire planning. As per the witness the factor that caused the delay in Koratty at Thrissur District was due to the uncompromising attitude of Railway Authorities to shift the 11 KV overhead transmission line.

4. The Committee wanted to know whether the Company had got any evidence to substantiate that the Board had decided to tender the works in anticipation that the land could be acquired during the progress of work. The Committee also enquired about the references if any made in the minutes that the Managing Director had presented the situation before the Board of Directors that the required land had not been acquired by the Revenue Department. The Secretary PWD informed that as the land acquisition had not been done, the Board would not give approval for the tendering of work but sometimes works were tendered in good faith assuming that the land could be made available during the progress of work and hence requested not to penalise the officers for this. The Committee pointed out that in most of the cases where the work tendered in good faith before acquiring the land would have resulted in loss. The Committee further pointed out that the delay in land acquisition lead to the retendering of work and enhancement of rates which resulted in cost overrun of ₹ 16.17 crore. The witness

replied that the delay in completion of works resulted in cost escalation in few cases only and major portion of the work had been completed at lower cost.

5. The Committee observed that the wrong decision of RBDCK to award works before acquiring required land affected the smooth execution of the works which resulted in the retendering and incompletion of works. Therefore the Committee directed that such lapses should not be repeated in future and called for a detailed report regarding the ongoing projects tendered by RBDCK, their progress, the works which had been completed within the stipulated time, escalation of cost etc. The Committee directed to furnish those details within one month.

6. With respect to the MoU signed between Government of Kerala and Railways, MD, RBDCK responded that there was provision for commencing the Railway portion work and designs of the ROB with prior approval of Railways. However it is not practicable to get approval of design of the estimates on the fly in the current frame work of Indian Railways. Hence work could be executed only after gaining approval from the Chief Engineer (Bridges), Chief Administrative Officer and Commissioner of Railway Safety.

7. The Committee enquired the reason for contracting the works for the construction of overbridge portion also which had to be undertaken by Railways as non-MoU works. The Committee criticised the Corporation for not having efficient monitoring team and pointed out the audit objection that there was no effective mechanism to follow-up the matter with Railways for getting the necessary approvals in time. The Committee also opined that if the authorities could arrange a meeting with Railways in time, delay could have been avoided to a certain extent.

Conclusions/Recommendations

8. **The Committee finds that the failure of the Company to ensure the availability of required land within the allotted time forced them to retender the works which consequently affects the smooth execution and incompletion of works. The Committee also finds that inordinate delay had occurred on the part of Government also to make available the required land.**

9. The Committee expresses discontent towards the arguments of the witness that works were tendered in good faith assuming the availability of land during the progress of work and opines that in almost all cases the work tendered in good faith before acquiring the required land would result in loss. The Committee recommend that in order to avoid loss due to the delayed completion of projects the managements should strictly ensure the availability of land before inviting tenders for the works.

10. The Committee observes that hasty decision of the Company to award construction work of ROB's before acquiring the required land free of encumbrance and the commencing of work on railway portion without obtaining prior approval from Railways reveals that the Company have neither a definite plan of action for the construction and execution of major works nor an effective mechanism to follow-up with concerned Authorities like Railways to get necessary approvals in time. The Committee remarks that if the Company had proper monitoring team and proper planning revenue loss of ₹ 16.17 crore in the way of retendering and enhancement of rates could have been avoided.

11. The Committee expresses its suspicion towards the action of the Company to award the contracts for the non MoU works also instead of awarding works to approach road portion only according to MoU. The Committee remarks this as the best example of sheer negligence on the part of the Company for causing compensation claims and loss of profit. The Committee directs that such lapses should not be repeated and recommends that the existing monitoring system prevailed in the Corporation should be changed and an effective mechanism should be evolved to follow-up the ROB projects for getting timely approvals from Railway Authorities.

12. The Committee directs that a detailed report regarding the ongoing projects tendered by the Company, the works which had been completed within the stipulated time, escalation cost etc. should be furnished to the Committee within one month.

AUDIT PARAGRAPH

Irregular deployment of unutilised funds in speculative activities

The Company incorporated (September 1999) under the administrative control of Public Works Department (PWD), Government of Kerala is engaged in the construction of highways, bridges, roads, bypasses, overbridges, culverts, expressways, etc. It meets its expenditure by funds raised through borrowings, loans and grants.

The guidelines on investments of surplus funds by Public Sector Enterprises issued by Department of Public Enterprises (DPE), Government of India stipulated that there should be no element of speculation on the yield in respect of investments made by PSUs and PSUs were not allowed to invest in public and private funds as they were equity based and risky. The Government of Kerala's directions (November 1997/August 2009) also bound, all State Public Sector Undertakings to deposit their surplus/reserve funds with Government Treasuries.

The Company received (September 2006) an unsolicited offer from Trust Investment Services, Kochi, a partnership firm of brokers, to provide services in the field of investments in securities and mutual funds. The offer should have been rejected straight away as Public Sector Enterprises were bound to observe principles concerning investments issued by DPE and Government.

The Company received (August 2007) ₹ 7.05 crore as loan from Kerala Road Fund Board (KRFB) and finding no immediate use of this amount, the Company decided, in contravention of the DPE and Government of Kerala guidelines on deployment/investment of surplus funds, to invest the same in mutual funds for short-term with stop loss facility. We observed that this activity of investment of funds was beyond the scope and powers of the Company though the Boards of Directors (BoD) authorised the Managing Director to undertake this prohibited activity in December 2007 based on the decision in BoD of the Company in September 2000.

We noticed (September 2008) this issue and subsequently also warned the Management about the nature of investments but the activity was continued. The speculative nature of investments was evident from the following table:

(₹ in lakh)

Year	Amount of average investments	Dividend income	Profit on sale of investments	Loss on sale of investments
2006-07	155.13	Nil	2.01	Nil
2007-08	788.84	110.11	2.00	Nil
2008-09	1760.16	21.79	357.77	467.28
2009-10	1240.95	Nil	190.83	17.60

The Company suffered the largest loss of ₹ 4.67 crore in 2008-09. Unutilised funds including project specific Grants/Loans received from Government/Governmental agencies ranging from ₹ 1.10 crore to ₹ 47.25 crore were deployed during the period from October 2006 to January 2010 in speculative investments.

Government in endorsing (October 2011) the reply of Management (August 2011) stated that the investments in mutual funds were made considering the aspects of liquidity and better returns as compared to deposits in Treasury and Nationalised Banks. Further, the investments had the approval of Board of Directors and the overall transaction was profitable to the Company. The reply was not acceptable as the Company was prohibited to make these investments *ab initio*. In the year 2008-09, the loss on sale of investments was a massive ₹ 4.67 crore. It was only due to fortuitous circumstances the Company could make profits on investments in 2009-10.

[The Audit Paragraph 4.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2011.]

The Notes furnished by Government on the Audit Paragraph is given in Appendix II.

13. The Committee enquired the reason for investing surplus fund in mutual funds rather than depositing it in Government Treasuries despite specific guidelines to PSUs on the investment of surplus funds. The witness replied that

since there was no immediate use of the amount as loan from Kerala Road Fund Board, it was decided to invest the same in the Mutual Funds in 2006 as per the verbal consent from Board of Directors. Later, in the Board of Directors meeting in December 2007 they affirmed the decision and gave approval to that investment after conducting detailed studies on the financial situation of the Company. The investment in mutual funds was made in the best interest of the Company. It was proved to be profitable as it gained a profit of ₹ 11 lakh than if it was invested in Treasury or Nationalised Banks.

14. However the Secretary PWD, admitted the audit objection and stated that the Board had no power to invest in speculative business. Therefore the Committee wanted to know the circumstances which led the Managing Director to invest the surplus funds in Mutual Funds against the guidelines of DPE and the circulars issued by the Government of Kerala. The Committee directed the Secretary PWD to seek explanation from the Managing Director in this regard and to submit the report to the Committee at the earliest.

Conclusions/Recommendations

15. **The Committee remarks that the decision of the Company to invest surplus fund in mutual funds instead of investing it in the Government Treasury is totally unjustifiable and criticise the then Managing Director who wilfully violated the Government Order in this regard. The Committee is not at all satisfied with the arguments of the witness that even though audit objection regarding the matter is true, the Company gained a profit of ₹ 11 lakh than if it was invested it in Treasury or Nationalised Banks.**

16. **The Committee recommends that since such investments are against the interest of Government strict warning should be given that such unviable decisions should not be repeated in future. The Committee also directs the Government to furnish report after seeking explanations from the then Managing Director regarding the matter and call for details regarding the circumstances which led to the investment.**

AUDIT PARAGRAPH

Financial Management in four selected areas

We selected twenty Companies from six sectors based on risk analysis for assessing the effectiveness of performance in the following areas pertaining to the period 1st April, 2006 to 31st March, 2011:

- Deployment of surplus funds
- Disbursement of loans
- Borrowing of funds and
- Payment of taxes and duties

We noticed deficiencies and were of the opinion that they required urgent attention of the Managements of respective Public Sector Understandings (PSUs).

[The Audit Paragraph 4.9 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2011.]

The Notes furnished by the Government on the Audit Paragraph is given in Appendix II.

The Committee accepted the reply furnished by Government.

Conclusions/Recommendations**17. No Comments.**

Thiruvananthapuram,
18th February, 2016.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No.	Department concerned	Conclusions/Recommendations
1	2	3	4
1	8	Public Works	The Committee finds that the failure of the Company to ensure the availability of required land within the allotted time forced them to re-tender the works which consequently affects the smooth execution and incompletion of works. The Committee also finds that inordinate delay had occurred on the part of Government also to make available the required land.
2	9	„	The Committee expresses discontent towards the arguments of the witness that works were tendered in good faith assuming the availability of land during the progress of work and opines that in almost all cases the work tendered in good faith before acquiring the required land would result in loss. The Committee recommend that in order to avoid loss due to the delayed completion of projects the managements should strictly ensure the availability of land before inviting tenders for the works.
3	10	„	The Committee observes that hasty decision of the Company to award construction work of ROBs before acquiring the required land free of encumbrance and the commencing of work on railway portion without obtaining prior approval from Railways reveals that the Company have neither a definite plan of action for the construction

1	2	3	4
			and execution of major works nor an effective mechanism to follow-up with concerned Authorities like Railways to get necessary approvals in time. The Committee remarks that if the Company had proper monitoring team and proper planning revenue loss of ₹ 16.17 crore in the way of re-tendering and enhancement of rates could have been avoided.
4	11	Public Works	The Committee expresses its suspicion towards the action of the Company to award the contracts for the non MoU works also instead of awarding works to approach road portion only according to MoU. The Committee remarks this as the best example of sheer negligence on the part of the Company for causing compensation claims and loss of profit. The Committee directs that such lapses should not be repeated and recommends that the existing monitoring system prevailed in the Corporation should be changed and an effective mechanism should be evolved to follow-up the ROB projects for getting timely approvals from Railway Authorities.
5	12	„	The Committee directs that a detailed report regarding the ongoing projects tendered by the Company, the works which had been completed within the stipulated time, escalation cost etc. should be furnished to the Committee within one month.
6	15	„	The Committee remarks that the decision of the Company to invest surplus fund in mutual funds instead of investing it in the Government Treasury is totally unjustifiable and criticise the then Managing Director who wilfully violated the Government

1	2	3	4
			Order in this regard. The Committee is not at all satisfied with the arguments of the witness that even though audit objection regarding the matter is true, the Company gained a profit of ₹ 11 lakh than if it was invested it in Treasury or Nationalised Banks.
7	16	Public Works	The Committee recommends that since such investments are against the interest of Government strict warning should be given that such unviable decisions should not be repeated in future. The Committee also directs the Government to furnish report after seeking explanations from the then Managing Director regarding the matter and call for details regarding the circumstances which led to the investment.

APPENDIX II

NOTES FURNISHED BY GOVERNMENT ON THE AUDIT PARAGRAPHS

Serial No.	Audit Paragraph	Reply furnished by Government
1	2	3
1	4.2 (2009-10)	<p>RBDCK was formed by Government of Kerala with a view to ensure speedy execution of major Public works, in an autonomous manner for speedy completion.</p> <p>The State Government had entrusted the works of construction of 50 Nos. of ROB's with RBDCK,</p> <p>Of the 50 ROB's, 2 ROB's at Panniankara in Kozhikkode, and Mayyanad in Quilon were transferred to Public Works Department and the remaining ROB's were constructed by RBDCK. The Government also executed MoUs for 20 Nos. of ROB's with the Railways. RBDCK availed long-term loan for Rs. 5915 lakh for a period of 15 years from 18-9-2000 from HUDCO (Loan Scheme No. 16579) and also from other financial institutions to meet the cost of construction of the projects. The repayment of loan availed was proposed to be made from the revenue raised through collection of user fee on completed projects and Budgetary allocations.</p> <p>Planning, Execution and Contract Management</p> <p>The company was originally formed with such plan of action that the projects entrusted should be completed within a short span of time, utilizing the borrowed funds. Accordingly the works were tendered fixing period of completion as 12 months in the expectations that acquisition of the land required for the works and clearing obstructions could be completed as the works are in progress. Since several other</p>

1	2	3
		<p>agencies were involved directly or indirectly in the implementation of the projects, co-ordination could not be achieved as expected in many instances in the matter of Land Acquisition, shifting of utilities and obtaining approval from Railways etc. With regard to the 24 works mentioned, immediate steps were taken for the acquisition of land required for construction. The entire LA proceedings were done by Revenue Department which involves various steps to be completed at various levels.</p> <p>The normal time required for completing the LA procedures is 7-8 months. However, in spite of all the initiative and follow-ups taken in this regard, inordinate delay occurred in completing the LA procedures due to unforeseen reasons which affected the entire planning adversely and caused delay in the implementation of the projects entrusted by Government. The inordinate and unexplainable delay on the part of Revenue Authorities was one of the main reasons for the delay caused in the completion of the 9 projects.</p> <p>However, in almost all cases, due to deficiencies in staff for LA works, taking possession of land were delayed. Some of the proceedings became denova due to lack of fund for the purpose.</p> <p>The works of ROBs were entrusted with RBDCK by Government on condition that the funds required for LA would be made available by Government. For all the 9 works Government had issued sanction for Land Acquisition without considerable delay. The company had to complete all the works entrusted with it as early as possible, since the cost of works were proposed to be met through borrowed funds. RBDCK proceeded to tender the works, expecting that the</p>

1	2	3
		<p>balance portion of land would also be made available within the prescribed time frame as the work was in progress. Also, the works had to be arranged before the acquisition of the full extent of land, considering the fact that early utilization of the maximum loan amount during a period in which the cost of construction was comparatively less was to be ensured. The works were tendered in expectation that the required land could be made available and the utilities at site could be shifted as the works progressed. The decision was rational and suitable to the situation prevailing at the time. The fact that land will be handed over step by step only as the work progresses was mentioned in the agreement itself. However, L.A. cannot be completed due to the facts earlier mentioned. As regards the delay in shifting utilities and making available hindrance free site to the contractors as mentioned all the 9 ROB's are situated at comparatively busy centres in Kerala having many public activities and as such steps to shift the utilities could be taken only when utilities come to notice during execution of the excavation works at the sites. Immediate action was taken whenever such contingencies came to notice. In respect of the telephone/electrical posts and overhead cables standing at site which were visible could be shifted only when the work at the relevant portion of the site is started with a view to avoid inconvenience to the public. There has been no considerable delay in shifting the utilities at any of the sites of the nine works to affect the progress of work, except in the case of Koratty where delay occurred in shifting the 11 KV overhead transmission line due to the uncompromising attitude of the Railway Authorities. In the case of some works, agencies like KSEB, Water Authority and BSNL also did not show much co-operation resulting in delay in shifting of utilities.</p>

1	2	3
		<p>Approvals from Indian Railways</p> <p>Approvals of the following authorities of Indian Railway were required for executing the works of ROBs in the Railway portion:</p> <ol style="list-style-type: none"> (1) Staging design of track span-Commissioner of Railway Safety, Bangalore. (2) Structural Design of ROB track span and non-track span in Railway portion-Chief Administrative Officer, Chennai (Construction) (3) Staging design in the non-track span-Chief Administrative Officer, Chennai (Construction) (4) Caution for speed restrictions-Divisional Railway Manager <p>As the above Railway Authorities are attending so many designs submitted by various agencies coming under Southern Railway, the design furnished will be attended only on priority basis. RBDCK can only remind the Railway authorities in this regard. Decision to award the work in anticipation of timely action by LA officials and the above Government agencies was taken by the Company in good faith to safe guard the long-term interest of the Company.</p> <p>Financial Management</p> <p>The original proposal at the time of formation of RBDCK, was to meet the cost of construction through budgetary allocation made to the company. The company availed long-term loans from HUDCO and other financial institutions, for investment in the project. It was envisaged that the loan availed could be repaid through subsequent budgetary allocations. Government of Kerala allowed the company to raise revenue by collecting user fee on the completed projects. But this proposal was also not fruitful, since the</p>

1	2	3								
		<p>company faced stiff resistance in the locations of some projects already completed by the company. The unexpected delay in completion of the projects due to several reasons beyond the control made the venture not a complete success.</p> <p>As already pointed out, the works entrusted with RBDCK had to be commenced as early as possible without waiting for all formalities to be completed with a view to ensure effective utilisation of borrowed funds (without idling). Though this had led to some delay in completion resulting in cost escalation in some cases, a major portion of the works could be completed at a relatively lower cost, since the works could be arranged at 1999 SOR. Moreover, there was stiff competition in almost all the original tenders and the works were awarded at far below the approved estimated cost. If waited for all formalities to be completed before arranging the work, it would have taken years even to start the work and the cost of construction would have escalated many folds. The fact that so much of assets could be created at comparatively lesser rates cannot be ignored and would justify the argument of blockage of funds. In fact, the idea of user fee collection was not envisaged originally at the time of award of the work, which only came as an alternate substitute arrangement to meet the contingency occurred due to scarcity of funds for the projects. Therefore the early arrangement of works was a right step taken by the company in the particular situation which was fully beneficial to the company at any rate.</p> <p>The present status of the 9 works are furnished below:</p> <table><tr><td>1. Nandi Bazat</td><td>.. Completed</td></tr><tr><td>2. Kadukkamkunnu</td><td>.. do.</td></tr><tr><td>3. Puleppady</td><td>.. do.</td></tr><tr><td>4. Koratty Angadi</td><td>.. do.</td></tr></table>	1. Nandi Bazat	.. Completed	2. Kadukkamkunnu	.. do.	3. Puleppady	.. do.	4. Koratty Angadi	.. do.
1. Nandi Bazat	.. Completed									
2. Kadukkamkunnu	.. do.									
3. Puleppady	.. do.									
4. Koratty Angadi	.. do.									

1	2	3
		<p>5. Athani .. Completed</p> <p>6. Bakel .. do.</p> <p>7. Vallikkunnu (Parappanangadi) .. do.</p> <p>8. Ponnuruni .. do.</p> <p>9. Sulthan pet-Ongoing</p> <p>Land acquisition for all public purpose including construction of ROB's are taken up under Fast Track Procedure by Revenue Department, Government have also announced Rehabilitation and Resettlement package for the speedy completion of Land Acquisition. In the annual budget funds are allocated for the construction of ROB's subject to availability of funds.</p> <p>The above facts may be considered and the objection raised may be dropped.</p>
2	4.3 (2010-11)	<p>As explained in the reply furnished by RBDCK in this regard, the investment of the funds available with the Company, earmarked to be utilised for completion of the projects undertaken by the company, but which could not be utilised immediately pending completion of certain preliminary formalities relating to the projects, were made during a period when the company as seeking ways to raise additional resources to meet the day-to-day expenses of the company. Funds received from the KRF Board were on loan basis which carried an interest up to 9.5% and an additional penal interest up to 2% on default. Since there was some uncertainty regarding the exact time by which the available funds could be made use of, pending finalization of the preliminary activities, the funds available was temporarily lodged in various mutual funds to avoid idling of funds and expecting maximum return for meeting the liability of</p>

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		<p>interest being accrued on the loan amount. It was also considered that since the money was received on loan basis from KRF Board at specific interest rates, the same could not be considered as a fund allocation from Government. The Company had to find out resources sufficient enough to pay back the loan with interest. The only motive behind the investment made was to raise some additional revenue to meet the accumulating liability revenue to meet the accumulating liability by way of interest. Loan received from KRF Board could not be treated as a non-liaible fund allotment from Government. The Company had no other choice than to fetch all possible means to raise some additional income to meet the contingency created through accruing interest. The investments in mutual funds, therefore, were made in the best interest of the Company without any ulterior motive, whatsoever.</p> <p>The Company started investment in 2006 in the light of the oral consent of the Board of Directors, which was subsequently revoked by the Board in the Board meeting held in December 2007. The Board of Directors gave approval to the investment in mutual funds after conducting detailed studies on the financial situation of the Company and considering all aspects of the matter.</p> <p>In the report, the main objection mentioned by the C&AG is that the company went for the investment although there was a prohibition existing <i>ab initio</i>. As already mentioned in the reply, being newly formed, the company was also unaware of the existence of such a Government Order in this regard and the investment was made in the best interest of the Company as authorised vide Clause 27 of Memorandum of Association and Clause 34.17 of Articles of Association of RBDCK.</p>

1	2	3
		<p>It is obvious that the investments were made as a temporary measure to strengthen the weak financial position of the Company. The net result of the overall transactions was profitable to the Company. The action taken by the Company in the matter of investment in mutual funds cannot therefore, be considered as an instance of deliberate violation of Government direction.</p> <p>The Company forthwith stopped in the practice of investment of funds in mutual funds immediately after issuance of Circular No.75/09/Fin. dated 29-8-2009 by the Government and no further amount has been invested in mutual funds since then. The Company fully endorse the observations made by C&AG and has taken up the matter with due gravity in the light of observations made. In the above context, no further action seems to be necessary in the matter.</p>
3	4.9 (2010-11)	<p>Even though, RBDCK was one among the 20 Companies selected by Account General for assessing the effectiveness of performance in the areas of deployment of surplus funds, disbursement of loans, borrowing of funds and payment of taxes and duties, the Accountant General has not specifically mentioned and default on the part of the Company in the report.</p>

Audit Report (Commercial) for the year ended 31 March 2011

Statement showing status of work in Roads and Bridges Development Corporation of Kerala Limited
(Referred to in paragraph 4.2)

Sl. No.	Name of ROB	Date of awarding work	Sensitized date of completion	Estimated Cost Rs. in crore	Date of actual completion	Date of handing over of land	Delay in handing over land	No. of times re-tendered	Delay in shifting utilities	Delay in getting approval of Railways	Delay in getting material from Railways	Status of work completed in May 2010
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
1	Nandi Bazar (MOU work)	January 2001	January 2002	6.07	April 2006 (Partial)	July 2003	2 years	2 (November 2004-February 2005)	...	6 Years (January 2001-December 2006)	2 Years (January 2007-July 2009)	Work completed in February 2010
2	Palakkad Town (MOU work)	December 2001	December 2002	4.07	December 2002 (Partial)	November 2002 (part; Balance not transferred)	8 Years	Not retendered	...	...	...	Work not completed, 6,1808 acres of land not handed over. Land notification became denova
	Pannottum (MOU work)	December 2001	December 2002	4.63	Work not commenced	August 2003	1.5 Years	Not retendered	...	...	...	No progress after partial completion and abandonment by the contractor
4	Koratty Augudi (MOU work)	November 2001	November 2002	3.38	October 2007 (partial)	April 2003	15 months	once (July 2003)	November 2001 - November 2008 (7 years)	November 2003 - December 2009 (8 Years)	...	No progress due to delay in getting approval of designs by Railways

Sl. No.	Name of ROB	Date of awarding work	Scheduled date of completion	Estimated Cost Rs. in crore	Date of actual completion	Date of handing over of land	Delay in handing over land	No of times re tendered	Delay in shifting utilities	Delay in getting approval of Railways	Delay in getting material from Railways	Status of work completed in May 2010
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
						Land not made available	7 Years	...	...	...	...	Not commenced. The land was not made available. Land notification became de nova.
	Kodakkankunnu (Non-MOU)	January 2002	May 2003	4.00	Completed (September 2004) partially	July 2005	3 Years	Not retendered	...	...	...
	Kodakkankunnu (Non-MOU)	December 2001	December 2002	2.73	October 2002 (partial)	February 2002 (partial)	December 2001- May 2003 (2 years)	...	8 Years	...	...	Contractor abandoned the work, not recommenced. Railway portion of work was included in the contract and subsequently retendered. Railway portion to be completed.
8	Wekal (Non-MOU)	January 2002	May 2002	4.58	September 2004 (partial)	August 2005	3 Years	...	January 2002- September 2004 (2 years)	...	...
9	Pollady* (Entrusted by Government)	December 2001	December 2002	4.63	November 2003 (partial)	November 2005 (advance possession)	2 Years	Twice (November 2004 and May 2009)	...	...	...

Statement showing cost overrun of ongoing projects in Roads and Bridges
Development Corporation of Kerala Limited
(Referred to in paragraph 4.2)

Sl. No.	Name of ROB	Original Cost	Expenditure as on March 2009	Cost overrun
(Rupees in lakh)				
1	Koratty Angady	337.75	454.52	116.77
2	Nandi Bazar	606.75	894.08	287.33
3	Sulthanpet	407.32	510.24	102.92
4	Athani	262.02	356.96	94.94
5	Kadukkamkunnu	272.31	389.43	117.12
6	Bekall	458.49	629.74	171.25
7	Pullepady	461.12	1257.00	795.88
8	Ponnurunni	451.74	382.49	-69.25
		3257.50	4874.46	1616.96

Calculation of loss of interest due to blocking of funds in ongoing projects by
Roads and Bridges Development Corporation of Kerala Limited
(Referred to in Paragraph 4.2)

Name of ROB	Land acquisition				Other Direct cost				Total	
	Period		Amount invested	Loss of interest	Period		Amount invested	Loss of interest	Investme nt	Interest
	From	To	(₹ Lakh)		From	To			(10) =(4)+(8)	(11) =(5)+(9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
Koratty Angady	May-03	March 2010	110.23	84.78	Apr.07	Mar.10	186.36	62.17	296.59	146.95
Nandi Bazar	Aug.03	March 2010	83.52	61.92	Apr.07	Mar.10	412.55	137.63	496.07	199.54
Sulthanpet	Nov.02	March 2010	96.14	79.29	Apr.07	Mar.10	272.52	90.91	368.66	170.20
Ponnurunni	Aug.03	March 2010	165.59	122.76	Apr.07	Mar.10	151.49	50.54	317.08	173.29
Athani	Aug.05	March 2010	75.98	39.43	Apr.07	Mar.10	168.25	56.13	244.23	95.56
Kadukkam kunu	Dec.04	March 2010	1.77	1.05	Apr.07	Mar.10	258.82	86.34	260.59	87.39
Bekal	Aug.05	March 2010	19.95	10.35	Apr.07	Mar.10	440.44	146.93	460.39	157.28
Pullepady	Jan.04	March 2010	198.45	134.24	Apr.07	Mar.10	500.04	166.81	698.49	301.06
			751.63	533.82			2390.47	797.46	3142.10	1331.27

Note: Work of Vallikkunnu ROB not commenced

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